

Caltrain Governance

Peninsula Corridor Joint
Powers Board
Special Meeting #2

May 14, 2021



Governance Special Meeting #2 Agenda

May 14, 2021

- **Welcome and Meeting Objectives**
- **Approach to Evaluation and Refinement of Options**
 - Approach to Paths A and B (Self-directed options)
 - Approach to Path C (Regional options)
- **Resources**
- **Next Steps**

Special Meeting #2 Objectives

- Discuss and confirm evaluation process and criteria.
- Finalize options for the 2021 governance process.
- Understand resources needed to support this governance process.

JPB Governance 2021 Roadmap

Phase 1

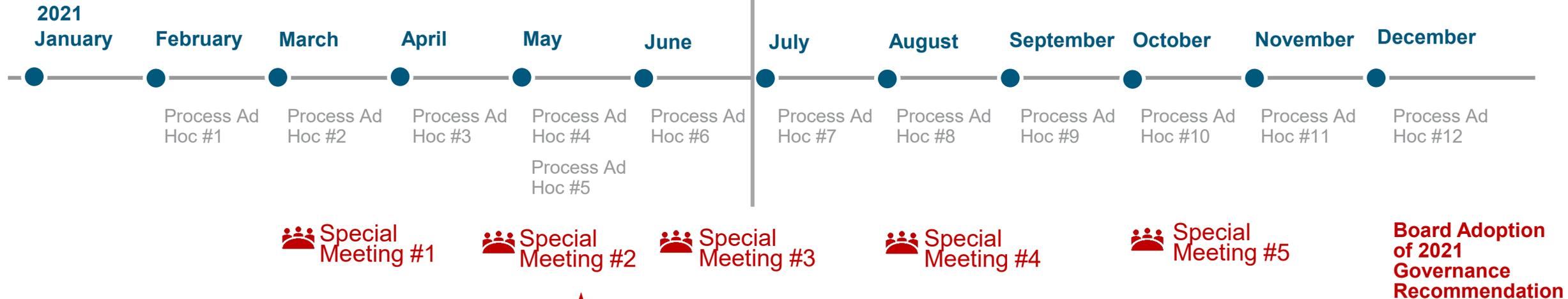
Goals:

- Exploration and education about the JPB's range of structural governance paths.
- Selection of governance options and key issues to focus on in Phase 2.

Phase 2

Goals:

- Discussion of selected option(s) and financial and legal analysis towards developing the 2021 governance recommendation.
- Adoption of governance recommendation at December 2021 JPB meeting.



Note: Additional meetings will be added to this process as needed (including Special Meetings for the full Board and Process Ad Hoc Committee meetings).

Overall Approach to Refinement and Evaluation of Options

Howard Permut

What we heard from the Board at Special Meeting #1

- Agreement of the three broad structural governance paths.
- Recognition that the paths are not mutually exclusive and could be staged to be implemented over time.
- Recognition that Paths A & B include “self-directed” options for the JPB, while Path C options are not self-directed because they are dependent on external stakeholders, separate processes, and longer timeframes.
- Agreement that the 2021 governance process will include a detailed study and consideration of options in Paths A & B, towards a recommendation by the end of the year.
- Agreement that strong interest remains in Path C options. Recognition that due to their complexity and longer timeframes, regional options may be considered via alternative evaluation methods.

Three Structural Governance Paths



A. Modify Current Structure

Maintain Caltrain's current governance structure with modifications.

Approach: quantitative and qualitative evaluation of options leading to a final recommendation in Dec 2021



B. Create New Structure

Reorganize Caltrain with new management and employment structure.



C. Pursue Regional Options

Modify Caltrain's governance to align with regional outcomes.

Approach: information and discussion at Special Meeting #3

What is it?

Proposed Governance Evaluation Steps

Develop Criteria, Process, & Options

- Develop list of evaluation criteria.
- Develop structure for evaluation process.
- Refine options for Special Meeting #2.
- **When: Completed**

Finalize Process, Criteria, & Options

- Finalize process and criteria to use as a guide for evaluating options.
- Finalize Path A and B self-directed options to include for study and analysis in this process.
- **When:** Spring 2021 at Special Meeting #2

Evaluation: Phase 1

- Conduct evaluation of Path A & B options using finalized methodology.
- Definition and discussion regarding Path C (regional options).
- **When:** Summer 2021 through Gov Process Ad Hoc meetings and Special Meetings #3/#4

Evaluation: Phase 2

- Conduct additional evaluation as needed to help refine options and help JPB develop a recommendation
- **When:** Fall 2021 through Gov Process Ad Hoc meetings and Special Meeting #5

Approach to Paths A & B (Self-Directed Options)

Howard Permut

Focusing on key areas of discussion and difference

- Governance is a broad topic. There are many different possible governance configurations and many different nuances and details of implementation that will require future discussion and consideration.
- In order to advance the JPB's discussion of governance, self-directed options have been simplified and grouped into three basic options. For each option, a "strawman" has been defined.
- **The goals of designating three, simplified options and representative strawmen is to allow for focused discussion and evaluation of the key issues that Board members and decision-makers have repeatedly raised in interviews and at prior meetings and where there are currently divergent opinions and points of view.**

Three Broad Self-Directed Options

Less Change

More Change

Option 1

Refinement of Shared Services Model/ED Relationship

Maintain SMCTD as managing agency of Caltrain with increased JPB oversight over Caltrain ED and Caltrain oversight of shared service model.

Option 2

New Shared Services Model/ED Relationship

Adjust SMCTD managing agency model to provide for direct and expanded JPB oversight and authority over Caltrain ED and senior staff as well as expanded Caltrain oversight shared services.

Option 3

Independent Agency

Dissolve managing agency model and replace with separate, independent Caltrain agency to directly manage and administer Caltrain, by either reorganizing JPA or creating special district.

How are the options different from each other?

- **Caltrain Executive Director and Leadership**
- **Staffing and Reporting Relationships**
- **Shared Services**
- **Transition Process**

How are the Options Different from One Another?

Caltrain Executive Director (ED) and Leadership

Less Change

More Change



Differences:

Option 1:

- Dedicated Caltrain ED.
- ED reports to SMCTD, with JPB setting goals and evaluating ED.

Option 2:

- JPA reorganized as leadership employment entity to hire dedicated Caltrain ED and senior staff (5-10 positions).

Option 3:

- JPA reorganized as employment entity for separate Caltrain organization, including dedicated Caltrain ED and Caltrain management staff (125+ positions).

Similarities:

In Options 2 & 3:

- Caltrain ED reports to JPB.



How are the Options Different from One Another?

Staffing and Reporting Relationships

Less Change

More Change



Differences:

Option 1:

- All staff are SMCTD employees.

Option 2:

- JPA employs only ED and senior staff.
- All other staff are SMCTD employees.

Option 3:

- JPA employs all Caltrain staff.
- All staff report to Caltrain ED.

Similarities:

In Options 1 & 2:

- Rail staff report to Caltrain ED.
- Shared services staff report to SMCTD GM.



How are the Options Different from One Another?

Shared Services

Less Change

More Change



Differences:

Option 1:

- SMCTD GM decides organizational structural for shared services with input from Caltrain ED.

Option 2:

- Caltrain ED decides organizational structure for shared services.
- SMCTD GM acts as vendor and manager of any shared services it provides.

Option 3:

- Caltrain ED decides organizational structure required for separate Caltrain organization, including any need for shared services.

Similarities:

In all Options, for any shared services provided:

- Service level agreements required.
- Cost allocation for shared services agreed to by Caltrain ED.



How are the Options Different from One Another?

Transition Process

Less Change

More Change



Differences:

Option 1:

- Some internal reorganization.
- Legal work to codify any JPA modifications and service level agreements.

Option 2:

- Develop plan to transform JPA into employment entity for Caltrain leadership (5-10 positions).
- Internal reorganization of shared services.
- Legal work to transform JPA and develop service level agreements.

Option 3:

- Develop plan to transform JPA into employment and management entity for entire Caltrain organization (125+ positions).

For Options 2 & 3:

Similarities:

- Transition plan to be developed by Caltrain ED and SMCTD GM and agreed to by JPB and SamTrans Boards.
- Approach and schedule to be developed (greater complexity and disruption for Option 3).

Proposed Framework for Evaluation for Self-Directed Options

- Criteria for Self-Directed Options are proposed to structure the process of evaluating and choosing a governance option.
- Criteria are proposed to be grouped around **three key questions** of broad importance to Caltrain, its partners, riders, and the public as a whole:
 1. To what extent does this option provide for an **effective and efficient delivery of Caltrain services**?
 2. To what extent is this governance model **fair and accountable to the public(s)** that it serves?
 3. What are the practical **resource and transition considerations** for each governance model?
- Once finalized, criteria will be used throughout the 2021 governance process to support the refinement of options and the development of a recommendation.

Criteria 1: Organizational Effectiveness

To what extent do these governance options provide for an effective and efficient delivery of Caltrain services?

Specifically, how well do the governance options position Caltrain to:

- Provide rider-focused, safe, high-quality, regionally connected rail service?
- Plan, fund, and deliver the Service Vision and associated mega-projects?
- Have clarity and transparency of decision-making/authority/finances across the organization?
- Be flexible and resilient in response to changing conditions?

Criteria 1: Organizational Effectiveness

Proposed Analysis Approach

- **Interviews with GMs**

- Four interviews will be conducted by Howard Permut with GMs from each partner agency: VTA, SMCTD, SFMTA, and SFCTA.
- Interviews will occur in May and June 2021.
- Howard will ask questions to understand each GM's perspective on how the governance options differ from each other as it relates to questions of organizational effectiveness.
- Questions will be sent in advance, with the request that GMs write down their thoughts prior to the interviews.
- GMs will be welcome to invite additional support staff to their interviews.

Criteria 2: Accountability and Fairness

To what extent are these governance models fair and accountable to the public(s) that they serve?

Specifically, how well do the governance options position Caltrain to:

- Be accountable and responsive to the needs of current and future riders?
- Increase social, economic and racial equity on the Caltrain system?
- Ensure fairness and accountability to the tax-paying public(s) who fund (and have funded) the Caltrain system?
- Ensure fairness and accountability to the communities who are impacted by the railroad's operations and projects?

Criteria 2: Accountability and Fairness

Proposed Analysis Approach

- **Interviews with Board Members**

- Interviews will be conducted by Howard Permut with each Caltrain Board Member.
- Interviews will occur in May and June 2021.
- Howard will ask questions to understand each member's perspective on how the governance options differ from each other as it relates to questions about accountability and fairness.
- Questions will be sent in advance with the request that members write down their thoughts prior to the interviews.
- Board members will be welcome to invite additional support staff to their interviews.

Criteria 3: Practical Resource and Transition Considerations

What are the practical resource and transition considerations for each governance model?

Specifically, how well do the governance options position Caltrain to:

- Administer the railroad in a cost-effective manner?
- Implement governance change in a way that minimizes disruption of services?

Criteria 3: Practical Resource and Transition Considerations

Proposed Analysis Approach

- **Legal analysis**

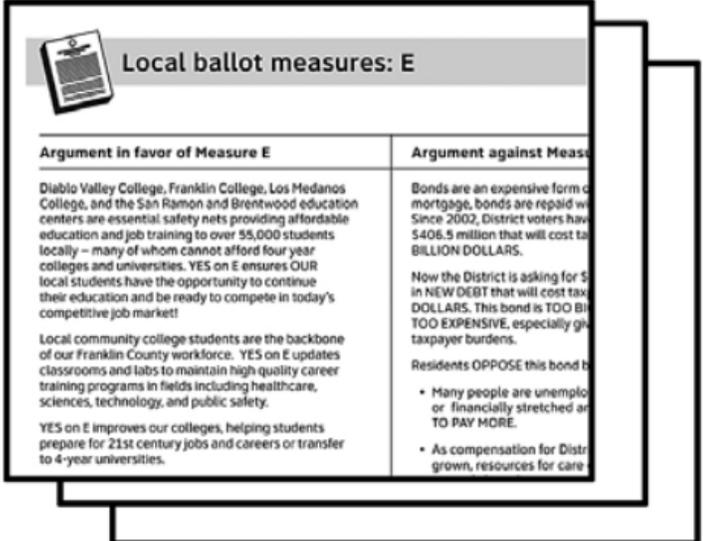
- Legal analysis will be conducted by JPB General Counsel and reviewed by JPA member agency General Counsels.
- Analysis will include understanding the legal details/implications for each option, such as:
 - Creation/modification of agreements, transition support, service level agreements, etc.

- **Financial analysis**

- Financial analysis will be conducted by consultants and Caltrain staff and reviewed by JPA member agency CFOs. Results will be summarized by Howard Permut.
- Analysis will include understanding:
 - Annual costs such as staff, overhead, and support.
 - One-time costs and impacts such as transition, pension and retirement liabilities

Output of Evaluation

- **Three (3) written summaries organized as arguments for and against each governance option**
 - The written summaries will be based on interview with GMs and Board members, as well as the legal and financial analysis outputs.
 - The summaries will provide a synthesized understanding of how each option performs with respect to organizational effectiveness, accountability and fairness, resources, and transitions.
 - Divergent opinions are expected, and evaluation summaries will be organized as arguments “for” and “against” particular governance options – similar to ballot arguments.



Local ballot measures: E	
Argument in favor of Measure E	Argument against Measure E
<p>Diablo Valley College, Franklin College, Los Medanos College, and the San Ramon and Brentwood education centers are essential safety nets providing affordable education and job training to over 55,000 students locally – many of whom cannot afford four year colleges and universities. YES on E ensures OUR local students have the opportunity to continue their education and be ready to compete in today's competitive job market!</p> <p>Local community college students are the backbone of our Franklin County workforce. YES on E updates classrooms and labs to maintain high quality career training programs in fields including healthcare, sciences, technology, and public safety.</p> <p>YES on E improves our colleges, helping students prepare for 21st century jobs and careers or transfer to 4-year universities.</p>	<p>Bonds are an expensive form of mortgage, bonds are repaid w Since 2002, District voters have paid \$406.5 million that will cost tax payers BILLION DOLLARS.</p> <p>Now the District is asking for \$500 million in NEW DEBT that will cost tax payers BILLION DOLLARS. This bond is TOO BIG, TOO EXPENSIVE, especially given the current taxpayer burdens.</p> <p>Residents OPPOSE this bond because:</p> <ul style="list-style-type: none">• Many people are unemployed or financially stretched and TO PAY MORE.• As compensation for District growth, resources for care

Approach to Path C

Howard Permut

Special Meeting #3 Regional Options Discussion

- **At Special Meeting #3 on June 25, 2021, there will be a focused discussion on regional options.**
- **The meeting will address three main topics:**
 - **Information** – understand the current status of active regional discussions
 - **Analysis** – discuss key impacts to consider as the Caltrain Board thinks about each regional option
 - **Questions** – identify any threshold questions about regional options that must be addressed in the near-term and discuss how the Caltrain Board would like to represent itself in ongoing regional discussions

Resources

Sebastian Petty

Resources Required to Support this Process

- **Staff have identified resources required to support this process towards the JPB's 2021 governance recommendation.**
 - Resources for financial and legal analyses.
 - Ongoing professional services to support staff and the process.
 - Additional staffing resources to support this process.
- **Costs are estimated at \$2M for FY22; line item is included in the preliminary budget for FY22.**
- **These costs do not include the costs of financial and legal analysis to be conducted by the member agencies.**

Next Steps

Sebastian Petty

Next Steps

- Update options and evaluation methodology per Board feedback.
- Commence next steps for quantitative and qualitative analyses.
- Prepare for Special Meeting #3 on Regional Options

2021 Special Meetings on Governance for Caltrain Board

- Special Meeting #3: Friday, June 25, 2021, 8:30am – 12:00pm
- Special Meeting #4: Friday, August 20, 2021, 1:00pm – 4:30pm
- Special Meeting #5: Friday, October 22, 2021, 1:00pm – 4:30pm

