

Conclusions from Special Meeting on Organization & Governance

JPB Meeting
December 5, 2019



Organizational Workshop

On November 21 the JPB held a special meeting in Half Moon Bay to discuss the Organizational Assessment Report prepared as part of the Caltrain Business Plan

The meeting included participation by Howard Permut, of Permut Consulting LLC and was moderated by Grace Crunican.

The full Organizational Assessment Report is available at www.caltrain2040.org



Summary & Draft Conclusions

Caltrain staff has prepared a presentation summarizing key discussion points and conclusions from the workshop.

We are seeking confirmation that we have correctly characterized the input provided by the Board and that there is alignment around next steps

Discussion Areas



Topic: Special Counsel



Topic: Service Delivery



Topic: Internal Organization



Topic: Governance

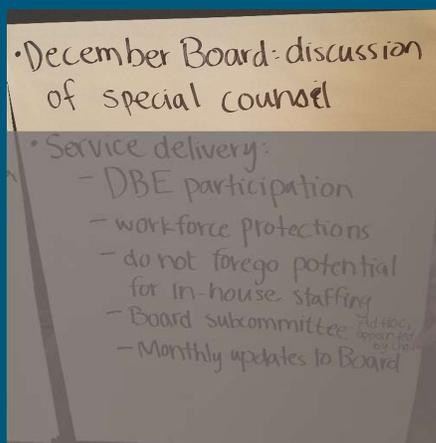


Affirming Conclusions & Next Steps



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Topic: Special Counsel



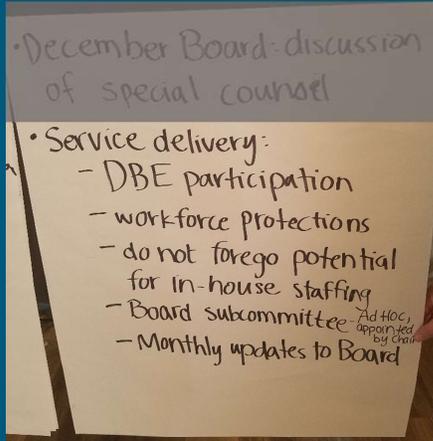
Special Counsel – What Staff Heard

1. Strong interest in having the JPB retain special counsel to advise the Board on governance and conflict issues
2. Desire to have an item on December agenda for discussion and action



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Topic: Service Delivery



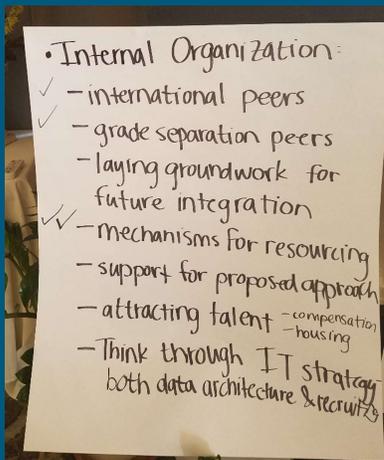
Service Delivery – What Staff Heard

1. Agreement with recommendation to pursue extension of current contract while retaining leverage and flexibility to go to market if needed
2. Questions and input from individual members on a number of subjects;
 - DBE participation
 - Workforce protections
 - Long-term potential for in house staffing of some or all functions
3. Interest in regular updates to full Board while acknowledging sensitivity of ongoing commercial negotiations



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Topic: Internal Organization



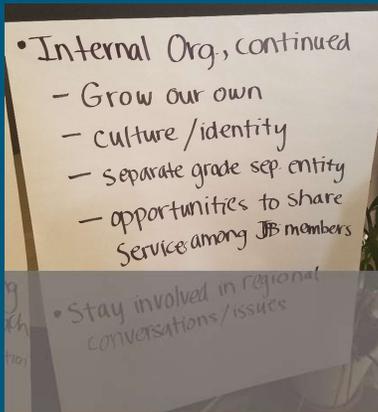
Internal Organization– What Staff Heard

1. Agreement with recommendation to pursue a focused (6 month) study of organizational needs including resourcing, talent retention, internal processes and shared services
2. Questions and input from individual members on a number of subjects;
 - Importance of involving peer organizations (both national and international)
 - Desire to plan for an organization that could be more regionally integrated in the future
 - Mechanisms for resourcing important
 - Wanting to think carefully about IT strategy going forward



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Topic: Internal Organization



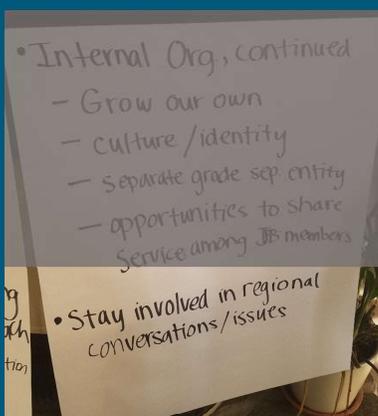
Internal Organization– What Staff Heard

2. Questions and input (cont).
 - Discussion of challenges to hiring and retaining in Bay Area and in rail industry generally
 - Need to 'grow own' and focus on training programs
 - Importance of developing and externally communicating a clear 'Caltrain' culture and identity
 - Discussion of opportunities to share services / staff among JPB members



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Topic: Governance



Governance– What Staff Heard

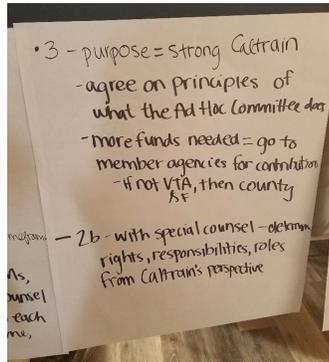
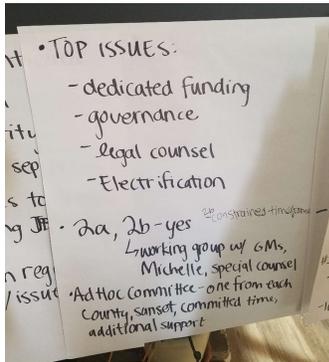
1. Regional and non-self directed governance options that were not heavily discussed at the workshop- the focus of discussion was on self-directed Caltrain governance.
2. Staff heard general consensus that the Board wants Caltrain to stay involved in regional conversations and advocate for the system's interests



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Topic: Governance

Report Out from Group Discussions



Group 1
(Directors Chavez,
Stone & Walton)



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Topic: Governance

Report Out from Group Discussions

Group 1- Directors Chavez, Stone and Walton

1) Top Priorities

1. Dedicated funding
2. Governance (including legal counsel)
3. Electrification

2) Reactions to 'Straw' Proposals

- **Liked** "A special counsel is appointed as soon as practicable to directly represent the JPB on governance matters"
- **Liked** "A process to discuss governance is established that, over the next 6 months, results in agreement to provide for accountability of an executive director and key organizational functions directly to the JPB"
- Felt that decisions about ultimate desired form of governance would emerge through process

3) Process

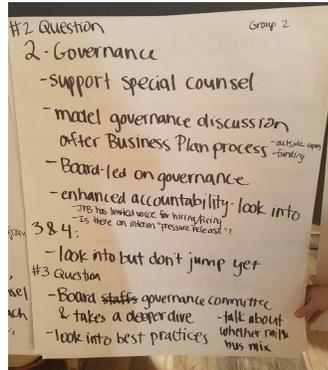
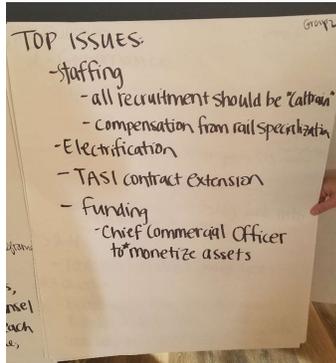
- Establish staff working group with partner GMs, Michelle Bouchard and special counsel
- Board involvement through Ad Hoc Committee
- Need to agree on principles
- Need to focus on finances, rights and responsibilities from Caltrain perspective



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Topic:

Governance – Report Out from Group Discussions



Group 2
(Directors Bruins,
Collins & Gillett)



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Topic: Governance

Report Out from Group Discussions

Group 2- Directors Bruins, Collins

1) Top Priorities

1. Staffing (including specialized branding and compensation)
2. Electrification
3. Extension on TASI contract
4. Funding / revenue focus (Chief commercial officer)

2) Reactions to 'Straw' Proposals

- **Liked** "A special counsel is appointed as soon as practicable to directly represent the JPB on governance matters"
- **Liked** "A process to discuss governance is established that, over the next 6 months, results in agreement to provide for accountability of an executive director and key organizational functions directly to the JPB" (as a potential short term approach)
- Felt that further governance-change options were still on table but should be discussed through process

3) Process

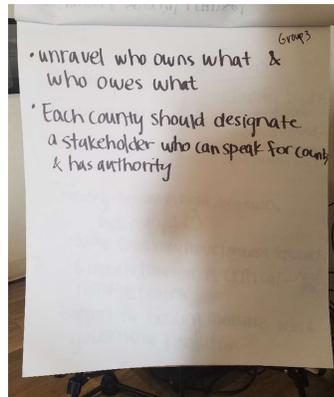
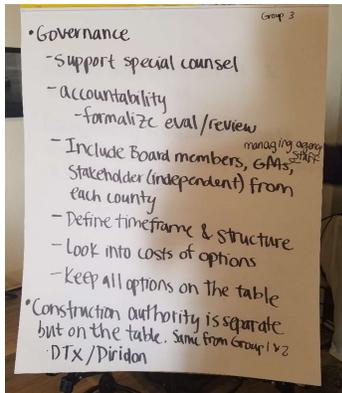
- Model process after business plan (pursue funding and bring in expertise to take deep dive, look at best practices)
- Need a Board Committee on Governance
- Process should be Board led (avoid staff conflicts of interest)



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Topic:

Governance – Report Out from Group Discussions



Group 3
(Directors Brinkman,
Davis & Pine)



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Topic: Governance

Report Out from Group Discussions

Group 3- Directors Brinkman, Davis and Pine

1) Top Priorities

1. Governance

- **Liked** "A special counsel is appointed as soon as practicable to directly represent the JPB on governance matters"
- **Liked** idea of shorter term accountability measures
- Felt that larger governance changes should be on the table but would need to be discussed through a defined process
- Construction authority could potentially be separate conversation

2) Reactions to 'Straw' Proposals

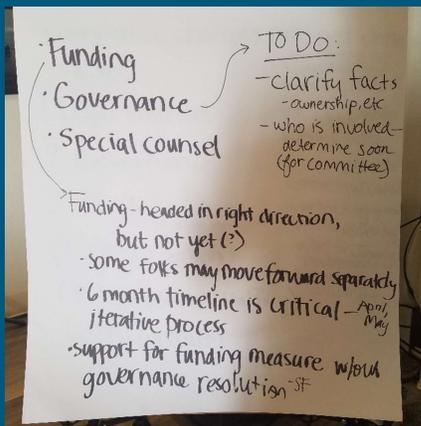
3) Process

- Process should include Board members, managing agency staff and partners
- Should potentially also include some other stakeholders from each county
- Process should have defined timeframe
- Focus on 'unraveling' financial implications as well as clarifying rights and responsibilities



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Topic: Governance

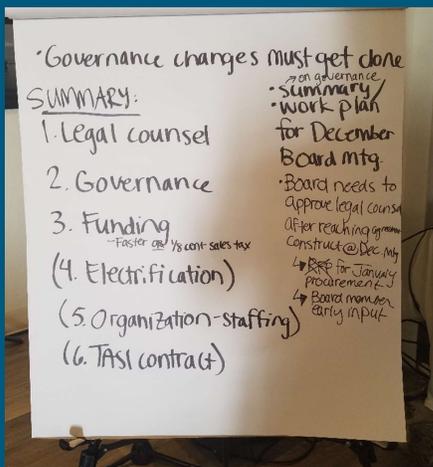


Governance- What Staff Heard

1. Collective Priorities
 - Funding
 - Governance
 - Special Counsel
2. Initial To-Do's (next 3 months)
 - Clarity of facts around ownership, rights and obligations
 - Agree on process and who needs to be involved
 - Special counsel (December)
3. Funding Discussion - link to Governance
 - Headed in right direction but follow through and meeting of benchmarks over next 6 months is critical- iterative process (Chavez)
 - San Francisco position is that approval of funding not contingent on resolution of governance issue as long as process is moving forward (Brinkman)
 - San Mateo recognizes that we have to look at governance changes and that this is not a time to kick the can (Pine)



Conclusions & Next Steps



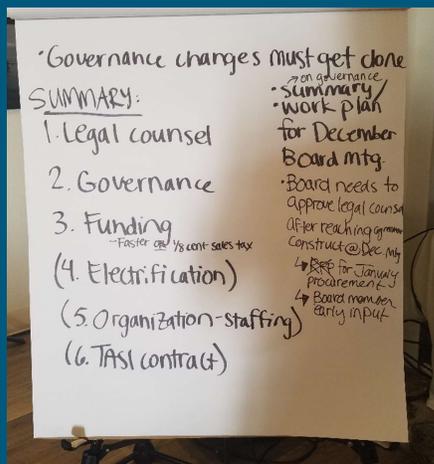
Affirming Conclusions & Next Steps

1.) Legal Counsel

- **Conclusion:** Consensus that special legal counsel should be appointed as soon as possible to support ongoing Governance discussions and to act as conflict counsel when issues arise that present circumstances in which the JPB and the San Mateo County Transit District are legally adverse to one another.
- **Next Steps:** Staff will bring an action item to the Board for discussion and/or approval at the December JPB meeting setting forth a process to retain and establish special counsel for the JPB as directed.



Conclusions & Next Steps



Affirming Conclusions & Next Steps

2.) Governance

Conclusion:

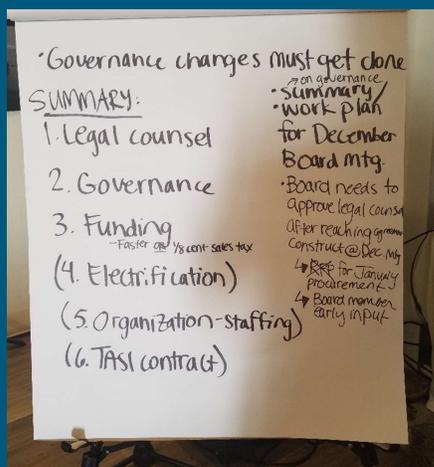
- The Board concluded that regional governance issues (including the potential for a regional construction authority) were of importance to Caltrain and that staff should engage in such discussions to ensure that the systems' interests are well represented
- The Board concluded that Caltrain-specific governance issues should be addressed and that a deliberative 6-month process should be undertaken to decide on the best path forward. The Board concluded that this process should involve Board members - but did not reach specific agreement on the preferred overall composition and staffing of the 6 month process

Next Steps:

- Staff will seek further input at the December JPB meeting regarding the composition, structure and resourcing of a 6-month committee and accompanying analytical process to discuss governance. As needed, the Chair may propose an Ad Hoc committee to guide the development of a more detailed proposal
- Staff will work with the JPB's (future) special counsel and the counsel of partner agencies (as desired) to establish an agreed-to set of facts regarding Caltrain's current governance and the rights, responsibilities and obligations of all parties. This set of facts will be a foundational step in the governance discussion over the coming 6 months.

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Conclusions & Next Steps



Affirming Conclusions & Next Steps

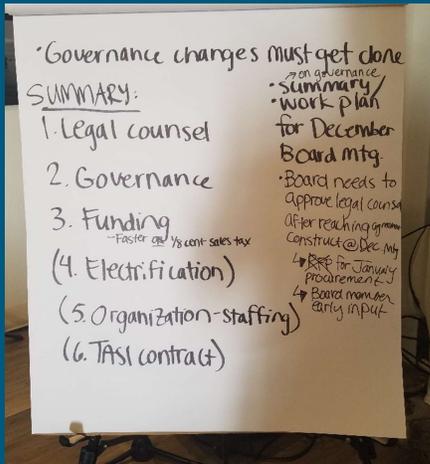
3.) Funding

- Conclusion:** The Board indicated support for discussions and work to advance potential regional funding measures (either the FASTER measure or a Caltrain-specific 3-county sales tax) should proceed apace and should advance in a parallel and iterative fashion with the agreed to 6-month governance discussion.
- Next Steps:** Staff will work to advance preparations for both the FASTER and SB 797 sales tax efforts, involving Board members through the dedicated funding Ad Hoc Committee and updating the full Board on a regular basis.



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Conclusions & Next Steps



Affirming Conclusions & Next Steps

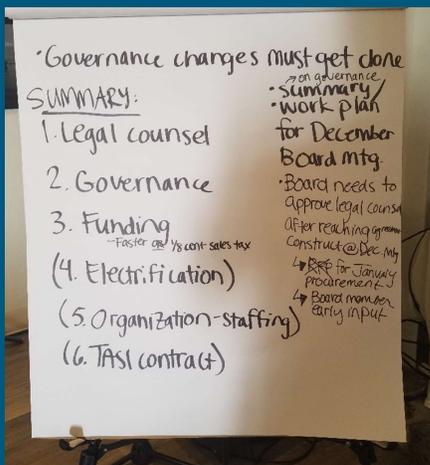
4.) Electrification

- **Conclusion:** The Electrification project was described as a priority by a majority of Board members. The project was not discussed in detail at the workshop but staff acknowledges that it was identified as a significant focus
- **Next Steps:** Staff will continue to bring full organizational focus to the electrification project and will engage the Board on a monthly basis through the PCEP Ad Hoc committee and through updates at each Board meeting.



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Conclusions & Next Steps



Affirming Conclusions & Next Steps

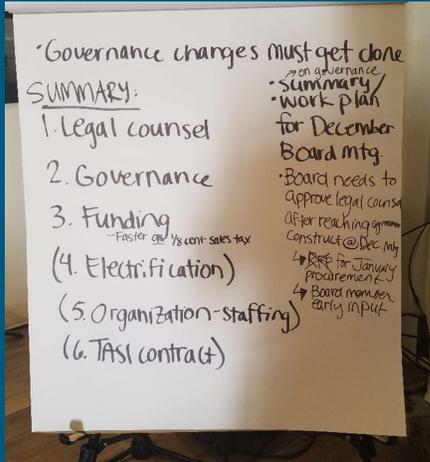
5.) Organization

- **Conclusion:** The Board concurred with the OA report's recommendation to pursue a 6-month detailed organizational study while also taking actions to address vacancies as quickly as possible. The Board provided a variety of input on this effort as documented in prior slides
- **Next Steps:** Staff has developed a preliminary scope for a detailed organizational study and is making refinements based on input received at the November 21 meeting. Staff has sufficient existing budget and contract authority and will begin work on the study as soon as practicable. Staff will engage the Board through regular updates and through the finance committee and will also develop a plan to involve JPB partner agency staff throughout the study process.



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Conclusions & Next Steps



Affirming Conclusions & Next Steps

6.) Service Delivery (TASI Contract)

- **Conclusion:** The Board concurred with the OA report's recommendation to pursue an extension of the current contract while retaining the flexibility to undertake a new procurement if needed. As documented in prior slides, the Board asked for clarification on a number of issues which staff will provide as the process advances
- **Next Steps:** Staff will continue analysis of a potential extension and will prepare to undertake and conclude commercial negotiations with TASI prior to the summer of 2020. Staff will update the full Board on a regular basis and will provide updates related to active, commercially sensitive negotiations through an Ad Hoc Committee as well as written attorney/client confidential communications to the full board



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“Straw” Scenarios – Examples for Discussion Only

The following “straw” scenarios have been developed solely to help stimulate Board discussion of various issues related to Caltrain governance. They are not recommendations or proposals.

Scenarios 1: Stay the Course

- No process is put in place to discuss governance and no changes are made to governance or the managing agency relationship
- Member agency contributions remain at current levels and no new regional funding measures (eg FASTER or a 3-county tax) move forward
- The electrification project is completed but current member agency funding is not sufficient to support expanded service

Scenario 2: Direct Accountability

- A special counsel is appointed as soon as practicable to directly represent the JPB on governance matters
- A process to discuss governance is established that, over the next 6 months, results in agreement to provide for accountability of an executive director and key organizational functions directly to the JPB
- The JPB remains in place and the San Mateo County Transit District remains as the managing agency

Scenario 3: Separate Organization

- A special counsel is appointed as soon as practicable to directly represent the JPB on governance matters
- A process to discuss governance is established that, over the next 6 months, results in a commitment from all parties to the eventual separation of Caltrain from the managing agency relationship with the San Mateo County Transit District.

Scenario 4: Construction Authority

- A special counsel is appointed as soon as practicable to directly represent the JPB on governance matters
- The JPB remains in place and the San Mateo County Transit District remains as the managing agency- but the railroad agrees that DTX, Diridon and possibly future grade separation projects will be delivered through a regional construction authority
- Funding for these projects is negotiated as part of a large regional measure (eg FASTER)