

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

Citizen Advisory Committee  
August 8, 2023



# ✓ Outline

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

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# TJPA's 20-Year Financial Plan

# ✓ 20-Year Financial Plan Components & Requirements

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## ■ Capital Plan

- Describes sources/uses of capital funding for TJPA and Caltrain
- Demonstrates approach to deliver existing capital programs as well as implement DTX
- Demonstrates at least commitment of 30% of non-Capital Investment Grants (CIG) funding

## ■ O&M Plan

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

# ✓ Operating Revenue Assumptions

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- Regional Measure (RM) 2 and 3
  - RM 2 allocations continue to grow at 3.5% per year
  - RM 3 allocations reach \$5 million per year, no escalation
- Community Benefit District (CBD)
  - CBD is renewed beyond its initial term (June 30, 2030) and continues to cover 79.18% of Salesforce Park's O&M costs
- Retail and Advertising Revenue
  - Delays in tenant openings, downtown recovery and adjusted rents continue impacting near term revenue. Full recovery by FY 2029/30
- Lease and Use Payments
  - The Lease and Use amount increases to \$6.2 million in FY25/26 before declining to \$2.7 million in 31/32.

# ✓ Operating Expenditure Assumptions

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- Salesforce Transit Center
  - Consistent with adopted FY 2023/24 Operating Budget
  - Projections assume a long-term 3% growth in costs
- Salesforce Park
  - Public Programming, landscaping, and park management fee continue at current service levels

# ✓ Operating Reserve Assumptions

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- Emergency Reserve

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

- O&M Reserve

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

- Transfers to Capital Replacement Reserve

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

# ✓ Capital Revenue Assumptions

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



# ✓ Capital Expenditure Assumptions

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

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

# ✓ DTX Capital Cost Elements

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

# ✓ DTX Cost Review Process

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

# ✓ Key Assumptions for Cost Estimate

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- Escalation – 6% for 2024, 5% for 2025, 3.5% thereafter
- Risk – combined Project Team and FTA/PMOC input
  - Based on IPMT Quarterly Risk register scoring
  - PMOC added \$407M (increased 2025 escalation, 6 months of schedule contingency, added risk for ROW, Utilities, RR coordination, etc.)
- Design, Construction Contingency, and Program Reserve - budgeted contingency dollars to a P65 level of confidence for completing on budget, per FTA OP40
- Program-wide Costs – 22.5% of escalated measured construction, design and construction contingency total

# ✓ 2023 DTX Cost Estimate

Category	Estimate (YOE \$Millions)
Utility Relocation	\$35
Demolition	\$7
4th and King Sitework	\$80
Civil / Tunnel	\$2,449
Station Fit-out	\$402
Systems and Trackwork	\$478
Allowances	\$78
<b>Subtotal Construction</b>	<b>\$3,529</b>
ROW Acquisition	\$317
Vehicles	\$43
Programwide	\$1,104
Design Contingency	\$906
Construction Contingency	\$438
Program Reserve	\$805
Financing Costs	\$375
<b>Subtotal</b>	<b>\$3,988</b>
<b>The Portal Grand Total</b>	<b>\$7,517</b>
Trainbox Investment (Paid for and Constructed in Phase 1)	\$729
<b>FTA Reported Total</b>	<b>\$8,246</b>

*Subject to change pending completion of FTA readiness review expected in October 2023. Baseline budget to be subsequently adopted by TJPA Board*

\* Estimate is presented in Year of Expenditure Dollars

\*\*Values may not total due to rounding

# ✓ DTX Capital Funding Plan

<b>Funding Source/Category</b>	<b>Est. Amount (Millions of YOES)</b>
<b>Committed/Budgeted (59%* of non-CIG)</b>	<b>\$1,660</b>
Transit District Sources (CFD, Tax Increment, etc.)	~\$925
MTC Regional Measure 3 (RM3)	\$325
SFCTA Sales Tax (Prop K and Prop L)	~\$320
State Transit Intercity Rail Capital Program (TIRCP)	\$60
Regional Transportation Improvement Program (RTIP)	\$18
Partner Agency Contributions to Project Dev./Engineering	\$12
<b>Federal Pipeline</b>	<b>\$4,074</b>
FTA Capital Investment Grant (49.4%)	\$4,074
<b>Planned/Potential</b>	<b>\$1,790</b>
Other Federal Programs (e.g., CRISI, Mega, FSP)	\$690
State Transit Intercity Rail Capital Program (TIRCP)	\$500
High-Speed Rail (State/Federal Funds and/or CHSRA TBD)	\$550
Other/Future Regional Source(s)	~\$50
<b>Total Funding</b>	<b>&gt; \$7,517</b>

# ✓ DTX Capital Funding Plan

## Strategic Considerations

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- Assuming a successful CIG FFGA and the Committed + Budgeted sources and Phase 1 trainbox investment, the project exceeds 72% of needed funding
- Project cost reflects conservative estimates with 44% overall contingency and should remain stable
- However, significant additional work remains in next ~20 months to complete funding plan, including:
  - Pursuit of competitive grants at all levels
  - Coordinated state and federal advocacy
  - Regional prioritization and support
  - Development of new/expanded local funding sources (e.g., Tax Increment term extension)
  - Consideration of financing strategies (e.g., USDOT TIFIA)
  - Incorporation of capital cost savings from Value Engineering



# ✓ DTX Incremental O&M Cost Assumptions

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- Includes only TJPA and Caltrain operations
  - Future CHSRA operations not reflected; FTA evaluation based on initial condition during which Caltrain will be sole rail operator
- Completion of construction and commissioning in Fall 2032
  - First complete year of Caltrain operations in 2033
- Caltrain Service Plan:
  - 4 trains per peak hour per direction (pphpd) to Fourth & Townsend and Salesforce Transit Center
  - 6 trains pphpd between Fourth & Townsend/King and San Jose
- Ridership Forecast:
  - Completion of Caltrain electrification
  - Incremental ridership recovery from COVID over medium-term (next ~10 years)
  - Long-term (~2045) forecast consistent with FTA "STOPS" model and FTA May 2023 Guidance considering both pre- and post – pandemic ridership

# ✓ Preliminary DTX Incremental O&M Cost

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<b>Cost Element</b>	<b>Cost (2023\$) M</b>
Traincrews, Supervisors, Expenses, Operations and Dispatch Management, Administration, Safety, Finance, Timetables and Tickets, and Security	\$6.5
Rolling Stock (Diesel and EMU) Maintenance, Fuel, Lubricants, and Utilities	\$2.0
Stations, Track, OCS/TPS, Equipment Maintenance, and Spare Parts	\$19.0
Insurance, Claims, Payments, and Reserves	\$1.0
Wages and Benefits	\$1.6
Professional Services	\$0.4
Other Office Expenses and Services	\$0.3
Contingency (15%)	\$4.5
<b>TOTAL</b>	<b>\$35.3</b>

# ✓ DTX Incremental O&M Funding Approach

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

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



# Questions?

**TJPA**  
TRANSBAY JOINT POWERS AUTHORITY

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