



TA Board of Directors
Meeting of August 6, 2026

Correspondence as of June 26, 2026

Subject

1. Caltrain Board approves FY27 operating budget, maintains regular operation in near-term
2. Santa Clara County Civil Grand Jury zeros in on dysfunction at VTA over BART expansion
3. Letter of Support for the U.S. 101/Holly Interchange Improvements and Overcrossing Project

From: [Richard Hedges](#)
To: [cacsecretary \[@smcta.com\]](mailto:cacsecretary [@smcta.com])
Cc: [Board \(@smcta.com\)](#)
Subject: Caltrain Board approves FY27 operating budget, maintains regular operation in near-term
Date: Friday, June 19, 2026 5:03:32 PM
Attachments: [CalTrain Newsdocx.docx](#)

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MANAGEMENT

Caltrain Board approves FY27 operating budget, maintains regular operation in near-term

The budget sustains service for FY27, but Caltrain still needs new support for 2028 and beyond.



The budget sustains service in FY27, however, without new funding, the agency may have significantly cut service in FY28.

Caltrain's Board of Directors has approved the agency's operating budget for fiscal year (FY) 2027, as well as all recommendations for early action strategies recommended by the Senate Bill (SB) 63 Financial Efficiency Review Independent Oversight Committee's final [Phase 1 report](#). The agency says that this ensures that

Caltrain service will continue its regular operation in the near term, but long-term financial challenges remain for the rail agency absent a new revenue source—like the [Connect Bay Area campaign](#).

The FY27 operating budget is nearly \$270 million, with funds coming from multiple sources, including fares, GoPass, Measure RR, parking and rental income, state transit assistance and a one-time loan from the state of California through the Metropolitan Transportation Commission (MTC) that is intended to help address transit agency operations shortfalls in the Bay Area. With a balanced budget, Caltrain says it is able to continue its popular electric service, running trains every 15 minutes at most stations during peak hours and half hourly service at all other times—including weekends.

Caltrain says it adopted a balanced budget by limiting cost increases across its operations, reducing professional services, stronger than anticipated fare revenue and the one-time state loan. The agency notes it continues to break ridership records, shattering previous records in March of this year, and again in April.

Since 2020, Caltrain notes it has achieved over \$76 million in cost savings—approximately 7% of the agency’s operating budget over the last five years. Caltrain’s cost savings were measured by MTC as required by SB 63, the [Connect Bay Area act](#). The MTC report, issued earlier this month, showed that Caltrain’s cost savings were achieved primarily through workforce controls, service optimization and operating efficiencies.

Ongoing cost-reduction measures include a targeted hiring freeze saving \$17 million, 30-minute service reducing the need for special trains, improved operator crew efficiency and reducing overtime saving \$37 million and the integration of the maintenance of new infrastructure into existing operating contracts saving approximately \$2.1 million. Other measures include reducing professional services, temporarily deferring service increases and efforts to reduce fuel and electricity costs.

Since Caltrain began its electrified service, these cost-saving measures have slowed the growth of operating costs, offsetting some of the inflationary pressures that many transit agencies continue to suffer from. Caltrain has also been actively pursuing additional avenues to monetize assets through a non-fare revenue strategy.

The efficiency report highlighted Caltrain efforts and opportunities to grow parking revenue, leasing fiber and communications assets, pursuing an energy storage project to further optimize power use and finding new customers for Clipper BayPass and GoPass while also studying ways to activate and enhance retail at stations in addition to monetizing Caltrain’s real estate holdings. The Caltrain Board voted to approve and move forward with each of the “early action strategy” recommendations of the independent financial review committee.

“Ensuring we are responsible stewards of taxpayer money is vitally important to any public agency, regardless of the economic climate,” said Caltrain Executive Director Michelle Bouchard. “We are hard at work finding ways to be more efficient than ever before while still providing a safe, world class service for the people who rely on us.”

Despite the steps Caltrain is taking to control costs, generate revenue and grow ridership, the agency notes it still faces an average \$75 million deficit that would start in FY28. Absent a new funding source—through a regional measure or other external support—Caltrain will be forced to make significant service and staffing cuts. The agency says those cuts could have potentially lasting consequences for the tens of thousands of people and businesses that depend on—and have begun to benefit from—the newly electrified system. Caltrain says that it carries as many people as three lanes of Highway 101 daily, avoiding 36,000 additional car trips, 828,000 miles of driving and an additional 220 metric tons of carbon dioxide each day.

From: [Richard Hedges](#)
To: [Board \(@smcta.com\)](#)
Cc: [cacsecretary \[@smcta.com\]](#)
Subject: Santa Clara County Civil Grand Jury zeros in on dysfunction at VTA over BART expansion
Date: Friday, June 19, 2026 5:36:55 PM
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Santa Clara County Civil Grand Jury zeros in on dysfunction at VTA over BART expansion

PROPOSED EXTENSION of BART train service into San Jose and the city of Santa Clara could be anything from a risky endeavor to a complete boondoggle, according to a new Santa Clara County Civil Grand Jury report on the BART Silicon Valley Phase II project.

The report, simply titled “[VTA’s Management and Oversight of BART Silicon Valley Phase II](#),” was released Wednesday and excoriates the Santa Clara Valley Transportation Authority’s handling of what, if completed, will be the agency’s most costly project ever undertaken, according to the grand jury.

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In addition to murky cost projections, the grand jury concluded that the complicated project's oversight committee needs more oversight and has been ineffectual.

California's civil grand jury system provides independent investigations into issues in counties. In Santa Clara County, the 2025-2026 jury wanted to examine the uncertainties and miscommunication between stakeholders surrounding the [BART Phase II project](#).

Grand jury members were given special access to officials with BART, the VTA, and the state, as well as being able to request documents to review. The grand jury also combed through every meeting of the Phase II Oversight Committee.

Cost concerns mount

The project would add four stations and extend BART 6 miles through downtown San Jose into the city of Santa Clara, expanding out from the Berryessa station in North San Jose. [At a cost of \\$12.7 billion](#), according to the most recent projections, it will take at least 10 years [to finish](#).

The project's positives would be providing more BART access to the Bay Area's largest city, San Jose, and creating another commuter corridor. But the project also has several things going against it, according to the grand jury, not the least of which is the dire fiscal state of local transit agencies, all of which are counting on voters to approve the [Connect Bay Area Act tax measure](#) in November [to generate essential funding](#).

If the ballot measure doesn't pass, agencies such as BART have created contingency plans that include shutting down stations.

Silicon Valley Phase II project was preceded by Phase I, which was completed in 2020 and added the Milpitas and Berryessa stations and has so far taken a big financial hit, with annual losses of \$69 million in the first five years of operation. According to the grand jury, ridership for the Phase I project was 86% below estimates for January 2026.

Amid all this, the jury found that VTA has moved full-bore, pun intended, and awarded major construction contracts for Phase II, and the agency even purchased its own boring machine to build the BART tunnel. And more costs are coming.

“Over the next few years, VTA anticipates awarding further construction contracts worth billions of dollars,” the jury wrote.

Two sales taxes were passed by voters to fund the Phase II project and operate it. If another one qualifies for the November ballot, that will be an additional half-cent sales tax, bringing the county sales tax up to 10.25%. With that in mind, there is no guarantee another sales tax ballot measure will be approved by voters this time, according to the grand jury.



A map

shows the location of four BART stations scheduled to be built over the next 12 years as part of the VTA/BART Silicon Valley Extension Phase II Project. One mile of the extension will be above ground, while the other five miles will pass through an underground tunnel. (Santa Clara Valley Transportation Authority via Bay City News) Other funding will depend on state and federal grants. VTA wanted a federal commitment of \$6.3 billion, but the Federal Transportation Administration is capping any contribution at \$5.1 billion.

In short, none of the projected funding is guaranteed.

“All the funding sources are subject to risks,” reads the jury’s findings.

Once the project is up and running for commuters, the unknowns will persist. According to VTA records reviewed by the jury, for the first three years of operation, VTA forecasts annual average costs of the Phase II BART extension to be \$274 million for operations, maintenance and capital costs. Average annual fare revenue is projected at \$60 million, resulting in an average annual financial loss of \$214 million, the report states.

“Any drop in ridership will lead to further financial losses,” the jury wrote.

Questions over VTA leadership

Ultimately the grand jury report honed in on the role of the VTA Board of Directors, its Oversight Committee and the oversight of the Phase II project, none of which fare too well in their assessment.

The role of the Oversight Committee is to help the board establish a direction and recommended actions to keep the project on track. It should also ensure that VTA staff is accountable for following the board’s direction.

The jury goes into detail about how the Oversight Committee communicates — or fails to communicate — with the VTA Board and vice-versa, characterizing the interactions as “informal, intermittent and often late.”

“The Oversight Committee endorsed a major contract change without providing independent analysis, articulating its rationale, or conveying identified risks to the Board,” the jury found.

The grand jury also found that the VTA failed to adequately assess other financial risks and frankly was not prepared to take on such a huge, complex infrastructure project.

“Sources repeatedly raised concerns about the level of knowledge and decision-making ability of the full VTA Board,” the report reads.

The board is made of appointed seats held by elected officials that run in two-year commitments, effectively erasing institutional knowledge with each reshuffle. Currently the committee is chaired

by San Jose Mayor Matt Mahan.

The jury also found that the Oversight Committee does not make recommendations to the VTA board when it should and does not adequately share reports of valuable information it has received from VTA staff, experts, the public, the auditor general and the project management oversight consultant. The committee also does not hold VTA staff accountable for missing deadlines to provide analysis and information.

Recommendations for reform

As for recommendations, the jury had 10.

First, a strategy should be created to reduce the project's dependency on any transit funding measures passing in order to get cash and other funding strategies should be explored. A cash-flow model should be developed by the VTA general manager that is presented quarterly to the Oversight Committee and the Board.

Also, the board should increase its term seats to four years instead of two and should appoint people with transportation qualifications.

Finally, VTA should formally adopt a revised charter for the Oversight Committee that defines the role of the auditor general, outlines the committee's responsibilities and need for regular reports regarding costs, risks, schedules and recommendations, and holding people responsible for timely reports and analyses.

The board is required to respond to the civil grand jury's report, along with the city councils of most Santa Clara County communities and the county Board of Supervisors



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CARLOS ROMERO

APRIL CHAN
EXECUTIVE DIRECTOR

June 25, 2026

Mr. Jeff Lacap, Program Director
City/County Association of Governments of San Mateo County
555 County Center, 5th Floor
Redwood City, CA 94063

RE: Letter of Support for the U.S. 101/Holly Interchange Improvements and Overcrossing Project

Dear Mr. Lacap,

On behalf of San Mateo County Transportation Authority (SMCTA), I am pleased to provide this letter of strong support for the **City of San Carlos' One Bay Area Grant 4 (OBAG 4) County & Local Program** discretionary grant program for the **U.S. 101/Holly Street Interchange Improvements and Overcrossing Project (Project)**. Our organization has supported the planning and advancement of this project since 2015 and continues to view it as a critical investment in the regional transportation and freight network serving the City of San Carlos, the San Francisco Peninsula, and the broader Bay Area economy.

The Holly Street/U.S. 101 Interchange is an important transportation intersection on the north/south 101 commute corridor that links San Francisco with Silicon Valley. The interchange provides a critical east/west transportation link to the San Carlos Caltrain station, the Redwood Shores commercial and residential areas, and to the Bay Trail and San Francisco Bay shoreline. The proposed pedestrian and bicycle overcrossing project and corresponding design elements will provide significantly more safety to pedestrians, bicyclists, and transit riders.

The Project will reconstruct portions of the interchange to limit weaving patterns, dramatically improving safety and reducing pedestrian and bicyclist exposure to vehicle traffic at intersections and lanes. There is currently no separate overcrossing for people who bike in San Carlos and the existing Holly Street interchange provides only limited pedestrian and bicycle connectivity across U.S. Route 101. To this end, the Project also includes the construction of a separated bike and pedestrian overcrossing at the interchange.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
166 N. Rollins Road
Millbrae, CA 94030 (650) 508-6200

Mr. Jeff Lacap, Program Director

June 25, 2026

Page 2 of 2

As the countywide transportation sales tax authority and a long-standing partner in delivering multimodal capital improvements in San Mateo County, SMCTA places safety at the core of every investment decision. SMCTA prioritizes projects that reduce fatal and severe injury collisions, minimize multimodal conflict points, and foster a safer, more reliable transportation system for people walking, biking, riding transit, driving, and moving goods.

From a regional perspective, SMCTA views the U.S. 101/Holly Street Interchange Improvements and Overcrossing Project as a strategic investment in connectivity that strengthens critical east-west access across the Peninsula while enhancing the overall performance and reliability of the U.S. 101 corridor.

SMCTA strongly supports the City of San Carlos' application and urges funding of this important project. Thank you for your leadership and consideration of this request. Please contact Manager of Planning and Fund Management Sue-Ellen Atkinson at atkinsons@samtrans.com with any questions.

Sincerely,



April Chan
Executive Director

CC: San Mateo County Transportation Authority Board of Directors