

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 26-27, 2025

From: STEVEN KECK, Chief Financial Officer

Reference Number: 2.8v.(16), Action Item

Prepared By: Dee Lam, Chief
Division of Local Assistance

Subject: **REQUEST TO AMEND THE PERIOD OF PROJECT ALLOCATION FOR A
LOCALLY-ADMINISTERED SENATE BILL 1 TRADE CORRIDOR
ENHANCEMENT PROGRAM RAIL PROJECT
WAIVER 25-125, AMENDING WAIVER 24-80**

ISSUE:

Should the California Transportation Commission (Commission) amend the period of project allocation for the locally-administered Senate Bill 1 (SB 1) Trade Corridor Enhancement Program (TCEP) Stockton Diamond Grade Separation Rail project (PPNO 9883), in San Joaquin County, for the time period as identified in the attachment?

RECOMMENDATION:

The California Department of Transportation (Department) recommends that the Commission amend the period of project allocation for the locally-administered SB 1 TCEP Stockton Diamond Grade Separation Rail project (PPNO 9883), in San Joaquin County, for the time period as identified in the attachment.

BACKGROUND:

In June 2023, the Commission approved a 12-month time extension for the period of project allocation for the SB 1 TCEP Stockton Diamond Grade Separation Rail project (PPNO 9883). In May 2024, the Commission approved a second time extension for an additional 12 months for the period of project allocation with a deadline of June 30, 2025.

The local agency will not be able to request an allocation for funds by the June 30, 2025, deadline and is requesting additional time for period of project allocation. The attachment provides the details of the project and the explanation for the delays.

Current SB 1 TCEP Guidelines (Guidelines) stipulate that funds programmed for all phases are available for allocation only until the end of the fiscal year programmed. The Commission may approve a waiver to the timely use of funds deadline, one-time only, for up to 12 months. The responsible agency is requesting an exception to the Guidelines for additional time for the period of project allocation.

Attachment

**Amendment Time Extension/Waiver – Project Allocation
Trade Corridor Enhancement Program**

Project Number: 1
Applicant: San Joaquin Regional Rail Commission
County: San Joaquin
District: 10
PPNO: 9883
Allocation Amount: \$100,000,000
Phase: Construction
1st Waiver: Waiver 23-120
Approved: June 2023
2nd Waiver: Waiver 24-80
Approved: May 2024
Number of Months Requested: ~~12 Months~~ ~~24 Months~~ **30 Months**
Extended Deadline: ~~06/30/2024~~ ~~06/30/2025~~ **12/31/2025**
Department Recommendation: Support

Stockton Diamond Grade Separation Rail

The San Joaquin Regional Rail Commission (SJRRRC) requests an additional 6 months, from 24 months to 30 months, for the period of project allocation for the Construction (CON) phase of the Stockton Diamond Grade Separation Rail project. SJRRRC has experienced unforeseen delays during the project's Right of Way (RW) and Plans, Specifications, and Estimate (PS&E) phases.

The Stockton Diamond Grade Separation Rail project is located at the intersection of the heavily-trafficked Union Pacific Railroad (UPRR) and Burlington Northern Santa Fe (BNSF) Railway mainlines within the City of Stockton (City) in San Joaquin County. This is one of the busiest at-grade railway junctions in California. The construction of the grade separation will provide for an uninterrupted flow of rail traffic through the current at-grade crossing and allows for the current and anticipated future volume of freight and passenger trains to travel through the City more efficiently, thus reducing grade crossing blockage times.

In June 2023, the Commission approved a 12-month time extension for the period of project allocation for the CON phase of this project, due to delays in the delivery of the PS&E phase. These delays were caused by intensive design reviews and approvals from UPRR and BNSF Railroads, both of which have limited resources for project reviews and approvals. Additionally, utility relocation was delayed longer than originally anticipated due to extensive coordination with the utility owners. SJRRRC previously expected to request CON allocation in spring 2024.

In May 2024, the Commission approved a second time extension for an additional 12 months for the period of project allocation for the CON phase, due to delays in the PS&E and RW phases and the need for new environmental clearance. These delays were due to a late-stage design modification required by UPRR, which mandated that the Mormon Slough Box Culvert shift from an open-bottom to a closed-bottom design. As UPRR will own and maintain the culvert, SJRRC was obligated to comply, prompting notification to the National Oceanic and Atmospheric Administration (NOAA). This modification triggered a formal consultation process with NOAA and delayed National Environmental Policy Act revalidation. As a result, RW certification and the TCEP CON funding allocation were postponed to October 2024.

Since the approval of the second time extension, additional unforeseen delays have occurred due to complications in executing the RW Certificate.

Multi-party construction and maintenance agreements have been identified, that need to be executed during the RW phase with UPRR, BNSF, the Department, and the City, prior to the start of construction. These agreements were previously planned to be executed during the CON phase after CON allocation. This change to the timing of the construction management (C&M) agreements has triggered a reprogram of the portion of the Transit and Intercity Rail Capital Program (TIRCP) funding from the CON phase to the RW phase. While negotiating agreements with a single railroad is common, working with two Class I railroads has proven much more complex than anticipated, delaying the drafting and review of agreement terms. These agreements must be executed to enable SJRRC to certify the RW, as the RW certification cannot proceed without them. The C&M agreement involving the Department is currently being drafted and is expected to be shared with UPRR by July 2025. The C&M agreement involving UPRR and BNSF is currently under review by the railroads.

Relocation of remaining tenants on current UPRR right-of-way is also awaiting resolution of the relocation agreements. Furthermore, separate agreements with the railroads and the Department, and with the City have also introduced complexities to understanding property rights and ownership. Negotiations over budgets and construction phasing for self-performed work by the host railroads are still ongoing.

The project has federal funding with the Department as the primary recipient, and its footprint affects the State Highway System RW. As a result, the Department in association with SJRRC must document and certify RW compliance for the project, including those areas not within the Department RW. This condition has resulted in recent unexpected requirements to document and certify compliance for the entire project, adding several months of delay in completing the RW phase.

There are 13 utility lines that are impacted by the project. The majority of the utilities relocation require design and/or construction to be self-performed by the utility owners. In many cases, the utility owners need to complete the design prior to completing the utility agreements with SJRRC. Utility agreements are one of the requirements for the RW Certification.

By fall 2024, SJRRC had reached agreement on most terms with the utility owners. However, the agreements had to be revised to incorporate the Department's standard utility agreement language, which is primarily designed for highway projects and not fully suited to the unique scope and complexity of this project. As a result, additional coordination with both the utility owners and the Department was necessary to finalize the agreements, leading to several months of delay in completing the RW phase. SJRRC submitted the final utility agreements to the Department in late May 2025 and are awaiting approval. Five utility agreements are required for this project.

SJRRC has worked closely with UPRR, BNSF, the Department, and the City to complete and approve 13 design packages for structures, tracks, and engineering elements. The project design phase is concurrent with the design phase for the large SJRRC Valley Rail program, which includes a portfolio of over 20 improvements along both UPRR and BNSF lines to expand capacity to the Altamont Corridor Express service. This extensive workload in the San Joaquin region has placed a heavy review burden on the host railroads.

In addition, when SJRRC engineers re-estimated the construction costs in October 2024 at 90 percent design, they found that the project cost had increased by \$100,000,000 compared to the previously estimated cost at 60 percent design. This increase is attributed to several reasons summarized below:

- A longer construction duration based on UPRR requirements for track/signal construction phasing:
 - Requirement to maintain freight train operation
 - Requirement of increased traffic control
- Increased costs for municipal (City) and third-party (Fiber/CalWater) utility relocation after 60 percent design completion
- A higher contingency amount to cover the unforeseen conditions on this complex project, such as delays in coordinating with multiple stakeholders, extended negotiations or design approvals.

Of the original \$104,000,000 funding gap identified at the 60 percent design stage, \$101,000,000 has been secured through a combination of \$32,000,000 in future TCEP capacity, \$55,000,000 from TIRCP Cycle 7, and \$14,000,000 from the Congestion Mitigation and Air Quality Program, leaving a \$3,000,000 shortfall. The additional \$100,000,000 identified at the 90 percent design milestone brings the total remaining funding gap to \$103,000,000. To address this, SJRRC is actively working with the Commission, the Department, and the California Transportation Agency to reprioritize existing programmed TIRCP funds and pursue additional State and Federal grant funding opportunities. The status of several key State and Federal grant opportunities is expected to be known by late 2025.

SJRRC has been collaborating with the host railroads and stakeholders to complete the design reviews and obtain approvals. The remaining three design packages are currently under

review, with approvals expected in the second quarter of 2025. The bid document development is also underway and is expected to be completed in the third quarter of 2025.

SJRRRC is facilitating negotiations between the Department and UPRR regarding State Route 4 railroad undercrossing to resolve the outstanding items related to the construction and maintenance agreement and RW Certification.

Although it's common for host railroads to initiate construction and maintenance agreements, SJRRRC has taken the proactive step of drafting a multi-railroad agreement with BNSF and UPRR to encourage negotiations and expedite the agreement process. The draft is currently under review by both railroads.

SJRRRC is collaborating with the Department to review and revise all utility relocation agreements. This effort is being undertaken to ensure that each agreement fully complies with the Department's standard utility relocation agreement requirements. SJRRRC is also working closely with the Department to review all utility relocation design packages. These revisions aim to ensure that the design packages meet all applicable Department guideline requirements.

SJRRRC is aggressively pursuing funding opportunities to ensure the construction phase is fully funded and can proceed without delay. As part of this effort, SJRRRC has conducted a detailed review of phased capital priorities across the broader TIRCP-funded Valley Rail Program and has identified a potential funding solution by shifting funds from later phases of the Valley Rail Program to address the remaining funding gap for the Stockton Diamond Grade Separation project.

SJRRRC, UPRR, BNSF, the Department, and the City have all made significant investments in this project. TCEP funding is an essential fund source of the overall funding plan. If the time extension request is not approved, other secured funding sources, including federal funds, may be jeopardized, leading to significant delays. This project is well positioned for implementation: environmental clearance has been secured, design is 100 percent complete awaiting final approvals, and RW is nearing completion. Additionally, utility owners and host railroads have affirmed their commitments for the upcoming phases.

Therefore, SJRRRC is requesting an additional six months for the period of project allocation for the CON phase from June 30, 2025 to December 31, 2025.