

Organizational Assessment Workshop

JPB Special Meeting
November 21, 2019



Change is Coming

The railroad and its partners have made transformative commitments and decisions that compel organizational change

Caltrain has undertaken an organizational assessment that evaluates issues and options and makes initial recommendations across multiple areas.

This special workshop has been convened at the request of the Board to discuss the assessment and to determine a path forward

Read the full report at www.caltrain2040.org



Where Are We Starting?



Service Delivery

- The JPB contracts with a private company, Transit America Services Inc (TASI) for the direct operation of the Caltrain service and maintenance of the railroad's assets. The operating contract is managed by SMCTD



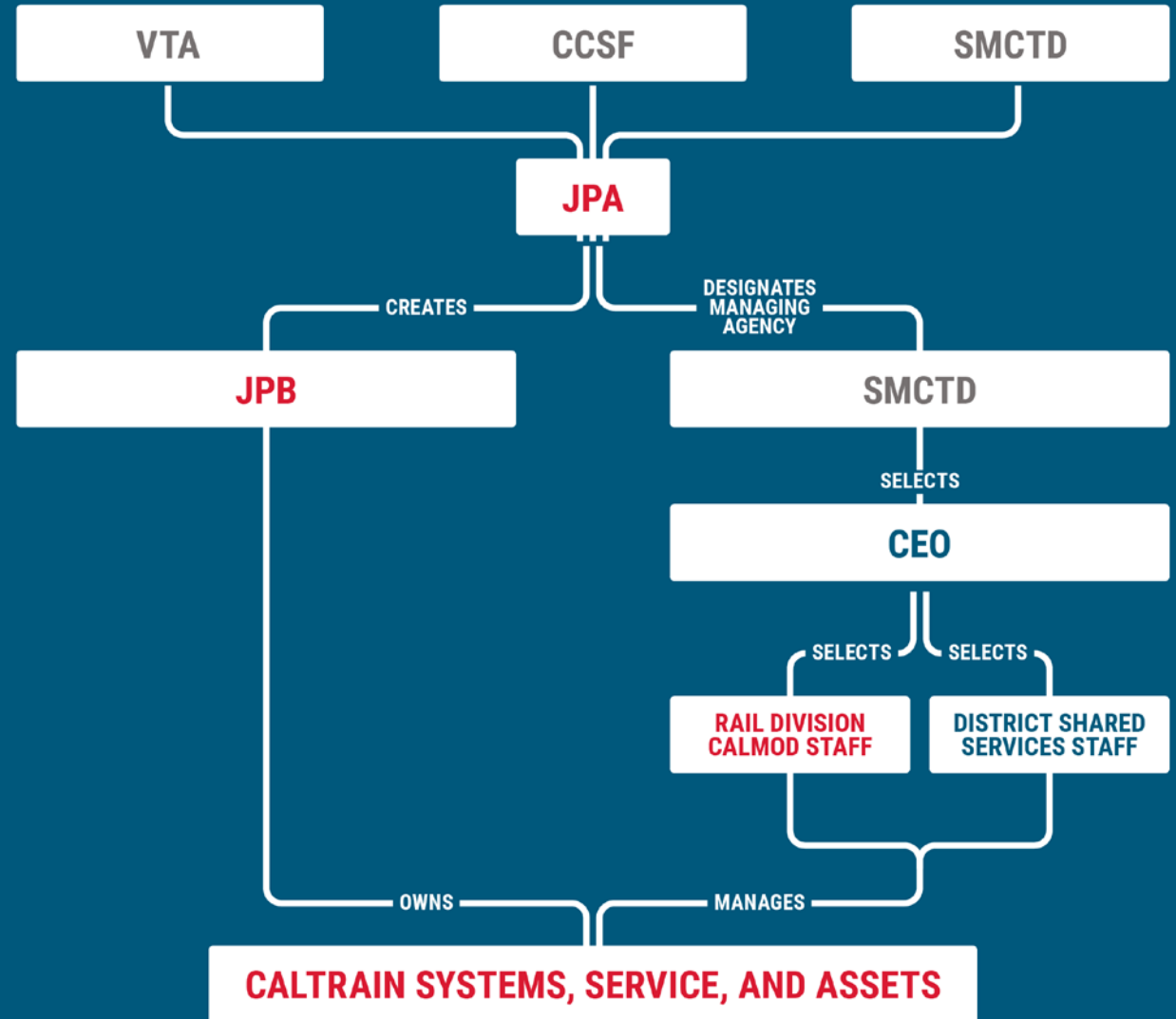
Internal Organization

- The JPA designates the San Mateo County Transit District (SMCTD) as Caltrain's "managing agency"
- SMCTD employees manage and administer the Caltrain system, either as part of a Caltrain-dedicated department or through a shared services arrangement with other SMCTD business lines



Governance

- Caltrain is a Joint Powers Authority, formed through a Joint Powers Agreement (JPA) between three member agencies
- The system is governed by the Peninsula Corridor Joint Powers Board (JPB), a 9-member board appointed under the terms of the JPA



Agenda for Today



Introduction



Service Delivery



Internal Organization



Governance- Background

BREAK



Governance- Discussion



Affirming Conclusions & Next Steps

Guidelines and Outcomes

The goal for today is for the Board to reach consensus on how the development of the Caltrain organization should move forward

Guidelines

1. Focus on the Board's shared accountability to Caltrain
2. Use the Organizational Assessment Report as a the factual basis for discussion
3. Engage in open and respectful dialog
4. Strive to reach and document consensus conclusions and next steps

Topic:
Service Delivery



Topic: Service Delivery

What Is It?

How Caltrain operates and delivers its rail service

What did the Report Focus On?

Train service delivery and the contracting mechanism



Topic: Service Delivery

1. Review of Organizational Assessment findings and recommendations
2. Staff response and proposed work
3. Board discussion
4. Initial conclusions

Report Findings Service Delivery

Caltrain's existing operating contract expires in 2022 and includes a one year option to extend. There is an opportunity to negotiate a five year extension pending FTA approval.

The agency must choose what to do.

Considerations

- Many potential options to choose from and model can evolve over time
- Railroad is transitioning from a stable operation to a period of dynamic change

Key Factors Informing Choices

- Ability of chosen model to achieve Caltrain's corporate objectives and support planned services and projects
- Balancing of reputational and financial risk, control and cost;
- Anticipated market response and associated costs
- Implications for labor agreements and federal labor protection provisions
- Timing of transition and associated risks
- Maintaining adequate negotiating leverage
- Organizational bandwidth

Report Findings

Service Delivery

Caltrain has three distinct options to choose from for service delivery.

Service Delivery Options

1. Extension of TASI contract with modifications
2. Solicitation of a service provider through the standard procurement process
 - Bundled or unbundled contract
 - Gross cost or net cost models
3. Provision of services with in-house forces

Report Findings

Service

Delivery

Recommendations

Slide from August Presentation to JPB

Timing

- Immediately initiate development of a comprehensive strategy for future service delivery including prioritization of new contract elements
- Caltrain should discuss extension with FTA
- Starting work now maximizes Caltrain's flexibility and provides the widest range of options

Recommendation

- Recommended that Caltrain should pursue extension of the TASI contract with a set deadline to complete the negotiation.
- Deadline would be set so that Caltrain would have sufficient time to procure another operator if negotiations are not successful.

Implementation

- Form an inter-disciplinary task force of senior staff
- Develop a work plan and schedule reflecting the above



Staff Response Service Delivery

Staff has accepted and begun to implement recommendations from the Service Delivery portion of the Organizational Assessment Report, including;

Immediately initiating negotiations to extend TASI contract subject to:

- reaching acceptable commercial and technical contract terms
- holding a subsequent competitive bidding process as soon as is practicable

Developing the schedule for negotiations so as to enable Caltrain to undertake a competitive procurement if needed

Staff Response Service Delivery

To implement this recommendation, staff has undertaken or proposes the following:

- Consultation with FTA regarding the proposed extension
- Formation of internal task force to develop strategy, analyze and negotiate potential contract changes
- Formation of an external task force to bring additional, outside expertise to process
- Engagement of Board through Ad Hoc Committee

Staff has begun implementation of these steps and seeks Board discussion and input at this time

Service Delivery



- **Questions**
- **Board Discussion**
- **Initial Conclusions and Next Steps**

Topic:

Internal Organization



Topic: Internal Organization

What Is It?

How Caltrain organizes itself

What did the Report Focus On?

Resourcing, required functionalities and shared services



Topic: Internal Organization

1. Review of Organizational Assessment findings and recommendations
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Report Findings

Internal Organization

Shared Services

As the railroad grows in scope and complexity a key issue is which services can effectively be shared with other organizations, and which ones will require dedicated focus and rail specialization.

Shared Services Considerations

Changes to specific service sharing arrangements should reflect consideration of:

- The degree to which specialized railroad skills are necessary
- The financial savings (or costs) generated through sharing arrangements.
- The need for clear lines of responsibility and authority within the organization
- The selected service delivery model
- The selected governance model

Report Findings Internal Organization

Functions & Processes

As it enters into a period of major transformation, Caltrain will require a different type and level of output from key functional areas. It will also need to intensify its focus on critical process interfaces

Attracting and Retaining Talent and Skills

Another common theme has been the need to attract and retain talent. This is challenging in a high cost area.

Slide from August Presentation to JPB

Key Functions and Functional Areas that Require Focus

- Planning Department (underway)
- Contracts and agreements with external parties
- Rail Activation Plan
- IT
- Procurement and Human Resources
- Performance Management
- First Mile/Last Mile at stations
- Capital Project Implementation

Key Issues Related to Talent and Skill Retention

- Addressing high vacancy rates
- Large number of “seconded” consultant staff
- Need to attract skill-based workforce to deliver the service vision



Report Findings Internal Organization

Recommendations

Timing

- Now is time to take actions that address current deficiencies and prepare the organization for the next five years
- Maintaining the status quo will not allow Caltrain to provide high quality expanded rail service, participate constructively on major regional projects, and implement its Business Plan

Recommendation

- Address vacancies immediately
- Undertake a complete 6-month organizational study and identify specific modifications to be implemented in FY20 / 21 Budget and for the upcoming five years
- Develop financial resourcing strategy

Implementation

- Form an inter-disciplinary task force led by a senior staff member to address vacancies
- Develop a work plan and conduct study over next 3 to 6 months

Staff Response Internal Organization

Staff have accepted and begun to implement recommendations in the Internal Organization portion of the Organizational Assessment Report including;

Address Vacancies Immediately:

- Staff is working to fill vacant rail division positions.
 - 35 total vacancies
 - 12 completed hires since start of year
 - 12 active recruitments
 - 8 positions filled with consultants
 - Several new positions required to support rail activation
- Staff has begun recruitment to fill key vacant senior level positions
- A rail division review will seek to better align organization with service delivery objectives

Staff Response Internal Organization

Undertake a complete organizational study and identify specific modifications to be implemented in FY20 / 21 Budget and for the upcoming five years:

- Staff has developed an initial scope and identified resources to begin work on 6-month effort. Study scope would include;
 - Identification of required resources (i.e. positions)
 - Review of organizational effectiveness
 - Review of talent attraction and retention strategies and programs
 - Review of departmental processes
 - Estimate of required financial resources by year-used to inform budget development
 - Analysis of shared services
- Shared service analysis will be developed in a way that can factually inform ongoing governance discussions
- Board would be engaged through regular updates to the Finance Committee and full JPB

Internal Organization



- **Questions**
- **Board Discussion**
- **Initial Conclusions and Next Steps**

Topic:
Governance



Topic: Governance

What Is It?

How Caltrain is overseen by a governing body

What did the Report Focus On?

Focus on options related to 'self-directed' governance, regional integration and parallel governance considerations



Topic: Governance

1. Background- Review of Organizational Assessment findings and recommendations

-- BREAK --

2. Report out from pre-workshop interviews
3. Key questions for today
4. Breakout groups
5. Board discussion and initial conclusions

Report Findings

Governance

Overview

A critical assumption is a dedicated source of revenues will become available - any modification of the existing Caltrain governance structure will not alone solve the financial challenges faced by the organization

Structure

Governance options and considerations are discussed within three groups;

- 1) Self-directed options
- 2) Regional (Non-self directed) options
- 3) Parallel considerations

Many of the options described within these groups are not mutually exclusive

Report Findings

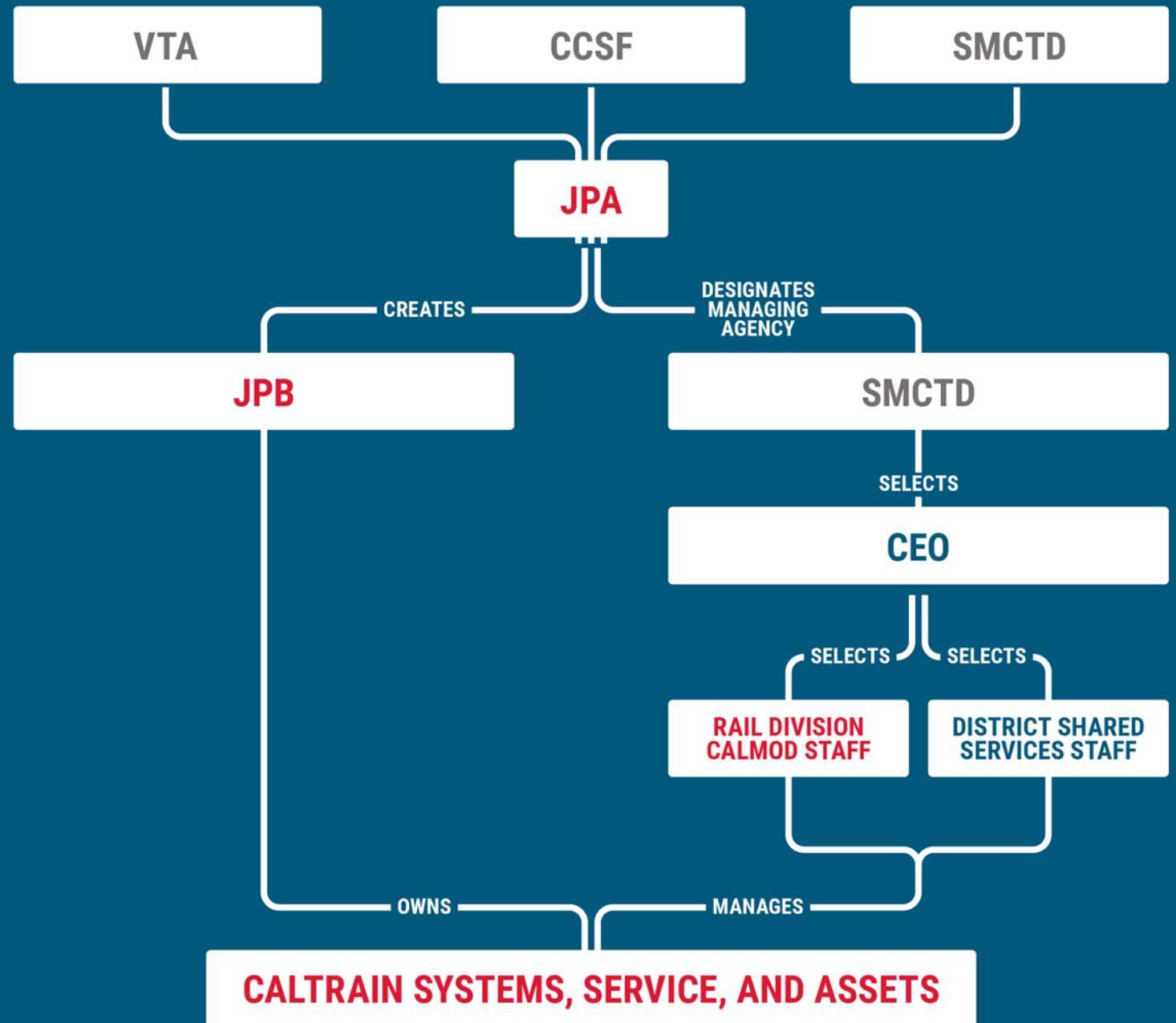
Governance

Self-Directed Options

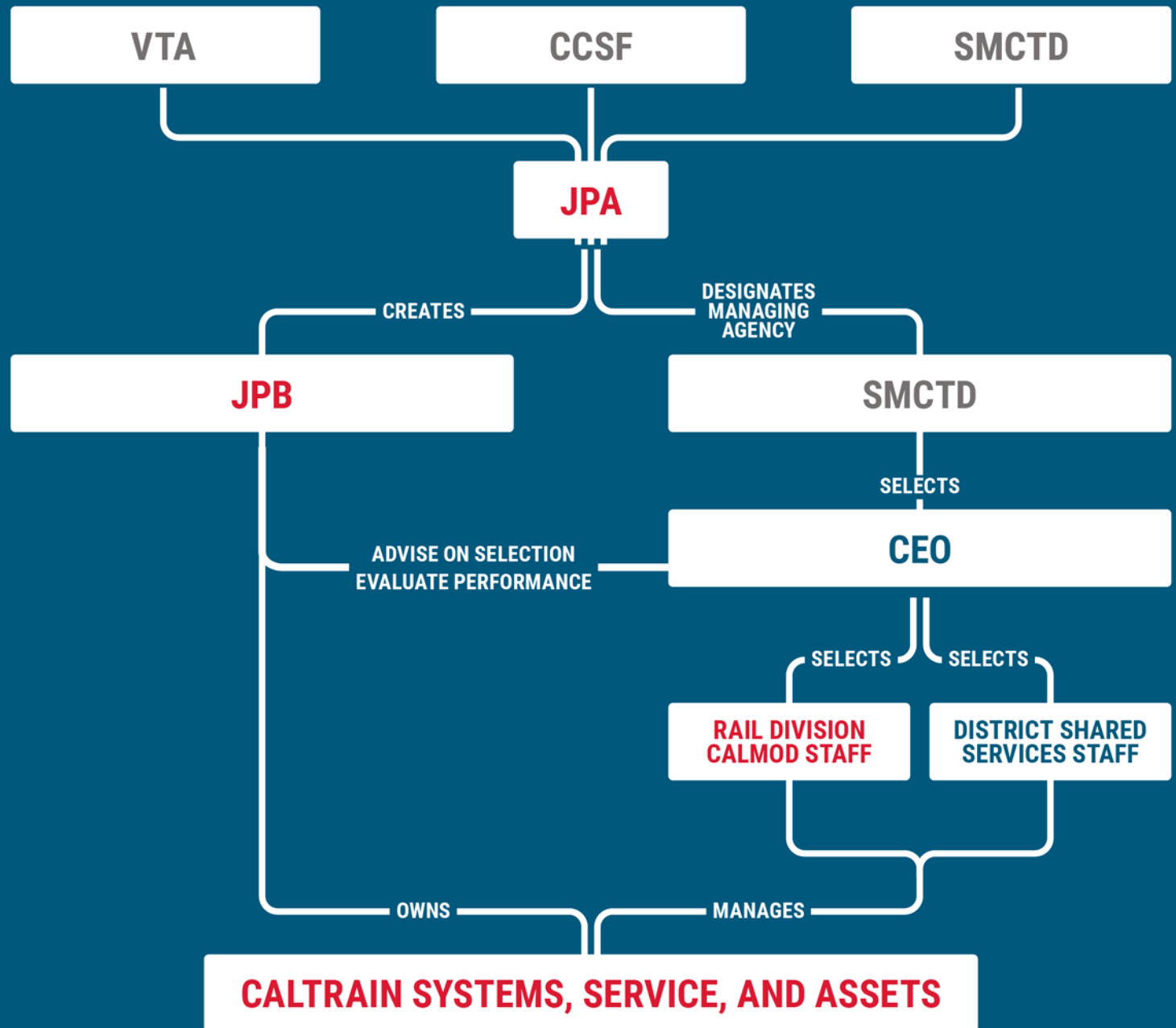
The following governance models are described as “self directed” because their implementation could be initiated by agreement of Caltrain’s member agencies



Governance Self-Directed Option A: Retention of the Status Quo



Governance Self-Directed Option B: JPB as Currently Structured Coupled with Modifications



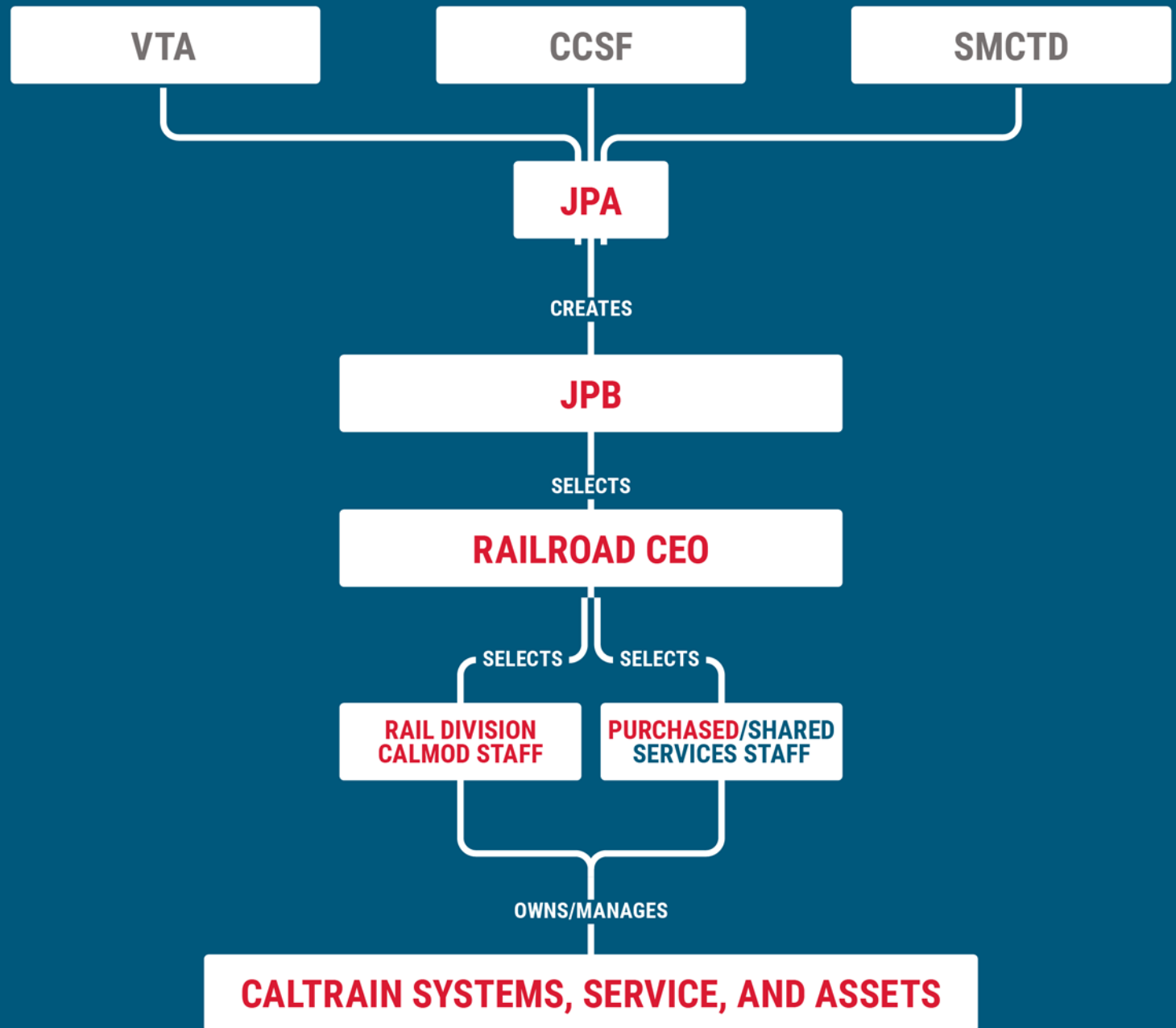
Governance

Self-Directed Option C:

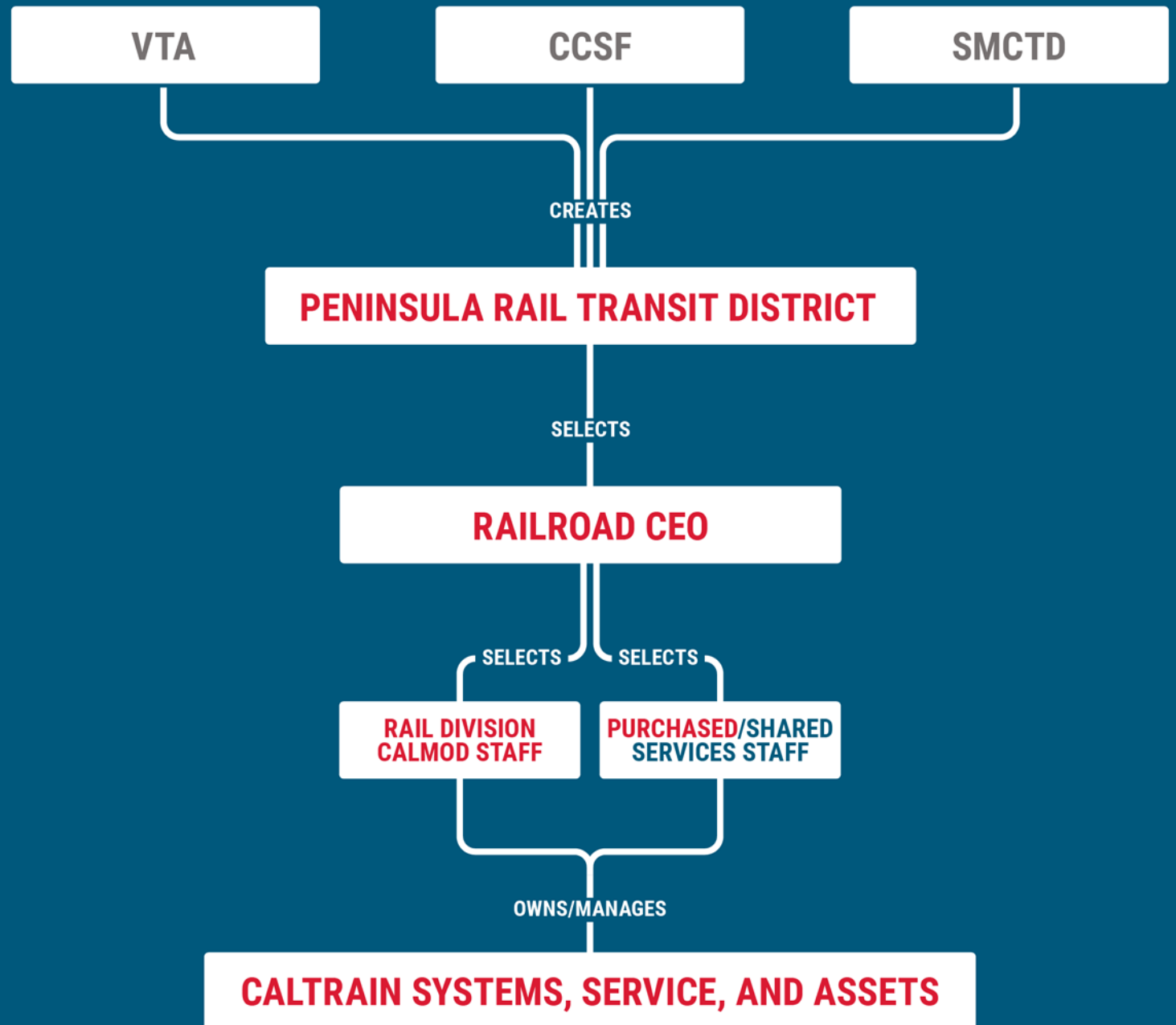
Retention of the JPA as currently structured but reorganized as a railroad authority that directly hires its management and administrative employees

Self-Directed Option D:

Same as Option C except that staffing is supplemented on an as needed basis with expertise from JPA member agencies



Self-Directed Option E: Creation of a Special District to Govern and Administer Caltrain - Peninsula Rail Transit District (PRTD)



Report Findings

Governance

Non Self- Directed Options

The non-self-directed options described here include options for either the full or partial regional, or mega-regional integration of multiple railroads and agencies

The process to implement these options would be significantly more complex. At the same time, such options may be intrinsically tied to the funding and implementation of key portions of the Business Plan and initiatives being undertaken by other agencies.

Very careful and comprehensive analysis needs to be done to understand the pros and cons as well as the implications with regard to transferring authority and decision-making, funding, cost and service delivery to another organization.

Slide from August Presentation to JPB



Non-Self Directed Options Current Operations

Separate Railroad A

Separate Railroad B

Non-Self Directed Options

Option F: Regional Cooperation



Non-Self Directed Options

Option G: Regional Integration of Key Functions



Non-Self Directed Options

Option H: Consolidated Regional Rail Authority with Subsidiary Railroads



Non-Self Directed Options

Option I: Fully Consolidated Regional Railroad

Consolidated Regional Railroad

Report Findings

Governance

Parallel Governance Considerations and Structures

There are a number of “governance-level” issues that Caltrain must consider regardless of its ultimate core governance model.

In some instances these may be addressed through parallel or separate governance structures or agreements

Megaproject Delivery

- Major organizational issue
- May be addressed through separate Construction Authority or grade separation district

Integration with other Railroads

- Coordination with HSR around use of shared infrastructure
- Potential to look at interlining of other operators and/or geographic expansion of Caltrain services

Increased Role of Private Sector

- Commercialization or privatization of all or parts of railroad’s business

Report Findings

Governance

Recommendations: Self-directed Options

Timing

- Timing is right to engage in discussion and review of self-directed options given magnitude of transformation faced by Caltrain

Recommendation

- Organizational assessment provides a menu of *viable* self-directed governance options
- Most options require amendment to JPA- which falls under the purview and responsibility of Caltrain's member agencies
- Recommendation that member agencies should reach consensus on preferred option

Implementation

- General Managers of the member agencies should form a task force of themselves or a senior empowered representative of their agency to review options and make recommendation to their boards within a specified time period

Report Findings

Governance

Recommendations: Non Self-directed Options & Parallel Considerations

Slide from August Presentation to JPB

Timing

- It is in Caltrain's interest to constructively and actively engage in discussions related to regional governance and key parallel considerations

Recommendations

- Caltrain should be involved in all aspects of regional rail discussions (options F through I) even if discussions are in early stages
- Caltrain should develop a position on the potential for a regional construction authority
- Caltrain should continue to work with the State and High Speed Rail Authority to define needed future agreements in conjunction with the evolution of the Authority's plans
- Caltrain should work, through the remainder of the Business Plan, to identify areas where private sector partnerships may be most beneficial to its mission

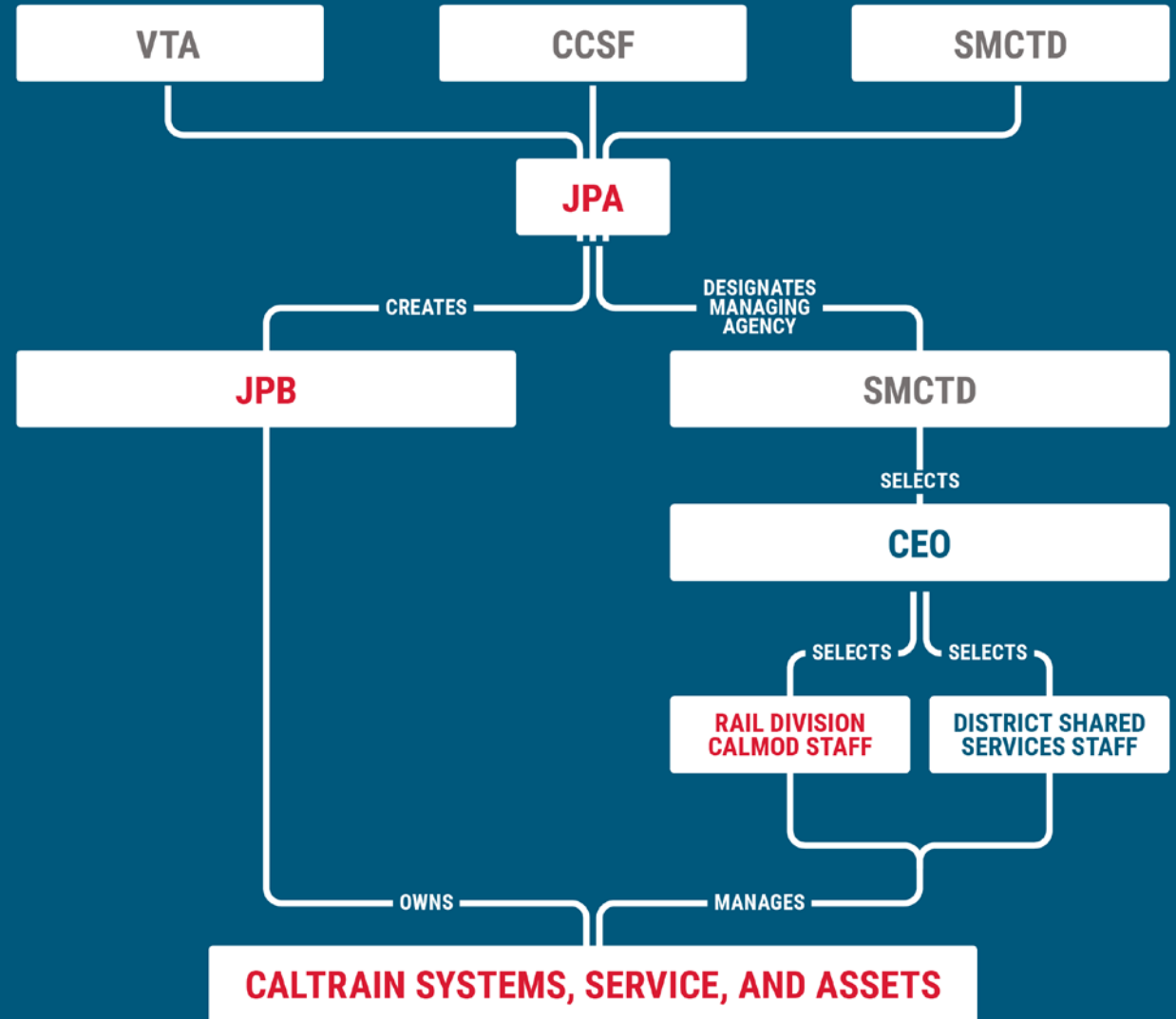


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Where Are We Starting?

Roles and Responsibilities

JPB

The JPB is constituted through the JPA and has the authority for the ownership and operation of the Caltrain service.

JPA Member Agencies

The JPA Member Agencies have the authority to modify the Joint Powers Agreement

San Mateo County Transit District

Under the terms of amended Real Property Ownership Agreement (RPOA), SMCTD is designated the managing agency to serve in that capacity until it no longer chooses to do so.

As managing agency, SMCTD is responsible for providing the staffing for the organization

External Parties

Various elements of potential governance change may require additional approvals by outside bodies (state legislature, county boards and others)



Governance



- **Factual Questions & Clarifications**

BREAK

Topic: Governance

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Topic:

Governance

Report Out from Pre-Workshop Interviews

Topic: Governance

Questions for Group Discussion

1. What are the top three issues you think can and should be addressed by the Board within the next 6 months? Why? Rank in order of priority.
2. Discuss the “straw” proposals as a group. What aspects of them seem promising? Why?
3. Who should act as subcommittee to research and further develop the options for the board’s (and member agencies’) consideration? The member agency GMs? A board subcommittee? Who else? Why?

Topic:

Governance

Report Out from Groups & Full Board Discussion

Conclusions & Next Steps



FOR MORE INFORMATION

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