

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 5-6, 2024

From: TANISHA TAYLOR, Executive Director

Reference Number: 4.21, Action

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Published Date: November 22, 2024

Subject: Approval of Credit for the Monterey Branch Line Property Purchased with Proposition 116 Funds, Resolution G-24-78

Recommendation:

Staff recommends that the California Transportation Commission (Commission) approve a credit of \$16,765,000 from the Transportation Agency for Monterey County (TAMC) to the Commission for the Monterey Branch Line property. This property was purchased with 100 percent state funds through the Proposition 116 Clean Air and Transportation Improvement Act of 1990 (Proposition 116) program but was never used for its intended purpose of public passenger rail. The terms of the credit are outlined below and in the resolution, included in Attachment A:

- TAMC shall repay a credit of \$16,765,000 to the Commission by prioritizing local and federal funds and Senate Bill 125 Transit and Intercity Rail Program formula funds to eligible rail investments in Monterey County. Eligible rail investments must be consistent with Proposition 116 and implemented in coordination with TAMC.
- TAMC shall submit a project list to the Commission by its June 2025 meeting to identify rail investments up to \$16,765,000. TAMC shall report the progress of these investments to the Commission on an annual basis until the credit is fulfilled. The investments are considered complete upon acceptance of the construction contract.
- The Monterey Branch Line project will be relieved of the Proposition 116 restrictions upon approval of the credit terms effective from the December 5-6, 2024 Commission meeting.

Issue:

In August 2003, the Commission programmed \$9,370,000 in Proposition 116 funds to TAMC for acquisition of the Monterey Branch Line right-of-way for the San Francisco-Monterey Intercity Rail Project. The associated resolution (Resolution PA-03-06) stipulated that the Project was limited to a ten-year period to start operations, otherwise the right of way was required to be sold and the state reimbursed the then present value.

At the same August 2003 meeting, the Commission allocated the \$9,370,000 in programmed funds to TAMC. The associated resolution (Resolution BFP-03-02) stipulated that if the recipient failed or ceased to utilize the Project's property for the intended public transit purposes or sold or transferred title of the Project(s), the Commission was entitled to a then present value refund or credit at the State's option.

In September 2009, the Commission approved moving \$131,525 in savings from Proposition 116 funds from the Right of Way phase to the Project Approval & Environmental Document phase (Resolution PA-09-05). In the resolution allocating the funds (Resolution BFP-09-01), the Commission stipulated that in the event the recipient or successor public entities failed or ceased to utilize the Project for the intended public passenger rail purposes or sold or transferred title to the Project, the Commission was entitled to a then present value refund, or credit, at State's option, equivalent to the proportionate funding participation by the State towards the property acquisition and project construction.

At the time the Commission allocated the Proposition 116 funding for the Monterey Branch Line Project, TAMC was committed to establishing passenger rail in that corridor. However, for various reasons, including insufficient funding, TAMC did not establish passenger rail within the ten-year period. TAMC, is now pursuing a Bus Rapid Transit project in this corridor using the right of way purchased with the Proposition 116 funds. The Bus Rapid Transit project has committed federal and Transit and Intercity Capital Rail Program funding.

Pursuant to Resolution PA-03-06, the Proposition 116 funding approved by the Commission was to establish rail service for the Monterey Branch Line within 10 years. The rail service was not established, therefore, pursuant to Resolution BFP-03-02, TAMC is required to refund or credit the state the then-present value of the property. Staff has met with TAMC and reached agreement for the credit option. On October 6, 2024, an appraisal determined the then-present value to be \$16,765,000. Staff recommends that TAMC repay the \$16,765,000 credit to the Commission by prioritizing rail investments in Monterey County with local and federal funds. Staff also recommends that TAMC submit a project list to the Commission by its June 2025 meeting to identify rail investments up to \$16,765,000. TAMC will report their progress on rail investments to the Commission annually, until the credit is fulfilled.

Background:

Proposition 116, the Clean Air and Transportation Improvement Act of 1990, designated \$1.99 billion for specific projects, purposes, and geographic jurisdictions, primarily for passenger rail capital projects. Of this amount, Proposition 116 authorized \$1.852 billion for the preservation, acquisition, construction, or improvement of rail rights of way, rail terminals and stations, rolling stock acquisition, grade separations, rail maintenance facilities, and other capital expenditures for rail purposes.

California Public Utilities Code 99638 authorized \$17,000,000 in total for the extension of Caltrain service and other rail projects within Monterey County. The Commission committed the \$17,000,000 to the following projects: \$7,180,000 to the Rail Extension to Monterey County (Caltrain service); \$450,000 to SF/Seaside Monterey Intercity; and \$9,370,000 to the Monterey Branch Line.

Attachment:

- Attachment A: Resolution G-24-78

CALIFORNIA TRANSPORTATION COMMISSION
Approval of Credit for the Monterey Branch Line Property Purchased with
Proposition 116 Funds

RESOLUTION G-24-78

- 1.1 **WHEREAS**, in June 1990 the voters approved Proposition 116, the Clean Air and Transportation Improvement Bond Act of 1990, authorizing the sale of general obligation bonds for rail transit capital purposes; and
- 1.2 **WHEREAS**, Public Utilities Code Section 99638 authorized \$16,765,000 to the Transportation Agency for Monterey County (TAMC) for the following: (a) extension of the Caltrain service; or (b) other rail projects within Monterey County, contingent upon approval by the California Transportation Commission (Commission); and
- 1.3 **WHEREAS**, in December 1990, the Commission adopted Resolution G-90-23 which outlined the Policy and Application Guidelines for the Proposition 116 Program; and
- 1.4 **WHEREAS**, in July 2003, the Commission received and reviewed TAMC's application requesting \$9,370,000 in Proposition 116 funds for acquisition of the Monterey Branch Line project for the San Francisco-Monterey Intercity Rail Service Project; and
- 1.5 **WHEREAS**, in August 2003, the Commission approved Resolution PA-03-06 which programmed \$9,370,000 in Proposition 116 funds for the acquisition of the Monterey Branch Line Project; and
- 1.6 **WHEREAS**, Resolution PA-03-06 stipulated that the Project was limited to a ten-year period to start operations, otherwise the right of way was required to be sold and the state reimbursed the then value; and
- 1.7 **WHEREAS**, Resolution BFP-03-02, which allocated the \$9,370,000 at the same August 2003 Commission meeting, stipulated that in the event the recipient failed or ceased to utilize the projects property for the intended public transit purposes, or sold or transferred title of Project(s), the Commission was entitled to a then present value refund or a credit at the State's option; and
- 1.8 **WHEREAS**, in September 2009, the Commission approved Resolution PA-09-05 to move \$131,525 in savings from Proposition 116 funds from the Right-of-Way phase and to the Project Approval & Environmental Document phase to complete the environmental document for the Monterey Branch Line; and

- 1.9 **WHEREAS**, Resolution PA-09-05 stipulated that in the event the recipient failed or ceased to utilize the Project for the intended public passenger rail purposes, or sold or transferred title to the Project, the Commission was entitled to a then present value refund, or a credit at the State's option, equivalent to the proportionate funding participation by the State towards the property acquisition and project construction; and
- 2.1 **WHEREAS**, in January 2024, the Commission was informed that TAMC did not meet the requirements of Proposition 116 and Resolution PA-09-05 for the property to be used for public passenger rail purposes; and
- 2.2 **WHEREAS**, in October 2024, TAMC obtained an appraisal, with oversight by Caltrans, to determine the then-present value which was identified as \$16,765,000; and
- 2.3 **NOW THEREFORE, BE IT RESOLVED**, that the Commission hereby authorizes a credit of \$16,765,000 to be paid from TAMC to the Commission for the Monterey Branch Line property purchased with 100 percent state funds through the Proposition 116 program; and
- 2.4 **BE IT FURTHER RESOLVED**, that TAMC shall repay the credit to the Commission by prioritizing local and federal funds and Senate Bill 125 Transit and Intercity Rail Program formula funds to eligible rail investments in Monterey County; and
- 2.5 **BE IT FURTHER RESOLVED**, that eligible rail investments must be consistent with Proposition 116; and
- 2.6 **BE IT FURTHER RESOLVED**, that TAMC shall submit a project list to the Commission by its June 2025 meeting to identify rail projects up to \$16,765,000; and
- 2.7 **BE IT FURTHER RESOLVED**, that TAMC shall report the progress of these investments to the Commission on an annual basis until the credit is fulfilled; and
- 2.8 **BE IT FURTHER RESOLVED**, that the investments are considered complete upon acceptance of the construction contract; and
- 2.9 **BE IT FURTHER RESOLVED**, that the Monterey Branch Line project will be relieved of the Proposition 116 restrictions upon approval of the credit terms effective from the December 5-6, 2024 Commission meeting.