

# The San Mateo County Transit District Managing Agency History 1991-Present

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# Why? Recent Challenges to SMCTD/SamTrans Managing Agency Role

- Director Walton’s December 1, 2025 letter regarding Caltrain Joint Powers Board (JPB) Governance Issues threatened the SMCTD’s role as Managing Agency for Caltrain:

*“In particular, I propose that we affirm and resume our work to develop Caltrain, step by step, toward becoming an independent regional agency.”*

- Caltrain JPB Governance and Performance Audit discussions, December 2025 and January 2026 Caltrain JPB board meetings
- JPB Request for SMCTD/SamTrans Performance Audit or Efficiency Review February 2026

# Honoring Commitments

SMCTD's Managing Agency Role affirmed throughout Caltrain's history

The 2022 Deal: Caltrain's Memorandum of Understanding (MOU)

SMCTD agreed to alter some managing agency responsibilities in exchange for:

- Partial repayment owed by San Francisco and Santa Clara Counties
- Affirmation SMCTD is Caltrain's Managing Agency as long as it so desires; no independent agency
- Affirmation of "Shared Service Model" which benefits all SMCTD agencies—not a "Pay-for-Service" model
- Affirmation that District's salary ordinance, employee manual and policies continue to govern all employees

**What's past is prologue. Let's remember our history.**

# Caltrain Selected JPA Managing Agency Model in 1991



**JPA:** Public agency formed when two or more local government agencies join together to exercise common powers to deliver a service. **e.g. Caltrain Joint Powers Authority**



**Managing Agency:** Upon creation, a JPA typically appoints a managing agency to lower administrative overhead, eliminate duplication and provide operational continuity and public accountability. **e.g. SMCTD/SamTrans Managing Agency for Caltrain**

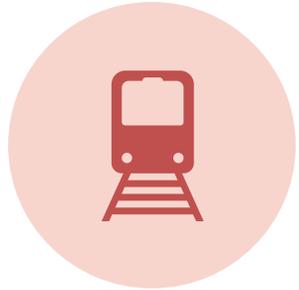
# Pay the Money, Run the Organization— SMCTD/SamTrans Designated Managing Agency

In recognition of SamTrans' leadership, unilateral financial commitment and risks taken, SamTrans has been designated and confirmed repeatedly as the Managing Agency of the operations and assets of Caltrain.

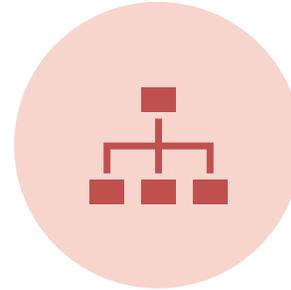
- \* 1991 Real Prop. Ownership Agreement, Recital C
- \* 1996 Restated JPA, § 6[B], § 10[C]
- \* 2008 Amended Real Property Ownership Agreement
- \* 2022 MOU, Recital C



# What “Managing Agency” Means



SMCTD employees provide administrative shared services so Caltrain can focus resources on running trains and serving riders.



Caltrain hires and manages its own specialized technical staff.



Key benefits: cost savings, flexibility, and shared expertise for all agencies.

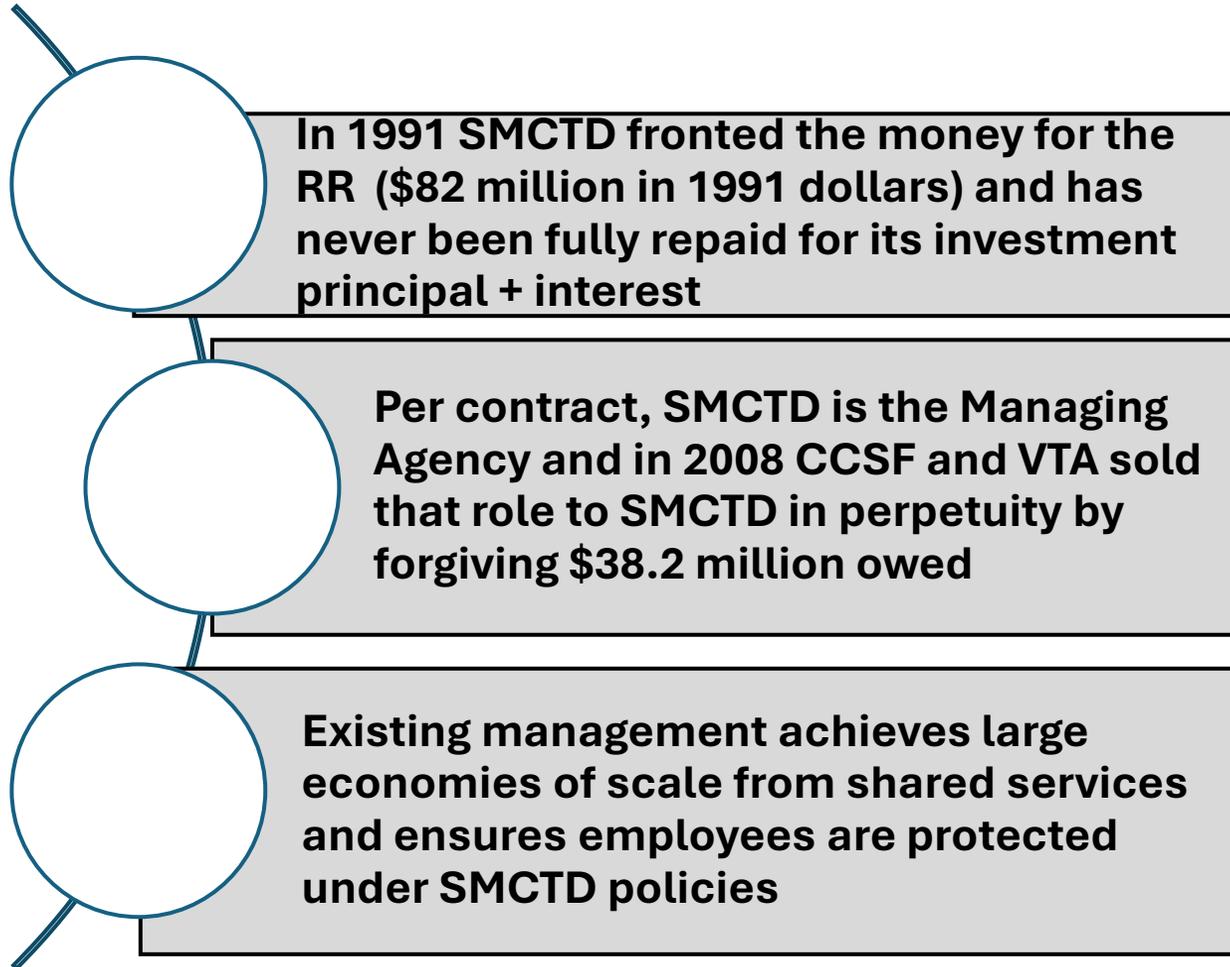


Shared administrative services keep agency overhead low while providing experienced public-sector support.

# About Shared Services & Value Proposition

- Avoids duplication of administrative services, e.g. **Human Resources, Finance, Communications, Information Technology, Real Estate, Security.**
- Supports multiple transportation agencies under the SMCTD umbrella (Caltrain, SamTrans, SMCTA, and San Mateo County Express Lanes JPA).
- Benefits taxpayers who fund these agencies with efficiencies and cost savings.
- Reflects San Mateo County's collaborative, interconnected approach to transportation.

# SMCTD is the Managing Agency For Very Good Reasons



# SMCTD/SamTrans as Managing Agency

Pre-pandemic, Caltrain was among the most efficient commuter rail systems in the U.S.A. with ~70% farebox recovery

As Managing Agency, SamTrans General Manager and Executive Team led successful grant funding efforts for Baby Bullet Service and Caltrain Electrification \$2.2B full funding grant agreement in 2017

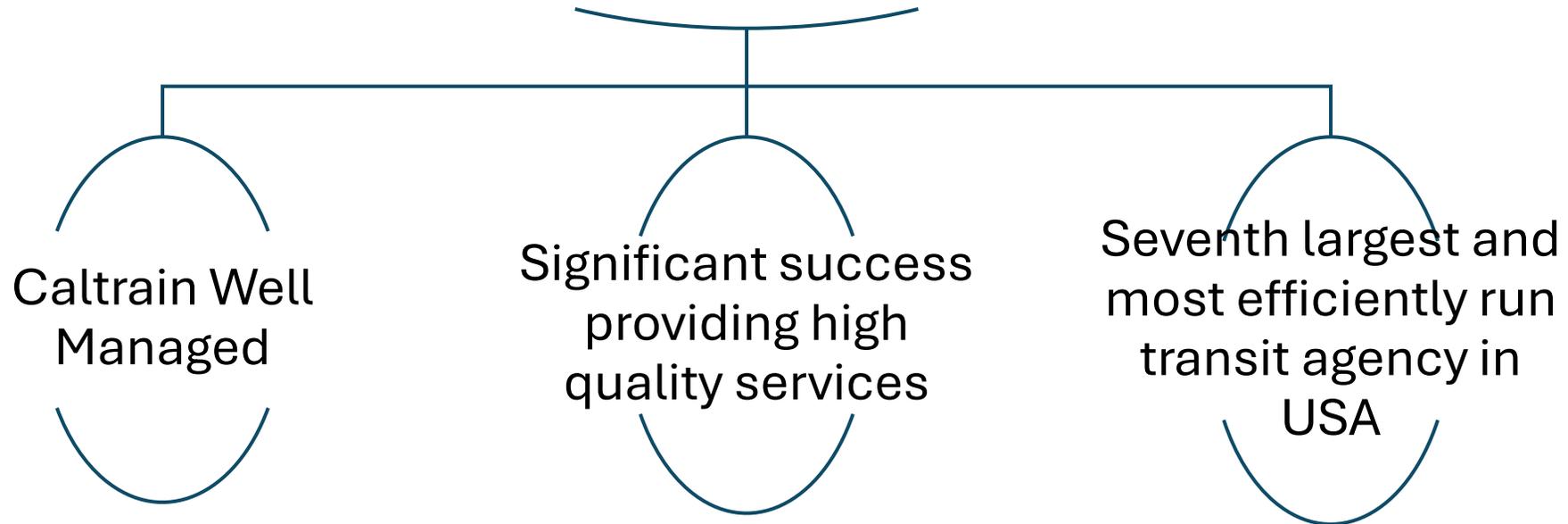
# Managing Agency SMCTD Financial Support for Caltrain

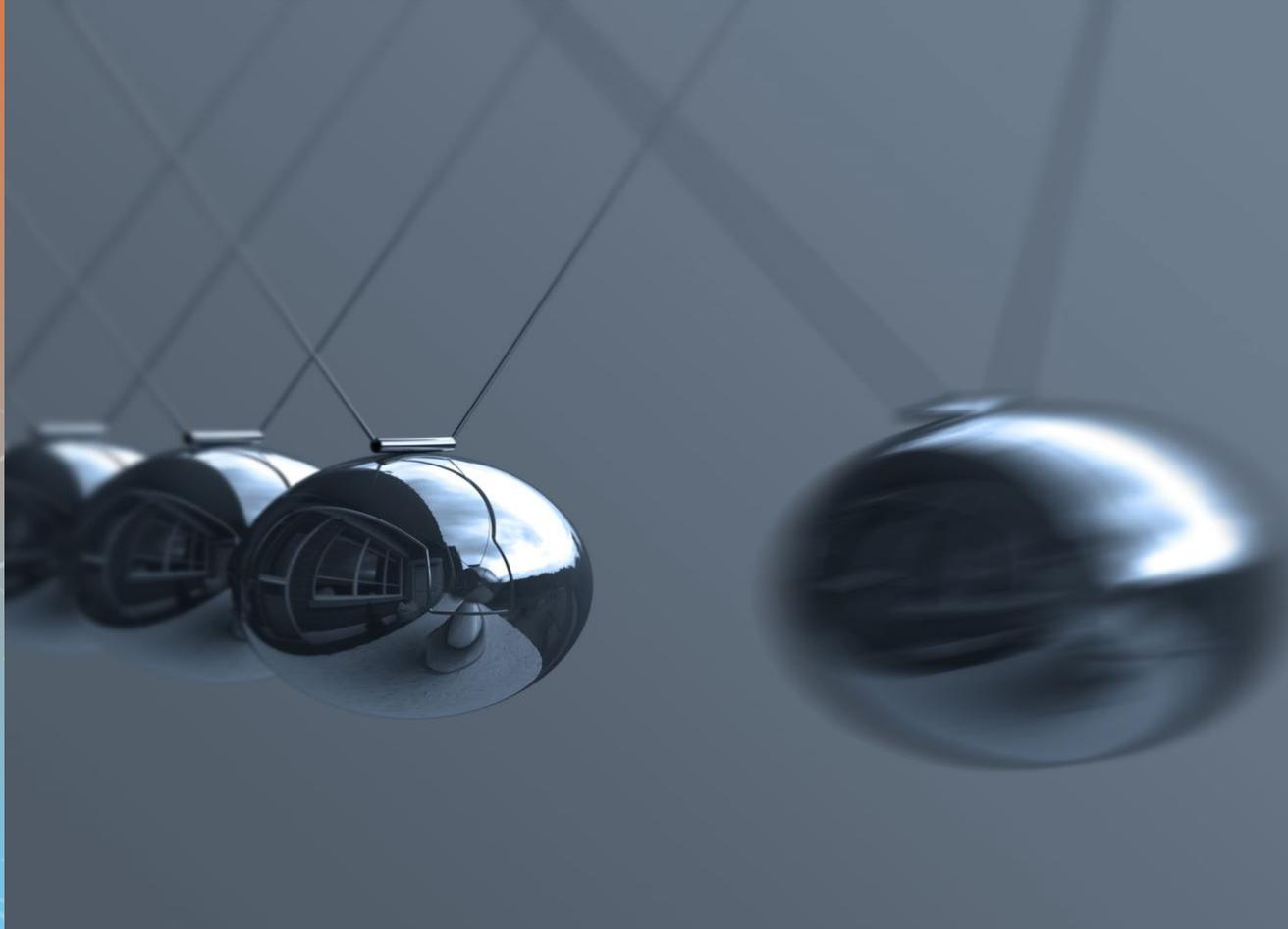
Example	Estimated Value
<b>Southern Pacific Right-of-Way (ROW)</b> purchase	\$82M (1991 dollars)
<b>Sequoia Station</b> parking garage funding	\$15M (1990 dollars)
<b>SMCTA purchase and preservation of Rail Properties</b> for benefit of Caltrain service; free use for 30+ years	\$28.5M (1990's dollars)
<b>Favorable Rent</b> New Class A Office Space in new Millbrae Headquarters	\$10.9M cost savings (2026 dollars) over 10-year lease

## More Examples:

- South County Caltrain service to Gilroy voluntary contributions
- Negligible rent for 1250 San Carlos Avenue Headquarters

# The Status Quo Before Governance Journey





# Caltrain: An Independent Agency?

# “Self-Directed” Options Presented at Special Meeting #4

Less Change

More Change



## Option 1

### Refined Shared Services Model & ED Relationship

Maintain the San Mateo County Transit District (SMCTD) as managing agency of Caltrain with increased JPB oversight over the Caltrain Executive Director (ED) and increased Caltrain oversight of services provided to the railroad by SMCTD through shared service agreements.

## Option 2

### New Shared Services Model & ED Relationship

Adjust the SMCTD managing agency model to provide for greatly expanded JPB oversight and authority, including direct JPB employment of the Caltrain ED and senior leadership; expansion of services provided to the railroad directly by Caltrain; and establishment of purchased service agreements for remaining services provided to the railroad by SMCTD.

## Option 3

### Independent Agency

Dissolve the managing agency model and replace with a separate, independent Caltrain agency to directly manage and administer the railroad, either through reorganizing JPA or forming a special district.

# Financial and Legal Analysis Summary

Option	Annual Increase in Costs	One Time Costs	Legal Time Estimate Following MOU Agreement
Option 1	-	\$1,500	6-18 months
Option 2	\$5,900	\$4,600	12-18 months
Option 3	\$9,200	\$48,900	12-36 months

Note: All costs are expressed in thousands and in \$2021.



# Independent Agency vs. SMCTD/SamTrans Managing Agency

## \*Caltrain JPB Governance Study 2021



**Independent Agency**  
**(Rejected)**  
\$48.9M one-time costs  
\$9.2M annual ongoing  
increase

**New Shared Service Model**  
**(Selected)**  
SMCTD Managing Agency  
\$4.6M one-time costs  
\$5.9M annual ongoing increase

**\*Total cost of Caltrain JPB Governance Study = \$1.67 million**

# Present Day Reality Check: Cost Estimates and Budget

**Conclusion:** Caltrain JPB made a rational decision in 2021. Otherwise, Caltrain's **average annual deficit** would have ~~ballooned~~ increased from **current \$75M** to ~~\$185~~ **\$85M+** today if they had become an independent agency.

## Independence in 2021

- \$48.9M one-time start-up costs  
(2021 dollars)
- \$9.2M new annual ongoing costs  
(2021 dollars)
- Total Cost by ~~5<sup>th</sup>~~ 6<sup>th</sup> year, 2026:  
**\$110M (est.)**
- Total Cost by ~~10~~ 11<sup>th</sup> year, 2031:  
**\$170M (est.)**

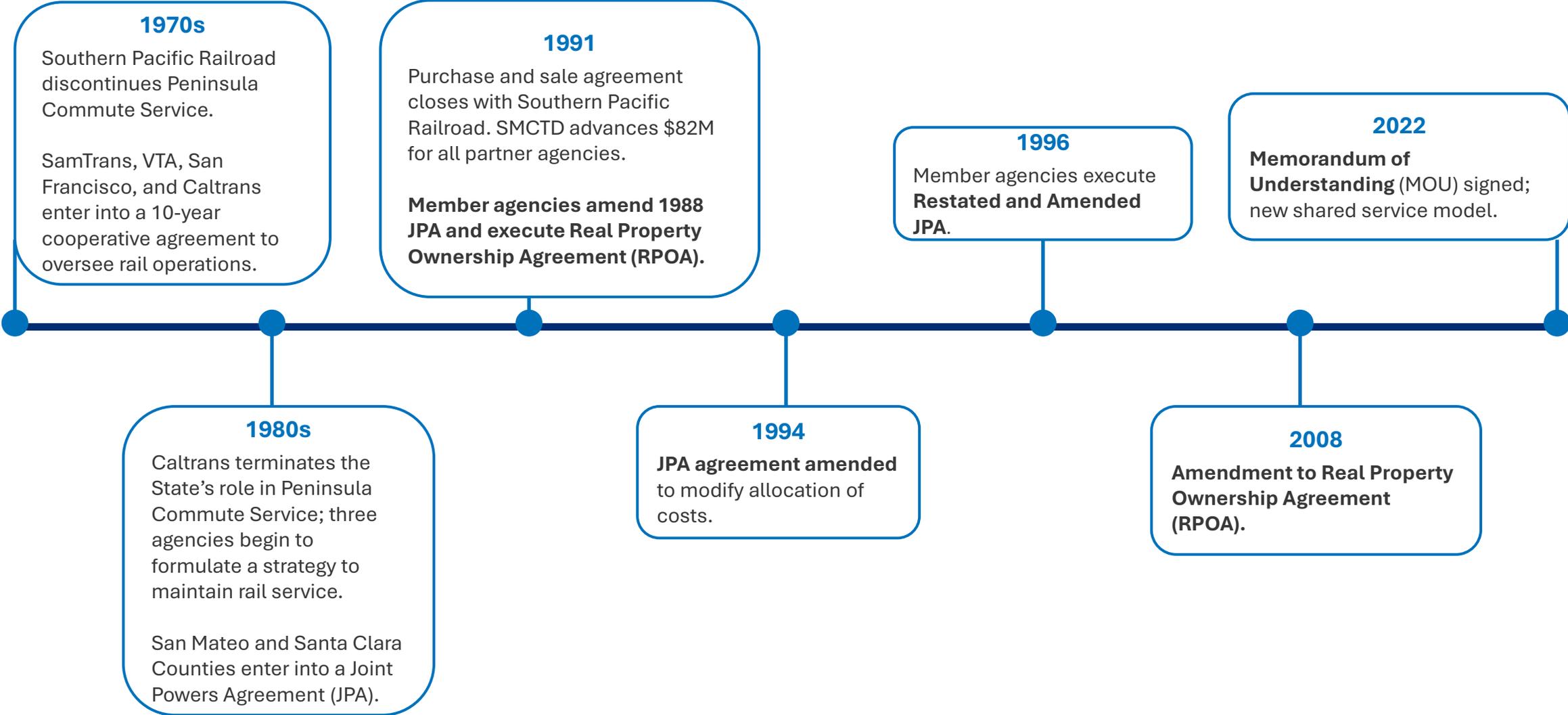
## Independence in 2026?





UNDERSTANDING THE PRESENT  
IS UNDERSTANDING HISTORY

# SMCTD/SamTrans Managing Agency Role Affirmed Throughout Caltrain's History



# **A Legal History of Caltrain**

## SMCTD/SamTrans' Exclusive Financial Contribution

**1991**

SamTrans provides **\$82 million** (1991 dollars) to purchase railway and CCSF and VTA agree to reimburse

# **SMCTD/SamTrans Designated as Managing Agency in All Agreements Since 1991**

Each legal agreement signed by all member agencies throughout Caltrain's history affirmed that SMCTD is Caltrain's Managing Agency.

- \* 1991 Real Prop. Ownership Agreement, Recital C
- \* 1996 Restated JPA, § 6[B], § 10[C]
- \* 2008 Amended Real Property Ownership Agreement
- \* 2022 Memorandum of Understanding, Recital C

## **Current Legal Rights – Status Quo**

**Existing Rights Under 1996 JPA and  
2008 RPOA**

## Member Agencies' Obligation to Provide Contributions

\* Member Agencies required to provide contributions as necessary for **main line operations** (JPA § 7.A)

\* Member Agencies required to provide contributions for **capital costs for main line** (current obligation except “expansion projects”, JPA § 7.B)

## Member Agencies' Obligation to Share Administrative Costs

- Administrative costs for Managing Agency to be shared by Member Agencies (JPA § 7.C)

## VTA Funding Obligations RE: Gilroy Service

- \* JPA requires that VTA pay for Gilroy operating/capital costs (JPA §§ 7.A & 7.B)
- \* Possible “conforming” practices related to variations in boarding formula (“one time”/”three out of four”)?

## SamTrans' Historic Role with the Railroad

**2008**

SamTrans Unpaid/Amend RPOA

**CCSF/VTA “sell” Managing Agency Role *in perpetuity* - \$38.2 million reduction**

(1991 RPOA, Recitals B, G)

**Parties acknowledge \$53.3 million  
still owed**

AMENDMENT TO REAL PROPERTY OWNERSHIP AGREEMENT

This First Amendment to Real Property Ownership Agreement (the "Agreement") entered into by and among the Peninsula Corridor Joint Powers Board ("JPB"), San Mateo County Transportation Authority ("SAMTRANS"), the City and County of San Francisco ("CCSF"), and the Santa Clara Valley Transportation Authority ("VTA"), formerly known as the Santa Clara Valley Transportation Authority, this 31st day of October, 2008.

RECITALS

A. SAMTRANS, CCSF and VTA are member agencies of the JPB, which was created by an amended and restated joint exercise of powers agreement ("JPA") dated October 1, 2008. Among the enumerated purposes of the JPB are the planning, administration, operation, maintenance, expansion of the commuter rail system commonly known as Caltrain, and the maintenance, improvement and management of the rail corridor on which the Caltrain system is operated, together with other real estate assets necessary for the operation of Caltrain.

B. Under the JPA, SAMTRANS serves as the Managing Agency responsible for the management and operation of the Caltrain rail service and all of the assets of the JPB.

C. SAMTRANS, CCSF, VTA and JPB also are parties to a Real Property Ownership Agreement ("RPOA") dated December 24, 1991.

D. Among other things, the RPOA sets forth the understandings of SAMTRANS, CCSF and VTA associated with financing the acquisition by the JPB of the former Southern Pacific Transportation Company ("SP") right-of-way extending from 4th and Townsend Streets in San Francisco 51.4 miles to Lick Junction (the "ROW"), together with various other property rights all as memorialized in a Purchase, Sale and Option Agreement dated November 22, 1991 between SP, JPB and SAMTRANS. More specifically, pursuant to the RPOA, SAMTRANS agreed to facilitate acquisition of the ROW by advancing certain of its funds, and arranging for the contribution of certain funds of the San Mateo County Transportation Authority, which were necessary to complete the purchase of the ROW (the "Additional Contribution"). In consideration of SAMTRANS' willingness to facilitate acquisition of the ROW in said fashion, CCSF and VTA agreed to enter into the RPOA to acknowledge, safeguard and protect the Additional Contribution,

B. Under the JPA, SAMTRANS serves as the Managing Agency responsible for the management and operation of the Caltrain rail service and all of the assets of the JPB.

G. In conjunction with the Amendment of the RPOA, the parties have agreed that SAMTRANS will be designated as the managing agency of the JPB unless and until it no longer chooses to do so, it being agreed and understood that a formal amendment to the JPA incorporating this commitment will be implemented at a future date.

**Successful Negotiations  
with VTA and CCSF in 2022  
Memorandum of Understanding (MOU)**

# Caltrain MOU, August 2022: Roles & Accountability

- Two Years in the Making
- Fairly Negotiated
- Signed by All Parties  
(CCSF, VTA, SMCTD, Caltrain JPB)



# 2022 Governance MOU: Partial Payment for Relinquishing Portion of Managing Agency Role

**\$19.8 Million from MTC (MOU § B.3.A)  
overdue from partners since 2008**

**\$15.2 million from CCSF/VTA (MOU § B.3.B)**

***Upon payment, SMCTD released VTA/CCSF and gave up Tenant In Common and Equity Conversion Rights (MOU Recital D, § 3.A) on the railroad right-of-way***



# MOU: Delineated Governance Changes

- \* **JPB Hires/Fires Independent ED (§ 1.A)**

- \* **ED Sole Authority Over Rail Staff and migrated positions (§§ 2.A, 2.B)**

**(though subject to SMCTD's salary ordinance, manual and policies)**

- \* **SMCTD otherwise remains Managing Agency supporting JPB**  
**(Recital C, § 2.E)**

# Governance MOU Protections

- \* Other fully and partially shared services under SMCTD General Manager's direction (MOU §§ 2.C, 2.D)**
- \* With exception of “migrated” positions, no further migration unless JPB *and* SMCTD agree (MOU §§ 2.B.F, 3.F)**

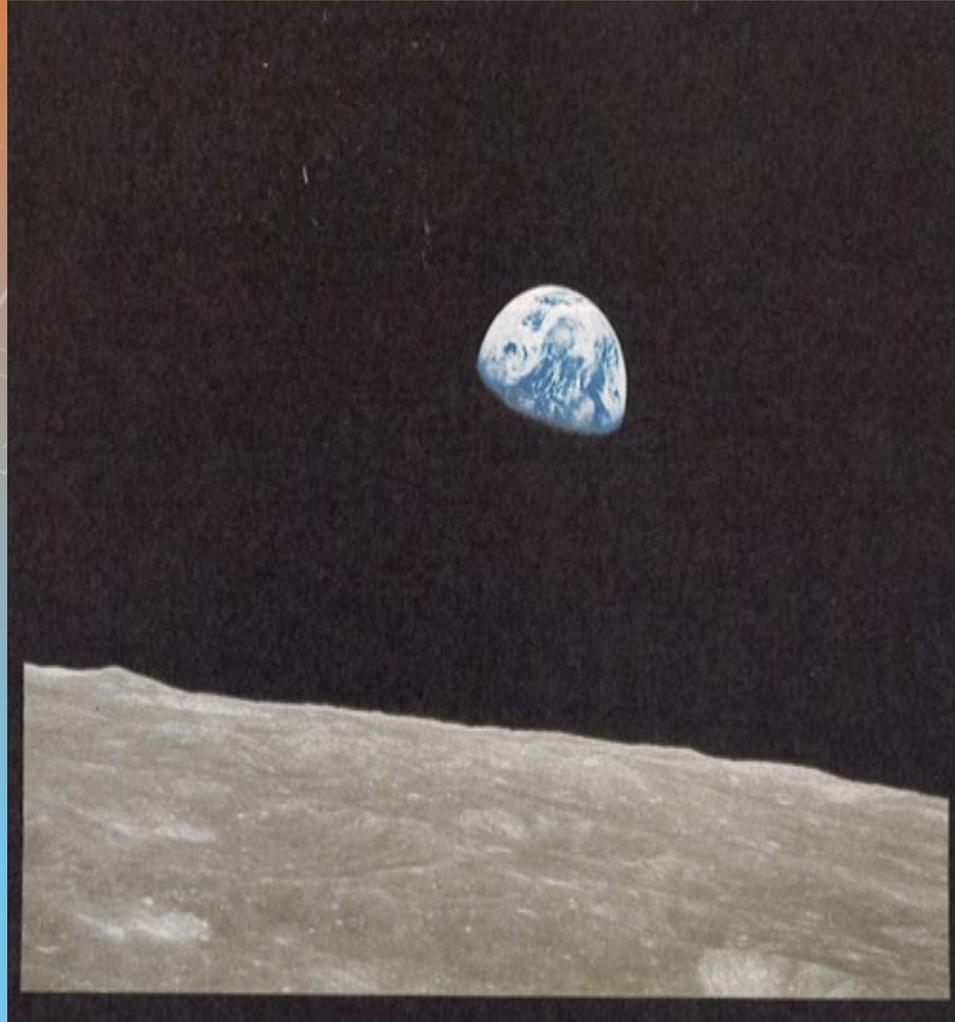
**MOU Controls; JPA Remains Effective Unless:**

**JPA and 2008 RPOA may only be amended with *unanimous* approval of all three parties.**

**JPA, sec. 17, 2008 RPOA, sec. 15.6**

**Perspectives**

**Post-MOU**



# Red Herring: Caltrain's Internal Efficiency Audit Request



Shared Services are efficient; it is in SMCTD's interests to provide high-quality, efficient services for all agencies



Shared Services equal less than 8% of Caltrain's total operating budget



Caltrain JPB has no legal right to request an internal efficiency audit of its Managing Agency



SamTrans and Caltrain already participate in multiple audits; all information is publicly available



Request is costly political distraction from mission critical work and solving the \$75M annual Caltrain operating deficit

# Recent Challenges to SMCTD Managing Agency

When “front door” of an independent agency couldn’t happen, Director Walton attempted “back door” effort in his December 1, 2025 letter regarding Caltrain Governance Issues (and withholding CCSF capital funds for Guadalupe Bridge Safety project)

*“In particular, I propose that we affirm and resume our work to develop Caltrain, step by step, toward becoming an independent regional agency.”*



# SMCTD/SamTrans Managing Agency Priorities

Since the 1970's, SMCTD/SamTrans has supported Peninsula rail operations with financial resources and leadership. It has nurtured Caltrain, SamTrans, SMCTA, and SMC Express Lanes through a shared service model focused on service delivery, accountability, and right-sized overhead.



# **JPB Partners Call to Action - Moving Forward: Commitment to Riders, Taxpayers, and the Public Trust**

- Manage and reduce Caltrain's \$75 million annual deficit
- Establish trust by honoring existing legal commitments
- Resume Caltrain JPA negotiations per MOU agreement
- Prioritize service and customers first
- Deliver safe, efficient, world class transportation service for our riders and taxpayers