

THIS PRINT COVERS CALENDAR ITEM NO.: 10.4

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Chief of Staff and External Affairs

BRIEF DESCRIPTION:

Approving the Agreement Between the Member Agencies Regarding the Peninsula Corridor Joint Powers Board's (JPB's) Fiscal Obligations to CalPERS (CalPERS Obligation Agreement), between the City and County of San Francisco (CCSF), the San Mateo County Transportation District (SamTrans), and Santa Clara Valley Transportation Authority (VTA), relating to establishing the JPB's contract with CalPERS, and authorizes the Director of Transportation to execute the Agreement, contingent on approval by the San Francisco Board of Supervisors.

SUMMARY:

- The JPB is governed by a joint exercise of powers agreement (JPA) dated October 3, 1996. The JPB, CCSF, SamTrans, and VTA are also parties to a Real Property Ownership Agreement (RPOA) dated December 24, 1991, an Amendment to the RPOA dated October 31, 2008, and a Memorandum of Understanding (MOU), dated August 5, 2022.
- Following the execution of the MOU, the JPB and the California Public Employees Retirement System (CalPERS) determined that employees who are currently receiving retirement benefits through SamTrans's contract with CalPERS, should receive those benefits through a contract between the JPB and CalPERS.
- CalPERS has agreed to negotiate a successor agency contract with the JPB ensuring that the employees will receive the same level of benefits under the new JPB contract to which they are currently entitled under the SamTrans contract. SamTrans, the JPB and CalPERS are in the process of establishing JPB's contract with CalPERS.
- For the JPB to contract with CalPERS, the three member agencies must agree to responsibility for the pension liabilities in event of dissolution, insolvency, or if CalPERS terminates the contract with the JPB, and the JPB has insufficient assets to cover its pension liabilities.
- The SFMTA requests authorization for the Director of Transportation to execute the CalPERS agreement on behalf of CCSF, contingent upon approval by the Board of Supervisors.

ENCLOSURES:

1. SFMTAB Resolution
2. Agreement Between Member Agencies Regarding the JPB's Fiscal Obligations to CalPERS

APPROVALS:

DIRECTOR _____ 

SECRETARY _____ 

DATE

March 12, 2026

March 12, 2026

ASSIGNED SFMTAB CALENDAR DATE: March 17, 2026

PURPOSE

The purpose of this calendar item is to approve the Agreement Between the Member Agencies Regarding the Peninsula Corridor Joint Powers Board's (JPB's) Fiscal Obligations to CalPERS (CalPERS Obligation Agreement), between the City and County of San Francisco (CCSF), the San Mateo County Transportation District (SamTrans), and Santa Clara Valley Transportation Authority (VTA), relating to establishing the JPB's contract with CalPERS, and authorizes the Director of Transportation to execute the Agreement, contingent on approval by the San Francisco Board of Supervisors.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

Approval of this resolution supports the following SFMTA Strategic Plan Goals:

- Goal 5: Deliver reliable and equitable transportation services.
- Goal 7: Build stronger relationships with stakeholders.
- Goal 9: Fix things before they break, and modernize systems and infrastructure.
- Goal 10: Position the agency for financial success.

Approval of this resolution supports the following Transit First policy:

- 9. The ability of the City and County to reduce traffic congestion depends on the adequacy of regional public transportation. The City and County shall promote the use of regional mass transit and the continued development of an integrated, reliable, regional public transportation system.

DESCRIPTION

Purpose

Under the 2022 Governance MOU agreed to by the Member Agencies, certain executives of Caltrain are transferred from reporting to SamTrans to directly reporting to the JPB. Based on that new arrangement, the Peninsula Corridor Joint Powers Board (JPB or Caltrain) has recommended that the JPB's Member Agencies (CCSF, SamTrans, and VTA) agree to a proposed fiscal responsibility agreement between the JPB and the California Public Employees Retirement System (CalPERS).

State law (Government Code section 6508.1) requires that the member agencies of a joint powers

authority (JPA) agree to accept financial responsibility for the JPA's pension obligations, in the event that the JPA dissolves or CalPERS terminates the contract and the JPA has insufficient assets to cover its pension obligations, as a precondition of entering into a contract with CalPERS. Currently, the 1996 Joint Powers Agreement (1996 JPA, section 15) executed by the Member Agencies (1996 JPA) provides that the debts of the JPB shall not be treated as debts of the Member Agencies, unless agreed to in writing by the parties.

In order for CalPERS to enter into a contract to provide pension benefits to the railroad's employees that now report to the JPB as a successor agency to SamTrans, the Member Agencies must agree to accept financial responsibility for the JPB's pension obligations in the event that the JPB dissolves or CalPERS terminates the contract and the JPB has insufficient assets to meet its liabilities. The recommended Fiscal Responsibility Agreement to be signed by each of the Member Agencies is attached.

Discussion

Background:

Caltrain employees currently accrue pension and healthcare benefits through SamTrans's contracts with CalPERS. Since the execution of the 2022 Governance MOU, counsel for the Member Agencies and Caltrain have determined that Caltrain should have a separate contract with CalPERS for the railroad's employees. The California Public Employees Retirement Law permits an agency that establishes eligibility, both as a public entity and on a financial basis, to become a contracting agency with CalPERS. It further permits an agency that assumes certain functions of another agency, in whole or in part, to establish a successor agency contract to assume contractual responsibility for the accrued benefits of those employees. In April 2024, JPB staff recommended that Caltrain, in close coordination with SamTrans, apply for a successor agency contract with CalPERS. Under a successor agency contract, the railroad's employees would be moved from the SamTrans plan to a new Caltrain plan, and Caltrain would continue its fiscal responsibility for providing pension and healthcare benefits for those employees under a separate contract with CalPERS.

On April 4, 2024, the JPB Board authorized staff to apply to CalPERS to become a successor agency to SamTrans for the purpose of providing benefits to the railroad's employees, and on June 28, 2024, the JPB filed an application with CalPERS. CalPERS has since determined that Caltrain is financially eligible to contract with CalPERS. In addition, CalPERS has agreed to negotiate a successor agency contract with Caltrain, with an effective date of July 1, 2024. This will ensure that the railroad's employees continue to receive the same level of benefits to which they are currently entitled under the SamTrans contract. CalPERS, Caltrain, and SamTrans staff are currently in the process of identifying those employees who will be moved from the SamTrans plan to the Caltrain plan.

Before Caltrain can enter into a contract with CalPERS, the Member Agencies must agree that they will be contractually obligated for Caltrain's pension liabilities, in the event of its dissolution, insolvency, or termination of its CalPERS pension contract. Given the value of Caltrain's assets (estimated to be \$4.2 billion) and the unfunded accrued liability for rail employees (estimated to be \$15.7 million in 2023), it is unlikely that this clause would ever be triggered. Nonetheless, in order to address the requirements under state law for a JPA to enter into a contract with CalPERS, the members of the JPA must agree to accept fiscal responsibility for the JPA's pension liabilities in the event that the JPA dissolves and has insufficient assets to pay its debts.

The JPB has recommended that its Member Agencies enter into an agreement to that effect. While the JPB considered whether and how to allocate the liability in the event of dissolution and insufficient assets, including allocating the liability equally among the Member Agencies or based on the mileage formula set forth in the 1991 Real Property Ownership Agreement, the JPB ultimately determined that it was not necessary to agree on an allocation formula, especially in light of the low likelihood that there will ever be a need to reach such a decision. The JPB therefore declined to recommend an allocation formula. According to the CalPERS special counsel, CalPERS does not require the parties to allocate liability as part of the fiscal responsibility agreement.

Because Caltrain would like to be prepared to enter into a contract with CalPERS before the start of the next fiscal year (July 1, 2026), the JPB requests that the Member Agencies consider this recommendation at a meeting to be held in the first quarter of calendar year 2026.

Once a final contract is negotiated with CalPERS, it will be subject to approval by the JPB.

TRANSIT SERVICE IMPACT

If the resolution is not approved, it would delay the JPB from moving forward to amend the JPA to incorporate the terms of the MOU to modify its governance structure and procedures. Approval of the CalPERS Fiscal Responsibility Agreement provides movement toward closure on these issues and would allow for those staff resources to be focused on the delivery of Caltrain service and operations.

STAKEHOLDER ENGAGEMENT

The JPB engaged in discussions with SamTrans and the affected employees and considered the recommended approach in meetings that were open to the public, including the legal and financial implications of each. The deliberations culminated in its adoption of a recommendation to the Member Agencies to approve the CalPERS Fiscal Responsibility Agreement in its meeting on December 4, 2026.

ALTERNATIVES CONSIDERED

The alternative is to not approve the resolution which would prevent the JPB from moving toward the amendment of the Joint Powers Agreement to modify its governance structure or procedures.

FUNDING IMPACT

There is no immediate funding impact. Given the value of Caltrain's assets (estimated to be \$4.2 billion) and the unfunded accrued liability for rail employees (estimated to be \$15.7 million in 2023), it is unlikely that the Member Agencies' fiscal responsibility obligations will ever be triggered.

ENVIRONMENTAL REVIEW

On February 25, 2026, the SFMTA and Planning Department determined that the agreement between the member agencies regarding the JPB's fiscal obligations to CalPERS, between the CCSF, SamTrans, and VTA is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b).

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

Approval of the Fiscal Responsibility Agreement is required by the San Francisco Board of Supervisors and the governing boards of the San Francisco Municipal Transportation Agency, the SMCTD, and the VTA, and the JPB. The Fiscal Responsibility Agreement has already been approved by the governing board of the JPB on December 4, 2025. Staff will present the Fiscal Responsibility Agreement to the other SMCTD and VTA Boards in March and April of 2026.

The City Attorney's Office has reviewed the calendar item.

RECOMMENDATION

Staff recommends that the SFMTA Board of Directors approve the Agreement Between the Member Agencies Regarding the Peninsula Corridor Joint Powers Board's (JPB's) Fiscal Obligations to CalPERS (CalPERS Obligation Agreement), between the City and County of San Francisco (CCSF), the San Mateo County Transportation District (SamTrans), and Santa Clara Valley Transportation Authority (VTA), relating to establishing the JPB's contract with CalPERS, contingent on approval by the San Francisco Board of Supervisors.

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS**

RESOLUTION No. _____

WHEREAS, The Peninsula Corridor Joint Powers Board (JPB) is a joint exercise of powers authority duly formed between the City and County of San Francisco (CCSF), the San Mateo County Transit District (SamTrans), and the Santa Clara Valley Transportation Authority (VTA) (together the Member Agencies) to operate the Caltrain passenger rail service between San Francisco and Gilroy; and,

WHEREAS, The JPB is governed by an amended and restated joint exercise of powers agreement (JPA), dated October 3, 1996; and the JPB and the Member Agencies are also parties to a Real Property Ownership Agreement (RPOA) dated December 24, 1991, and an Amendment to the RPOA dated October 31, 2008 (2008 RPOA Amendment), and a Memorandum of Understanding (MOU) dated August 5, 2022; and,

WHEREAS, The California Public Employees Retirement System (CalPERS) has determined that Caltrain employees identified in the MOU as reporting to the Caltrain Executive Director, who are currently receiving retirement benefits through SamTrans' contract with CalPERS, should receive those benefits through a contract between the JPB and CalPERS; and,

WHEREAS, CalPERS has determined that the JPB is eligible to contract with CalPERS and has agreed to negotiate a successor agency contract with the JPB, ensuring that Caltrain employees will receive the same level of benefits under the new JPB contract to which they are currently entitled under the SamTrans contract, and SamTrans, the JPB and CalPERS are in the process of establishing JPB's contract with CalPERS; and,

WHEREAS, As a condition of the JPB contracting with CalPERS, the Member Agencies must agree to be responsible for the JPB's pension liabilities in event of dissolution, insolvency or if CalPERS terminates the contract with the JPB, and the JPB has insufficient assets to cover its pension liabilities, pursuant to Government Code sections 6508.1 and 6508.2; and,

WHEREAS, On February 25, 2026, the SFMTA and Planning Department determined that the agreement between the member agencies regarding the JPB's fiscal obligations to CalPERS, between the CCSF, SamTrans, and VTA is not a "project" under the under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and,

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors, and is incorporated herein by reference; and, now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors approves the Agreement Between the Member Agencies Regarding the Peninsula Corridor Joint

Powers Board's (JPB's) Fiscal Obligations to CalPERS (CalPERS Obligation Agreement), between the City and County of San Francisco (CCSF), the San Mateo County Transportation District (SamTrans), and Santa Clara Valley Transportation Authority (VTA), relating to establishing the JPB's contract with CalPERS, and authorizes the Director of Transportation to execute the Agreement, contingent on approval by the San Francisco Board of Supervisors; and

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors commends this matter to the Board of Supervisors for its approval of the MOU.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of March 17, 2026.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

**AGREEMENT BETWEEN THE MEMBER AGENCIES REGARDING
THE JPB'S FISCAL OBLIGATIONS TO CALPERS**

This Agreement (“Agreement”) is entered into by and among the Santa Clara Valley Transportation Authority (“VTA”), the San Mateo County Transit District (“SamTrans”), and the City and County of San Francisco (“CCSF”) on this __ day of _____, 2026 (the “Effective Date”).

RECITALS

- A. Previous Agreements.** VTA, SamTrans, and CCSF are member agencies (“Member Agencies”) of the Peninsula Corridor Joint Powers Board (“JPB”), which is governed by an amended and restated joint exercise of powers agreement (“JPA”), dated October 3, 1996. The JPB, VTA, SamTrans and CCSF (together the “Parties”) are also parties to a Real Property Ownership Agreement (“RPOA”), dated December 24, 1991, an Amendment to Real Property Ownership Agreement (“2008 RPOA”), dated October 31, 2008, and a Memorandum of Understanding (“MOU”), dated August 5, 2022.

- B. JPB’s CalPERS Contract.** Following the execution of the MOU, the Parties and the California Public Employees Retirement System (“CalPERS”) determined that Railroad employees as identified in Section 2.A and 2.B of the MOU, who are currently receiving retirement benefits through SamTrans’ contract with CalPERS, should receive those benefits through a contract between the JPB and CalPERS. CalPERS has determined that the JPB is eligible to contract with CalPERS and has agreed to negotiate a successor agency contract with the JPB, with an effective date of July 1, 2012, ensuring that Railroad employees will receive the same level of benefits under the new JPB contract to which they are currently entitled under the SamTrans contract. SamTrans, the JPB and CalPERS are in the process of establishing JPB’s contract with CalPERS.

- C. Necessity of Fiscal Responsibility Agreement.** As a condition of the JPB contracting with CalPERS, the Member Agencies must agree to be responsible for the JPB’s pension liabilities in event of dissolution, insolvency or if CalPERS terminates the contract with the JPB, and the JPB has insufficient assets to cover its pension liabilities, pursuant to Government Code sections 6508.1 and 6508.2. In order to facilitate JPB’s contract with CalPERS, the Member Agencies now desire to enter into such an agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the Member Agencies agree to the following:

- 1. CalPERS Fiscal Responsibility Agreement.** The Member Agencies hereby agree that in the event that the JPB is dissolved or becomes insolvent, or the JPB’s contract with CalPERS is terminated, and the JPB has insufficient assets to satisfy its debts, liabilities, and obligations to CalPERS, each Member Agency agrees to be jointly and severally liable for the JPB’s debts, liabilities and obligations to CalPERS so that

together the Member Agencies have fiscal responsibility for 100% of the JPB's outstanding debts, liabilities and obligations to CalPERS upon its dissolution or insolvency, or the termination of its contract with CalPERS. Each Member Agency's proportionate share of the CalPERS debts, liabilities and obligations shall be established in a subsequent agreement among the Member Agencies.

2. **Terms of Agreement Prevail Over Existing Agreements.** To the extent a conflict exists among any provision of this Agreement and the JPA, RPOA, 2008 RPOA, MOU, or any other agreement among the Parties, the provisions of this Agreement shall take precedence over any conflicting provisions of any other agreement as long as this Agreement remains in effect.
3. **Governing Law.** This Agreement shall be interpreted, construed, and enforced in accordance with the laws of the State of California.
4. **Successors.** This Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns.
5. **Representation.** SamTrans, VTA, and CCSF have each been represented by independent counsel with respect to the negotiations and approval of this Agreement.
6. **Entire Agreement.** This Agreement constitutes the entire agreement of the Parties with respect to its subject matter and supersedes any prior oral or written understanding on the same subject.
7. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed an entire Agreement.

In witness whereof the parties have entered into this Agreement on the date first written above with the intent to be legally bound.

SAN MATEO COUNTY TRANSIT DISTRICT

By: _____
April Chan
General Manager

Approved as to form by:

By: _____
Joan Cassman
General Counsel

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: _____
Carolyn Gonot
General Manager

Approved as to form by:

By: _____
Evelynn Tran
General Counsel

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Julie Kirschbaum
Director of Transportation
San Francisco Municipal Transportation Agency

Approved as to form by:

By: _____
David F. Innis
Deputy City Attorney