



**SPUR**

San Francisco | San Jose | Oakland

July 26, 2019

The Peninsula Corridor Joint Powers Board  
12509 San Carlos Avenue  
San Carlos, CA 94070

RE: Item 9: Caltrain Business Plan Update

Dear Chair Gillian Gillett and Peninsula Corridor Joint Powers Board,

SPUR, together with Stanford, SAMCEDA, and the Silicon Valley Leadership Group, authored the Caltrain Corridor Vision Plan urging Caltrain to undertake a strategic business planning process. SPUR commends Caltrain staff for their work to develop the Caltrain Business Plan. The work-to-date has been thorough and clearly communicates the strategic case for each of the service options and consequences of those choices. Similarly, The Organizational Assessment provides critical information and recommendations for Caltrain as it determines how the organization must shift to successfully transform and deliver a new vision for the railroad.

SPUR offers the following recommendations as the Peninsula Corridor Joint Powers Board considers the service scenarios and findings from the organizational assessment over the next few months.

**1. The Peninsula Corridor Joint Powers Board should support the staff recommendation to move forward with a moderate growth scenario today *and* resolve that the high-growth scenario is Caltrain’s vision for 2040. We also recommend staff come back with a recommendation to update the long-range service vision no later than January 1, 2024.**

SPUR supports the staff recommendation to move forward with a moderate growth scenario today. This recommendation moves Caltrain in an exciting and significant direction. We also recommend an affirmative commitment to the high-growth scenario as the vision for this corridor. It will take an ambitious vision to transform today’s sporadic railroad service into an outstanding transit system that serves many different people for many different kinds of trips. **It is critical that the Board start with an ambitious, unconstrained vision—and later solve for the constraints and feasibility.**

Understandably, it is difficult to contemplate a high-growth scenario when there are uncertainties about Caltrain’s fiscal future and about high-speed rail’s service start date, among other variables. However, it would be a mistake not to set an especially bold vision for the Caltrain Corridor for the following reasons:

- Infrastructure decisions last a century. The investment now will prevail far past any other development. Mistakes are very expensive and difficult to fix.
- Some of the capital investments such as most of the passing tracks are not needed until after high-speed rail begins service, so there is time to invest incrementally.
- There is a tendency to only provide service based on existing ridership levels. The problem is that this tends toward service and ridership decline; if ridership increases, service is added; if it falls, service is cut; when it is cut, transit becomes less useful and ridership drops in turn. Providing more service creates more demand.
- There is a high level of overlap between the capital investments needed in the baseline scenario and high growth scenarios. These capital investments may be more cost efficient if there are more revenue-generating services. While the investment in the high growth scenario is the greatest, it provides the second highest farebox recovery and the highest total gross projected yearly revenue.
- The region and the state are contemplating a number of new capital investments in interregional connections and higher service levels. In the future there may be opportunities to coordinate funding and seek state level support that did not previously exist.
- New service delivery models could bring down the costs of project delivery. International examples such as Infrastructure Ontario suggest savings of up to 30% are possible.
- Congestion relief and environmental benefits that can be obtained from the high growth scenario are significant, offering an 80% better VMT reduction, nearly double the GHG reduction and removing the equivalent of at least three freeway lanes.

In summary, we recommend the Board adopt an affirmative goal of higher future service levels that align with the high-growth scenario while pursuing the moderate-growth scenario today. We recommend that the Board ask staff to come back with a recommendation to update the long-range service vision no later than January 1, 2024 and again in 2029. By 2024, Plan Bay Area, the Regional Rail Study, and the southern Alameda Rail Crossing should be completed. Additionally, we believe that better rail service on the Peninsula may allow latent demand to manifest and create a larger market for more service.

By resolving that the high-growth scenario is the vision for the Corridor, the Board will signal a commitment to offering an outstanding rail service for current and future riders, to actively engaging in regional and state rail initiatives and to delivering the infrastructure needed to support more transit-friendly neighborhoods.

## **2. Eliminate the baseline scenario from further consideration.**

This scenario will not serve the Peninsula's transportation needs, cannot alleviate megaregional super-commutes and is not aligned with the state's rail vision. An analysis of the pros and cons of each scenario is in Figure 1.

The baseline scenario:

- **Will not transform Caltrain from a commuter-focused, infrequent system to an outstanding rail service that serves many types of people for many types of trips.** The baseline scenario adds a very small amount of capacity and will not meet Silicon Valley's needs of the needs of an increasingly connected region and megaregion. Additionally, it will still continue to serve predominantly "9-5" commuters and high-income riders who have other options if they miss the train.
- **Is unlikely to put Caltrain on a better financial path.** In this scenario, Caltrain's market remains relatively limited because the schedule is still infrequent and irregular. It will be hard to attract customers who may want to use the train for many types of trips at many times of day and Caltrain may actually lose customers in off-peak hours as there are more shared and on-demand mobility options.
- **Is not aligned with the 2018 California State Rail Plan.** Regional decisions should work to implement this visionary document, which not only provides a blueprint for passenger and freight rail but also indicates a direction for future state funding priorities.
- **Does not allow Caltrain to interline services and take advantage of other major megaregional rail investments and local connections, to BART and bus systems.** Currently, major new connections and investments are being planned that are much more valuable if the Peninsula Corridor is upgraded enough to allow for interlining.
- **Does not support continued economic growth on the Peninsula.** Interlining services makes the Peninsula more accessible to more parts of the region and Northern California megaregion, broadening the labor market for major employers on the Peninsula. Accessing a broader labor market can help companies to grow on the Peninsula, instead of outside of the Bay Area.

## **3. Actively pursue near-term improvements to the organization's service delivery model.**

There are many immediate and slightly longer-term critical issues and challenges that Caltrain needs to be appropriately resourced and staffed to meet. According to the report, if Caltrain were to meet the average staffing level of other railroads, it would need to add at least 100 positions.

In the near term, Caltrain should undertake a detailed analysis of its resource needs across the shared services and functional areas, and also seek to address talent and skills retention. Caltrain

should focus on the organizational needs that will allow for growth and maturing, and identify the funding and resources to do so. These include, legal, real estate, executive assessment and accountability, human resources, procurement, decision-making processes, and more. In the near-term Caltrain must also rethink its reporting and decision-making structures to better support staff and provide role clarity. As part of this effort we encourage the Board to consider what additional skills, resources and supports it needs to successfully oversee a transformed Caltrain.

#### **4. Employ a goal-oriented, well-resourced, facilitated process to identify the best governance path for Caltrain.**

The Organizational Assessment makes clear that the status quo is no longer viable; Caltrain's organization must transform. The options have been laid out; now comes the hard part: developing objectives, identifying trade-offs, assessing risks and uncertainties. Selecting a path forward will be a challenging exercise; it must be approached strategically.

Caltrain should embark on a goal-oriented, well-resourced governance evaluation process. This process should be supported by professionals with skills in mediation, decision-making, adaptive management and managing controversy.<sup>1</sup> The evaluation should focus on identifying the steps in an on-going process to gain skills and competencies and to put in place structures that support building and managing a regional/megaregional rail network.

While it's important to assess the next steps for the JPB to resolve issues, tensions and shortcomings, we believe it will be more constructive if the evaluation process is comprehensive and considers the non-self-directed options as well, as best as Caltrain is able. Caltrain should expect that its organization will evolve over time— just as its service vision is will evolve over time. Viewpoints and perspectives about the non-self-directed options can help guide and steer near term decision-making about the future of the JPB. Focusing on regional governance upfront is furthermore important as there are many near-term regional needs — for example, Caltrain electrification will unlock opportunities for integrated service and fares with BART and adjacent bus operators — that Caltrain's governance body needs to be able to constructively address.

Finally, a task force comprised of only the General Managers of the member agencies may be too narrow of a subset of people to effectively evaluate the options, especially as the review needs to consider funding stability.<sup>2</sup> It may be prudent to involve staff, experts, the JPB and other regional stakeholders in the governance conversations.

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<sup>1</sup> There are models for this. For example, TransLink, Vancouver's regional transportation authority, uses structured decision-making tools to help policymakers make decisions that are defensible, transparent, and efficient. The evaluation process offers an opportunity to introduce new decision-making tools that can be used in this effort and beyond.

<sup>2</sup> Recently, MTC held a Fare Integration Seminar which included staff and board members from transit agencies across the region, as well as content experts; having multiple perspectives added richness to the conversation and ensured a holistic understanding of the issue. We think this is a good template for Caltrain's Governance evaluation.

We recommend the entire suite of governance options be evaluated based on what structure will be most likely to enable successful outcomes for Caltrain, including:

- **Making it possible for Caltrain to become financially secure and raise money more easily.** It is impossible to plan for an outstanding rail system if Caltrain has to face an existential crisis from year to year.
- **Enabling the organization to more fully perform the functions of a corridor manager.** As a corridor manager, Caltrain would be responsible for infrastructure maintenance, joint scheduling, and allocation of train slots to other rail carriers (including High-Speed Rail and freight) in the corridor as well as operating trains in the corridor and possible beyond to the East Bay and Monterey County.

In other countries, corridor managers typically have three to four robust divisions: ownership and management of the rights-of-way and tracks, operational planning and capacity allocation, monetizing stations and sometimes land around stations to bring in revenue, as well as and infrastructure development and construction. Caltrain today is a very small organization that does not have strong functions in station monetization, transit-oriented development or land use control around stations, and infrastructure development and construction. These functions should either be strengthened within Caltrain, or another agency with these capacities could provide them to Caltrain.

- **Making the organization an attractive place to work and brings in new skillsets.** We encourage Caltrain to use dedicated, in-house staff who are responsible for seeing projects through and who can be close-enough to the people making key decisions. Missing from the list of skills the assessment identifies is service design and user experience. These positions are standard in the private sector. For example, Lyft has an entire category of employees called Customer Experience and Trust. Ideally, Caltrain would have senior level staff focused on user experience that are directly accountable to the CEO, and have a cross-functional responsibility over multiple departments.

We also encourage the organization to offer salaries, benefits and retirement packages that are attractive to mid- career professionals and are responsive to the Bay Area's high cost of living.

- **Ensuring that the organization has the right authorities and capabilities to deliver the 2040 service vision.** Realization of the long-range service vision specified through the Business Plan will require organizational transformation. Current institutional and service delivery models are not adequate for the task at hand. A governance structure must position the agency to successfully manage megaprojects, provide integrated service, and manage real estate, among other aspects of the service vision.

- **Ensuring the organization can coordinate regionally in the near and long-term.** Caltrain’s future is inextricably linked to other local, regional and state transportation systems, existing and planned. The optimal governance structure must be able to position Caltrain so it can thrive in this regional context.

**5. The region has a role to play in supporting Caltrain’s more regional and inter-regional outlook.**

SPUR strongly believes that the transformation of Caltrain mandates a heightened regional role, not only in the delivery of regional transit service, but in the planning for it as well. Regional leadership is required to deliver a regional governance framework.

In other countries, a regional transit coordinator performs most of these functions (fare coordination, timetable coordination, policy-setting and long-term planning), while the state or national government sets standards for the compatibility of fleets, systems and infrastructure.

A stronger regional role could include:

- A regional role for coordinating train schedules so that people can transfer quickly between trains and to ensure that capital investments are made without over-building infrastructure. Integrating schedules helps the region build capital investments “only as necessary”.
- A regional role in integrating fares so that people experience the region’s rail and transit systems as one, easy-to use network and that rewards people for choosing transit.
- A regional role in identifying and working through synergies and conflicts at major multimodal hubs such as Diridon Station, Salesforce Transit Center, and regional hubs such as at Redwood City or Santa Clara and Great America Stations. The update to the 2007 Regional Rail Plan is an opportunity to work through opportunities and challenges.
- A regional role in advancing a more interoperable network. In the near term, MTC could adopt a resolution outlining policy goals for a more regionally integrated network, including a goal that supports interlining. This would also send a signal to Caltrain to plan for higher growth, per the staff recommendation. Funding sources could be aligned in support of that goal, such as for fare integration, system and fleet interoperability, corridor acquisition and preservation, stations designed to optimize transfers, operating budgets designed to support timed feeder service connections, and for new (ideally shared) maintenance yards for expanded fleets.

**6. In the upcoming analysis, plan for a more interoperable megaregional rail network when making corridor-specific investments.**

Caltrain has begun the process of exploring inter-regional connections. In choosing a preferred service scenario, the JPB is making decisions that will determine whether or not a regionally-integrated network is possible.

The scenarios show that only the high-growth scenario will allow for interlining up to 4 trains per day. As a next step, it would be helpful to identify some of the key implications and uncertainties for each of the key hubs where interregional services would connect, including:

- What would be needed to allow the desired level of service at Salesforce Transit Center? What does this imply for the Downtown Extension project options?
- What is the maximum amount of (diesel) service from Capitol Corridor and ACE that could be run along the Peninsula particularly at Santa Clara Station and Diridon Station? Both Capitol Corridor and ACE have plans to expand service to hourly service in the near term using the CP Coast Subdivision over Alviso and the State recommends half-hourly service in the long-term.
- Which markets will be served by new connections or by interlining services? With so few slots available for interlining, it is important to think about which markets will gain or lose service, and which are most important to serve.

**7. We encourage Caltrain to work with the state and identify new planning and funding tools that can help deliver on an ambitious vision.**

Caltrain could work with the state to secure:

- Financial support for operations and maintenance for higher service levels
- Financial and legal support for corridor preservation
- Financial and planning support for station redevelopment and monetization
- Financial and planning support for station area land acquisition and transit-oriented development
- Technical standards for interoperability in terms of fleets, signal systems and more.

Sincerely,



Laura Tolkoff  
Regional Planning Policy Director



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**Figure 1. Consequences of Each Service Scenario**

	<b>High-Growth</b>	<b>Moderate</b>	<b>Baseline</b>
<b>Peninsula Service Capacity and Quality</b>	<ul style="list-style-type: none"> <li>• <b>Caltrain service is highly attractive because of higher frequency:</b> More regular schedule with fifteen-minute service at almost all stations; Some cities connected by trains every 7.5-12 minutes; Express service connecting major markets.</li> </ul>	<ul style="list-style-type: none"> <li>• More regular schedule with fifteen-minute service at most stations, which <b>makes Caltrain more attractive.</b></li> <li>• <b>Some key locations may have lower levels of service.</b> Millbrae only has six trains per hour, though it is a critical airport connection. San Mateo has only two trains per hour.</li> </ul>	<ul style="list-style-type: none"> <li>• Continues to have irregular service schedule and longer-trip times that <b>make Caltrain unattractive.</b></li> <li>• <b>Express service is not possible.</b></li> <li>• Continue to have <b>limited customer base</b> because of limited service.</li> </ul>
<b>Financial Outlook</b>	<ul style="list-style-type: none"> <li>• <b>Highest near-term</b> capital investment and corridor preservation.</li> <li>• <b>Most cost-efficient and productive;</b> more service hours using the infrastructure.</li> <li>• <b>Could create new revenue streams</b> through interlining and through high levels of activities at stations</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Moderate near-term</b> capital investment. Limited need for corridor acquisition.</li> <li>• <b>Moderately efficient and productive investment</b>—runs somewhat more service on capital investments that are made even for baseline scenario.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lowest near-term</b> capital investment.</li> <li>• Likely to continue to experience peak-hour crush but limited service availability will lead to <b>overall declining ridership, worsening Caltrain’s financial outlook.</b></li> <li>• <b>Least efficient and productive investment</b> – grade separations or other rail infrastructure improvements must be made even though few trains are running.</li> </ul>
<b>Investment Synergies</b>	<ul style="list-style-type: none"> <li>• <b>Able</b> to accommodate trains from the East Bay or Tri-Valley.</li> <li>• <b>Leverages public investments</b> in Transbay, Dumbarton and Altamont</li> <li>• <b>Supports high-level of transit-oriented development</b> with more frequent service.</li> <li>• <b>Grows labor pool and encourages companies to expand on Peninsula,</b> instead of leaving the region.</li> </ul>	<ul style="list-style-type: none"> <li>• Is a <b>foundation</b> for accommodating trains from the East Bay or tri-Valley.</li> <li>• <b>Some improvements to traffic and air quality</b> because of more frequent service on Peninsula.</li> <li>• <b>Supports some transit-oriented development</b> with more frequent service.</li> <li>• <b>Does not grow labor pool but allows some company expansion</b> through better mobility on the Peninsula.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Unable</b> to accommodate trains from the East Bay or tri-Valley.</li> <li>• <b>Will not improve traffic and air quality</b> because workers from the East Bay and tri-Valley cannot commute by train.</li> <li>• <b>Does not grow labor pool and encourage</b> company expansion on the Peninsula.</li> </ul>
<b>State Vision</b>	<ul style="list-style-type: none"> <li>• <b>Well-aligned</b> with the state’s vision—increased, regular service and regional and interregional connections.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Moderately-aligned</b> with the state’s vision—increased, regular service on the Peninsula but lacks regional and inter-regional connections.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Not aligned</b> with the state’s vision of frequent, all-day rail service in a connected network.</li> </ul>