



**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AD-HOC FINANCIAL RECOVERY COMMITTEE**

Wednesday, February 10, 2010

3:00 P.M.

VTA River Oaks Campus
Auditorium
3331 North First Street
San Jose, CA

AGENDA

- 1. CALL TO ORDER/ROLL CALL**
- 2. PUBLIC PRESENTATIONS:** This portion of the agenda is reserved for persons desiring to address the Committee on any matter not on the agenda. Speakers are **limited to 2 minutes**. The law does not permit Committee action or extended discussion on any item not on the agenda except under special circumstances. If Committee action is requested, the matter can be placed on the next agenda. All statements that require a response will be referred to staff for reply in writing.
- 3. CHAIRPERSON'S REPORT**
- 4. Review Ad-Hoc Financial Stability Committee Recommendations.**
- 5. ADJOURN**

NOTE COMMITTEE MEMBERS: In order to establish a quorum for this meeting, members are asked to call Board Office at (408) 321-5680 or E-mail: bd.sec.polling@vta.org before 5:00 p.m. on the day prior to the meeting. Thank you for your cooperation.

In compliance with the Americans with Disabilities Act (ADA), those requiring accommodations or accessible media for this meeting should notify the Board Secretary's Office 48 hours prior to the meeting at (408) 321-5680 or E-mail: board.secretary@vta.org or TDD (408) 321-2330. VTA's Homepage is located on the web at: <http://www.vta.org>

NOTE: THE COMMITTEE MAY TAKE ACTION ON ANY ITEM IDENTIFIED ON THE AGENDA.



Ad Hoc Financial Stability Committee

January 2003 – October 2003

Financial Stability Committee

- Board Members
 - Dave Cortese, Co-Chair
 - Don Gage, Co-Chair
 - Pat Dando
 - Dena Mossar
 - Tom Springer

Stakeholders

- Silicon Valley Leadership Group – Laura Stuchinski
- SJ/SV Chamber of Commerce – Jim Tucker
- Milpitas Interest Group – Trish Dixon
- ATU Local 265 – Tom Fink
- SEIU Local 715 – Marilyn Smith
- South Bay Labor Council – Bob Brownstein
- Citizens Advisory Committee – Stephen Blaylock
- Bicycle Pedestrian Advisory Committee – John Sullivan
- Committee for Transit Accessibility – Randy Tamez
- Santa Clara County Cities Association – Dennis Kennedy
- North County Business Group – Larry Horton

Consultants

- Booz/Allen Hamilton
- AECOM
- G. Richard Swanson and Associates

\$300,000.00

Scope

- Financial Analysis – present and projected
- Service Analysis and Service Reduction
- Review of Capital Projects
- Short and Long Term Funding

Committee Findings

- In response to a dramatic and unprecedented decline in sales tax revenue to VTA, the Board and staff have made substantial inroads toward the reduction of the near-term operating deficit by reducing expenses and improving productivity and efficiency.
- However, in spite of these efforts, VTA is still facing annual operating deficits averaging between \$60-\$65 million beginning in FY 2006.
- As a consequence, VTA must urgently address the need to enhance revenues and reduce expenses in the very near term. Additional delay in addressing this structural problem simply exacerbates the problem.

Recommendations

- Consultant Identified Potential Cost Efficiencies
 - Benefits Programs and Costs
 - Maintenance Manpower
 - Driver Productivity
 - Administrative Costs

Recommendations

<p style="text-align: center;">Recommendation</p>	<p style="text-align: center;">Consultants Estimated Annual Financial Impact</p>
<p>1. VTA should consider actively pursuing new local revenue sources that effectively diversify the revenue stream dedicated to VTA.</p>	<p style="text-align: center;">Indeterminate</p>
<p>2. VTA should support statewide legislative efforts to broaden the sales tax base, as well as to reduce the threshold for passing broad-based local transportation measures.</p>	<p style="text-align: center;">Indeterminate</p>
<p>3. VTA should seek to partner with other entities when seeking new revenue sources.</p>	<p style="text-align: center;">None</p>
<p>4. VTA should implement management's recommended fare changes for Fiscal Year 2004.</p>	<p style="text-align: center;">\$3.5 million (net)</p>
<p>5. VTA should adopt and annually examine a formal policy guiding fares for the future, which includes setting a farebox recovery target of 20% to 25%, to be pursued over the coming two to three years.</p>	<p style="text-align: center;">Estimated to average \$3.5 million net increase for subsequent fare increases</p>

Recommendations

<p style="text-align: center;">Recommendation</p>	<p style="text-align: center;">Consultants Estimated Annual Financial Impact</p>
<p>6. VTA should streamline the procedure for considering a fare change.</p>	<p style="text-align: center;">None</p>
<p>7. VTA should work with labor representatives and health care providers to develop a strategy to contain health insurance costs.</p>	<p style="text-align: center;">Will be determined through negotiations</p>
<p>8. VTA should develop a strategy for negotiating with all four labor organizations in order of agreement expiration (Local 715, CEMA and TAEA in 2003 and ATU in 2005) and address non-represented staff benefits in a timely manner.</p>	<p style="text-align: center;">Included in #7</p>
<p>9. Implement staffing changes consistent with productivity improvements and service reductions.</p>	<p style="text-align: center;">Included in #14 below</p>
<p>10. Re-examine and revise inventory levels required for reduced fleet levels.</p>	<p style="text-align: center;">Negligible</p>

Recommendations

Recommendation	Consultants Estimated Annual Financial Impact
11. Address excess fleet issue by halting rehabilitation of 92 Series buses, mothballing excess fleet and evaluating partial sale of excess fleet.	TBD
12. VTA should examine work rules and resulting productive work hours per employee as part of both the current service restructuring and labor negotiations.	Included in #14 below
13. VTA should carefully examine reductions in administrative costs both as part of potential productivity improvements and as part of the service restructuring effort.	Included in #14
14. VTA should implement service reductions (restructuring) totaling 30% by October 2003. Such reductions should be made in line with the Board of Directors' adopted service standards. The net effect of this reduction is to save between 22 and 27 percent of total operating expense.	\$60 - \$70 million savings associated with 30% service reduction

Recommendations

Recommendation	Consultants Estimated Annual Financial Impact
15. The VTA Board should receive an annual presentation on the nature and magnitude of VTA services and periodic reports on route productivity, comparisons to service standards and efforts to restore services previously reduced.	None
16. VTA should review and revise its service standards in light of its financial condition. These standards should address target and minimum acceptable measures of route productivity by route, service type, and overall system.	Indeterminate
17. VTA should revise and enforce staff time keeping policies and procedures to ensure maximum allocation of appropriate direct and indirect costs to capital projects.	Indeterminate
18. The Board of Directors should not adopt capital programs unless operations and maintenance costs have been identified and revenue sources are determined. Capital programs and service changes should be considered by the Board in the context of the budget process and revenue and cost projections.	Indeterminate
19. VTA should re-assess overhead cost composition to ensure all appropriate projects are defined as capital.	Indeterminate



Consultant Identified Revenue Sources

The Committee Examined Numerous Potential Revenue Sources, and Has Narrowed the Focus to the Following Sources

SOURCE	EVALUATION CRITERIA				
<u>I Tax Initiatives</u>	<u>Estimated Annual Yield</u>	<u>Timing</u>	<u>Approval Requirements</u>	<u>Enabling Legislation</u>	<u>Other Information</u>
Local gas tax	\$.01/gal = \$9.1 M	12 – 18 mos	66.7% voter approval	Required	913 million gal. in 2002
Regional gas tax	\$.05/gal = \$165 M	MTC initiative	66.7% voter approval	None	Can go to \$.10/gal
State gas tax	Backfill TCRP	State budget	State Legislation	None	Capital projects only
Local sales tax	\$.005 ≅ \$140 M	12 – 18 mos	66.7% voter approval	None	SCA 2 (Torlekson) ACA 7 (Dutra) ACA 9 (Levine)
Sales tax base	Unknown	State initiative	State legislation	None	
TDA increase	≅ \$66 M	State	State legislation	None	CTA Legislation
Parcel tax	\$25/parcel = \$11.2 M	6 – 12 mos	66.7% voter approval	Co. could implement	446,382 parcels in Co.
Payroll tax *	1% = \$662 M	12 – 18 mos	66.7% voter approval	Co. could implement	S.F. 1.5% = \$275 M
<u>II Fees/Assessments</u>					
Vehicle Reg. Fee	\$5/car = \$7 M/yr	6-12 mos	66.7% voter approval	Required	1.4 M reg. veh. in Co
Benefit Assessments	\$10/15 M/yr	12 – 18 mos	Protest hearing	Introduced	Limited to station O & M
Traffic Mitigation Fee	% of const. activity	12 – 18 mos	Research needed	Co. could implement	Research needed
Bridge Tolls	\$5-10 M/yr	Not before 2005	Bay Area majority vote	Required	\$1 toll increase, 40% to ops
<u>III Financing Mechanisms</u>					
Working capital bond	Varies	?	Legal opinion required	None	Need new rev source Amend expend. plan

* **Note: Payroll tax could be passed by a simple majority (50% +1) as a general tax initiated by Santa Clara County**

Questions Addressed

- Sixty four discrete questions were addressed:
 - Consider contracting out services
 - Adjust service levels where needed
 - Consider structure, business practices
 - Use of smaller vehicles
 - Evaluate ratio of front line to managers
 - Bring consultant work in house

Board Adopted Strategy

February 23, 2004

Near Term to Mid Term (6 months to 1 year)

- Maximize revenue resources including, farebox revenue, State revenue and Federal funds.
- Request a list of prioritized transportation projects by January 2004.
- Prioritize transportation projects and improvements at a March 2004 workshop. Incorporated into the VTP 2030 plan and submitted to the MTC.
- Projects not identified as initial priorities will be temporarily delayed .
- Utilize \$80 million of advanced Measure A funds for maintaining current transit service .

Board Strategy

Mid Term to Long Term (1 year and beyond)

- Identify the most viable new or expanded revenue source(s) for VTA. Continue public input and data gathering in partnership with community leaders and stakeholders to help define the revenue source(s) and timing most acceptable to the community.
- Lay the foundation to pursue limited expansion of the sales tax base to help make up for the continuing erosion of this financial resource.
- Utilize Budgetary Operating Reserves, Measure A funds authorized for maintaining current service and other options to fund the near-term shortfall in service operations until replacement revenue from new funding sources becomes available.
- Future operating funds from Measure A for bus and light rail service would be the amount available to maintain **current** services.
- Although not required, repayment of Measure A funds advanced to maintain current bus or light rail services should be effected - provided that it would not require reductions in existing bus or light rail service levels.

Mid Term to Long Term (1 year and beyond) (Con't)

- If any Measure A capital funding is needed to maintain bus or light rail services, the Board would need to make a specific determination.
- Any capital funding advanced for operating purposes would be considered a loan and must be 100% repaid over the life of the Measure A program.
- The total projected funding in Measure A for operating and capital costs for buses and light rail shall be determined through the VTP 2030 process by the Board. Should VTP 2030 be amended to account for a change in revenue projections, the maximum amount available for bus and light rail operations should be adjusted accordingly.
- Operating or capital funding for other Measure A services or projects would not be available to maintain or expand bus and light rail operations.
- Continue to aggressively pursue joint development opportunities that will provide a diverse revenue stream.
- Consider submitting an advisory ballot measure for setting project priorities if no new revenue sources are approved prior to December 1, 2006.

Board Adopted Strategies

February 2004

- Improve Revenues
 - Taxes, Farebox Return
- Determine Capital Project Priorities
- Use Operating Reserves
- Use Measure A to support operations
 - ‘only to the extent necessary’
 - Repay Measure A if possible
- Pursue Joint Development Opportunities

The Challenge

2010

- New Revenue Sources Doubtful
 - Existing sources are declining
- Increased Farebox Return Unlikely
 - Require unrealistic fares and ridership
- Joint Development Slow & Uncertain
 - Worthwhile but challenging
- Capital Projects
 - Priorities are set. Opportunities seized

The Challenge

2010

- Determine Areas of Maximum Result

Response to Specific Questions Raised By Participants

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope

Compilation Of Suggested Revisions

Task 1: Define Magnitude And Nature Of Financial Shortfall		
1.1	Analyze financial history and trends. (Springer)	Swanson & Associates has performed the necessary analysis. The "message" is that now has a structural deficit that will not simply "go away" as the economy improves. The size of the tax base has dropped precipitously; even if growth returns to the healthy rate experienced in the late 1990's, the loss is a permanent loss, one that will be experienced in every year.
1.2	Focus on short and long term. (Dando)	All issues are addressed in both short and long term strategies (e.g., funding, fares, service, productivity, capital).

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 2: Identify Revenue Enhancement Opportunities		
2.1	Evaluate lease-back opportunities and identify financial impacts. (WERT)	VTA has extensive lease-back programs in place already, even for vehicles ordered but not yet received. Additional effort by the consultants was not deemed necessary.
2.2	What is the average number of monthly passes used, and the number of monthly passes by month? What is the subsidy rate per monthly pass? (Springer)	Detailed information provided in VTA Memo of March 13, and two Booz Allen presentations. About 135,000 adult, 68,000 youth, and 98,000 senior passes are projected to be sold in FY03. Per boarding fares are \$1.40 for adult cash, \$0.63 is the systemwide average across all fare types, \$0.73 per adult pass, \$0.73 per Eco Pass, \$0.52 per youth pass, \$0.39 per SJSU pass, and \$0.22 per senior/disabled pass.
2.3	What is the average number of single trip tickets sold per month and the number of single trip tickets sold per month per bus line? What is the subsidy rate per single trip ticket? (Springer). Request for same information for daily pass tickets and tokens. (Springer)	Detailed information was provided as above. Projected FY03 single trip fare trips/fare: adult 3.9M/\$1.40; youth 1.8M/\$0.85; senior/disabled 422k/\$0.45. Day pass ridership/fare by rider group: adult day pass 6.9M/\$4.00; youth day pass 2.8M/\$2.50; senior/disabled day pass 3.1M/\$1.25



VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 2: Identify Revenue Enhancement Opportunities		
2.4	Prioritize securing a diversified set of stable, long-term operating funds in order to prevent future transit service cuts. (TALC)	Swanson & Associates did this in a technical paper in February – recommended new stable funding sources were identified and discussed. Updates on legislation or required next steps were discussed.
2.5	Identify revenue-raising actions that can be implemented in partnership with cities, school districts and employers. (Cortese)	The payroll tax has the greatest potential here, both in terms of magnitude of funds raised and interest. VTA also avoided focusing on property taxes on which these potential partners currently rely.
2.6	In analyzing revenue options, address local government policies on advertising (e.g. opposition to billboards) (Gage)	We examined the "auxiliary revenue" reported in the National Transit Database. This includes both advertising and concession revenue. Data were reported by 230 of the roughly 600 agencies that report to the NTD. VTA's experience in 2001 in terms of auxiliary revenue per vehicle-mile was toward the upper end of the experience of its peers. The strength of the outdoor advertising market in the San Jose region has declined along with general economic trends; simply stated, an "impression" is worth less today than it did 3 or 4 years ago.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 2: Identify Revenue Enhancement Opportunities		
2.6	In analyzing revenue options, address local government policies on advertising (e.g. opposition to billboards) (Gage)	Revenues in the old contract were roughly \$3 million per year. In its new contract VTA will earn one-half that level of advertising revenue. Only 2 bidders responded to the RFP for the advertising contract renewal. The most aggressive action VTA could take at this point would be to expand the number of "wrapped" buses and add more, larger, and illuminated advertising panels at the light rail stations.
2.7	New revenue streams for transit operations must be identified immediately. (RU)	Swanson & Associates identified multiple funding sources, the steps and the time line required to implement them, as well as the revenue potential.
2.8	Identify measures to operate transit projects without raising fares or decreasing service. (RU)	The study examined productivity improvements (e.g., maintenance), cost efficiency (benefits), capital cost allocation and others.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 2: Identify Revenue Enhancement Opportunities		
2.9	Use auxiliary fare boxes on buses when a fare box malfunctions. (RU)	This does not appear to be a reasonable idea given spacial requirements, power requirements and minimal loss due to farebox downtime
2.10	Enforce light rail fare policy more aggressively and more consistently. (RU)	Available data does not indicate that light rail fare theft is a significant problem. VTA's has a slightly lower inspection rate than peers, and comparable reported evasion. The evidence does not indicate greater inspector staffing levels will have a net financial benefit.
2.11	Adopt and enforce a zero-tolerance policy on courtesy rides provided by VTA operators to friends or relatives. (RU)	This is a good idea -- no evidence exists suggesting it will have a material impact on net revenues.
2.12	Re-enable light rail ticket vending machines to give out change upon payment of fare. (RU)	VTA staff should address this – not a significant cost saving opportunity.
2.13	Consider lowering fares on weekends. (RU)	This has been done by some transit operators -- it generally results in a reduction in fare revenue and an increase in ridership.
2.14	Implement a congestion management fee that is charged to developers. (RU)	Swanson & Associates addressed in funding task.



VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 2: Identify Revenue Enhancement Opportunities		
2.15	Work with Santa Clara County Supervisors to encourage the cities to impose parking taxes in municipal-owned lots. (RU)	Swanson & Associates discussed – significant free parking makes parking taxes more difficult
2.16	Work with the Santa Clara County Supervisors to implement a countywide discount on auto insurance for using transit. (RU)	Already provided as auto tax based primarily on miles driven per year – limited opportunity
2.17	Investigate how VTA capital projects and transit operations could be funded through the San Jose Redevelopment Agency. (RU)	We were not able to address this within this study

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 3: Identify Potential Cost Efficiencies		
3.1	Evaluate ratio of front line workers to administrators and managers and compare to peers to determine an appropriate ratio (WERT) (Brownstein)	Peer comparisons were performed in both this study and the Business Review Team. Both analyses indicate VTA is in the middle of the peer range. There are some differences in reporting.
3.2	Are all management positions necessary and fully utilized? (WERT)	In reviewing comparisons with peers, VTA administrative staffing was not excessive. Study could not examine each position.
3.3	Did recent cuts disproportionately impact front line workers and favor executive management. (WERT)	The 5% service cut reduced line staff and supervisors, no executive management positions were eliminated as a result of the change. Administrative staff reductions were made in some departments (e.g., finance reduced staff 10% over last FY).
3.4	Is all work conducted by consultants needed and if so, would it be more efficient to bring that work in house. (WERT)	This study does not have the time or scope to address this issue. One suggestion is to establish Board guidelines on when to use external labor assistance. Three common reasons include access to technical skills beyond those required for routine VTA operations, the need for independent review, and the need to support a temporary surge in work.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 3: Identify Potential Cost Efficiencies		
3.5	Is current security contract with Sheriff's Office the most efficient arrangement, could it be renegotiated to more favorable terms and what alternatives and options exist regarding the delivery of security services and what is the potential cost savings. (WERT)	VTA management is seeking cost reductions under this contract and based on discussions have the area well in hand. The consultants did not believe they could further contribute to this effort.
3.6	Should Outreach paratransit service be brought in house, and what cost savings would result, particularly from economies of scale in areas such as dispatching (WERT)	This study does not have the resources to perform a detailed study of this. Materials developed by AECOM demonstrated potential benefits from outsourcing service. Given VTA has the highest bus operator wage in the nation, it is unlikely that expanding internally provided services would result in cost savings.
3.7	Evaluate office supply acquisition policy. (WERT)	Given magnitude of costs in this area, savings are likely minor. VTA staff should address, inadequate resources in this study.
3.8	Does VTA pay for repairs that are covered under warranty agreements and what is the cost impact (WERT)	VTA does have a warranty program for both capital purchases and materials with warranties. It appears to be reasonably well documented. As a result, it was not assessed in detail.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 3: Identify Potential Cost Efficiencies		
3.9	Identify a mechanism through which employees can suggest efficiency improvement measures (e.g. automatic light shut off in conference rooms, evaluate changes to the timing of start up buses versus pull out- what is industry best practice) (WERT)	The consultant team was not able to examine this area within study scope – it is suggested that VTA staff follow-up, it appears to be a good idea.
3.10	Evaluate cost savings associated with use of smaller vehicles on routes where ridership does not require larger vehicles. (WERT) (Mossar)	There would be 2 opportunities for savings resulting from the operation of smaller vehicles. Maintenance costs would be lower, particularly if something other than a 12- to 15-year transit coach were operated. Generally, the maintenance cost of a 30- or 35-foot transit coach is similar to that of a 40-foot transit coach (the general rationale for operating smaller vehicles is not cost savings, but rather the lower community resistance to smaller vehicles operating on neighborhood streets. Offsetting the lower maintenance costs of light-duty small buses is the shorter life and resulting more frequent replacement costs. A rough estimate is that a 12-year transit coach will cost \$300,000 (loaded) and a 7-year bus body-on-truck chassis will cost \$80,000.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 3: Identify Potential Cost Efficiencies		
3.11	Evaluate savings from a dramatic reduction in staff cars and payment of per mile rate to employees for the use of their personal cars on VTA business. (WERT)	The scope and time period for the study did not allow the detailed analysis this would require. This may be worthwhile for staff to examine.
3.12	Recommendations for future financial strategy based on future needs and current capabilities. (Springer)	The long term financial strategy is addressed both in terms of sizing the agency to meet the currently known financial capacity, and addressing ways to expand that capacity.
3.13	Develop financial solutions other than cutting bus and light rail service. (TALC)	The study did evaluate and propose options other than service cuts -- Booz Allen recommended fare changes, cost allocation changes, benefits cost management and maintenance productivity improvements. Swanson & Associates recommended pursuing new revenue sources.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 3: Identify Potential Cost Efficiencies		
3.14	Include analysis of contracting for service. (Tucker)	We provided a thorough discussion on the experience of the Denver RTD and had the following findings: 1) Even by the most conservative estimation, competitive contracting will save the transit agency money, 2) More than one-half of the savings result from the lower wages paid by the contractors, 3) There is no consistent experience that demonstrates that competitive contracting results in lower quality of service or lower safety, 4) Successful implementation of competitive contracting requires hard work on the part of the transit agency, and 5) The contractors must be carefully monitored as they will look for every opportunity to lower their costs within (and sometimes outside) the limits of their contracts.
3.15	Consider contracting out shuttle service on historically low-ridership bus routes. (RU)	The ability to contract out services is highly restricted by labor agreements and should be part of the negotiation strategy on future contracts. Contracting out low productivity services has been successful in other regions (e.g., Denver, LA, San Diego, Dallas, Washington DC).
3.16	Reach out to contractors for ideas on cost efficiencies (e.g. Outreach service). (Guardino)	We encourage that VTA staff do this while negotiating funding agreements over the coming several years.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 3: Identify Potential Cost Efficiencies		
3.17	<p>Include an analysis of the impacts of service cuts on future fare revenue. (Mossar)</p>	<p>The 9% proposed service cut has been incorporated into all fare analyses -- it reduces the increase in revenues from the FY04 fare proposal from \$5M to \$3.5M.</p> <p>Initial analysis by VTA Service Planning of an 8.56 percent bus service cut is a loss of 3.09 percent of bus riders. This implies a service elasticity of -0.38, which is within the range of experience of other US transit agencies. The planned 16.29 percent reduction in rail service hours results in only a 1.79 percent reduction in rail riders. VTA staff is considering a Fundamental restructuring of the late night service. In addition, the staff is considering an expansion of the feeder bus routes into a community-based service with communities linked by core routes.</p>
3.18	<p>For visiting VTA senior managers, utilize common facilities at VTA bus and light rail facilities, instead of office renovation or construction. (RU)</p>	<p>We were unable to find information on office space utilization within the study timeframe.</p>

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 3: Identify Potential Cost Efficiencies		
3.19	Release or reduce pay for some VTA senior management members. (RU)	Given the nominal impact relative to size of need, this was not addressed.
3.20	Consider replacing the Downtown San Jose Customer Service Center with kiosks. (RU)	The downtown center is used to sell passes and tokens extensively, a function not readily accommodated with kiosks.
3.21	Investigate consolidation with other transit agencies (e.g. SamTrans, Santa Cruz Metro) (RU)	This is a highly complex issue involving legal restrictions and authorities, funding, labor agreements and so forth. This study is inadequate to this challenge.
3.22	“VTA should develop budget scenarios to assist VTA Board members in making decisions that minimize, instead of further endanger, bus and transit service.” (TALC)	<p>VTA management have been developing updated budget proposals which try to preserve services through a variety of innovative and progressive cost reduction and revenue enhancement approaches.</p> <p>What is needed is a "zero-based budget" approach to service planning. This begins with establishing a set of service standards regarding route productivity.</p>

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 4: Identify Service Productivity Improvements		
4.1	Identify operation cost per mile for entire transit system, and separately for bus system, light rail service and each bus route and light rail line, each bus run and by light rail line by vehicle. (Springer)	The cost per mile and hour, along with other measures, was provided by AECOM, as compared over time and to peers. The consultant team was unable to perform this analysis by route, run and line.
4.2	Review and analyze operational structure. (Springer)	VTA's staffing by function was compared with peers, and productivity improvements for maintenance staff recommended. Further, VTA management have compressed operational work shifts to reduce costs, some additional modest compression is recommended.
4.3	If recommending elimination of service, identify measures to mitigate the impact. (Gage)	VTA Service Planning is addressing this. One approach would be to supplement fixed route service with demand response service open to the general public.
4.4	Include an analysis of Caltrain. (Marc Roddin, MTC staff)	We were unable to analyze Caltrain within the scope and resources for this study.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 4: Identify Service Productivity Improvements		
4.5	Streamline bus routing where needed. (RU)	VTA Service Planning staff is planning to do this for the late night service. More will need to be done.
4.6	Strictly enforce bus idling and starting rules. (RU)	This is a good idea and should be followed up by VTA management. It cannot be addressed in this limited study.
4.7	Improve bus connections with Caltrain. (RU)	This is a detailed service planning issue that the VTA staff must address.
4.8	Run buses instead of light rail service during certain hours. (RU)	An alternative approach would be to operate light rail and a couple of key north south and east-west bus routes as frequent 24-hour core/trunk services.
4.9	Adjust service levels where needed. (RU)	This is addressed above.
4.10	Work with employers and educational institutions on bus route and schedule changes. (RU)	This is recommended as a next step by staff as they fully develop the anticipated 21% service reduction.
4.11	Use print, radio and cable media to promote VTA buses and light rail as an alternative to driving. (RU)	This is relatively expensive and will probably not offset the losses resulting from the service cuts and fare increases. It will be seen by too many as a waste.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 4: Identify Service Productivity Improvements		
4.12	Investigate a per-event (e.g. Sharks, SaberCats, Earthquakes) EcoPass promotion. (RU)	The consultant team recommends reducing discounts to ECO pass, and then this approach makes sense. The discount offered should be cost neutral – the recommended price assesses the average cost per boarding to ECO pass trips. VTA management should follow up with expanded marketing to new potential users -- and events and conventions are good targets.
4.13	Provide transit information to/from venue signage at large attendance venues (HP Pavilion, shopping malls). (RU)	This may be a good idea – but is not directly related to the scope of financial stability and was not addressed.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 5: Review Of Capital Impacts On Operating Revenue		
5.1	Identify the extent to which operating revenues are subsidizing the capital budget and the extent to which projects are failing to capture all the operating expenses associated with them. (WERT)	This is addressed in the cost allocation task. VTA is assigning some costs reasonably associated with capital to the operating budget. Specific recommendations are made to resolve this issue.
5.2	Analyze the impact of canceling projects. (Mossar)	VTA management recommended cancellation of several projects, our review supports these recommendations.
5.3	Include analysis of the operating cost of ALL projects, not just completed projects. (Springer)	In developing financial need estimates this was accomplished. Both the year, amount of costs, and capital investment project are identified in the ten year projection.
5.4	Use 2000 Measure A bonds as a stopgap measure against this year's deficit. (RU)	This is addressed in the funding task.
5.5	Temporarily halt construction on all remaining capital projects. (RU)	VTA management have recommended this on several projects.
5.6	Construct more transit-only lanes in historically congested areas. (RU)	This was not able to be addressed within the scope of this study.

VTA AD-HOC Financial Stability Committee Independent Consultant Work Scope (Continued)

Task 6: Reporting to the AD-HOC Committee		
6.1	Recommendation for creating or improving financial model. (Springer)	These recommendations were provided by Swanson & Associates.
6.2	Recommendation for changes in structural organization, business practices, operational methods and decision-making process. (Springer)	Recommendations focus on business processes with significant impact on finances -- fare policy, maintenance staffing, benefits, capital cost allocation, timekeeping and other business elements are provided improvement recommendations.
6..3	Include the development of recommendations for a process and actions to ensure that on a long-term basis we can keep expenditures and revenue in balance. (Brownstein)	The financial analysis and recommendations provide both short and long term guidance.
6.4	Include a weekly overview/status report to the committee by the consultants. (Cortese)	Weekly reports and discussions were provided throughout the study.

VTA FINANCIAL STABILITY STRATEGY
REVISED FINAL VERSION

February 23, 2004

Near-Term to Mid-Term (6 months to 1 year):

- Maximize VTA's current revenue resources including, but not limited to farebox revenue, State revenue and Federal funds that may be available to support operations.
- Request each city and the County of Santa Clara to provide a list of prioritized transportation projects and improvements within their own jurisdiction in January 2004.
- Prioritize VTA's transportation projects and improvements at a March 2004 workshop based on an evaluation of the cities' responses, comments received from the public input process, financial projections and current commitments. These projects will be incorporated into the VTP 2030 plan and submitted to the MTC for inclusion in the 2030 Regional Transportation Plan in order to continue the pursuit of funding at appropriate levels.
- Those projects not identified as VTP 2030 initial priorities will be temporarily delayed until alternative funding is identified or further Board action is taken. Any subsequent establishment or revision of the priorities would be preceded by a public involvement and community stakeholder input process.
- Utilize, only to the extent necessary, the previously authorized \$80 million of advanced Measure A operations funds for maintaining current transit service as contained in the Adopted Fiscal Years 2004 and 2005 Budget.

Mid-Term to Long-Term (1 year and beyond):

- Work in partnership with community leaders to identify the most viable new or expanded revenue source(s) for VTA. Continue public input and data gathering in partnership with community leaders and stakeholders to help define the revenue source(s) and timing most acceptable to the community.
- Over the next several years, lay the foundation to pursue limited expansion of the sales tax base to help make up for the continuing erosion of this financial resource.
- Utilize Budgetary Operating Reserves, Measure A funds authorized for maintaining current service and other options to fund the near-term shortfall in service operations until replacement revenue from new funding sources becomes available.

- The total projected amount of operating funds in Measure A for bus and light rail services, as determined by the Board through the current VTP review process and future VTP adjustments, would be the total amount of Measure A operating funding available to maintain current bus and light rail services.
- Although there is no absolute requirement to do so, the repayment of Measure A operating funds advanced to maintain current bus or light rail services should be effected provided that it would not require reductions in existing bus or light rail service levels. Repayment should occur as soon as practical over the life of the Measure A program.
- If any Measure A capital funding is needed to maintain bus or light rail services, the Board would need to make a specific determination that Measure A capital funding should instead be used to maintain existing service levels. Projected capital funding for zero emission buses could be accessed for this purpose but funding for bus rapid transit would not be available since it will be used to upgrade existing bus service.
- Any capital funding advanced for operating purposes would be considered a loan and must be 100% repaid over the life of the Measure A program.
- The total projected funding in Measure A for operating and capital costs for buses and light rail shall be determined through the VTP 2030 process by the Board, and will be the maximum amount of funding available for current and future bus and light rail operations and capital purchases through the Measure A program. Should VTP 2030 be amended to account for a change in revenue projections, the maximum amount available for bus and light rail operations should be adjusted accordingly.
- Operating or capital funding for other Measure A services or projects would not be available to maintain or expand bus and light rail operations.
- Continue to aggressively pursue joint development opportunities that will provide VTA a diverse revenue stream. As appropriate, in partnership with applicable surrounding communities, identify appropriate benefit assessment district sites that will benefit both the surrounding community and VTA. Seek other revenue opportunities as may be appropriate.
- Consider submitting an advisory ballot measure for setting project priorities if no new revenue sources are approved prior to December 1, 2006 and projected revenue shortfalls prevent implementation of all Measure A projects prior to 2036. The ballot measure should be preceded by a public involvement and community stakeholder input process.



Organizational & Financial Assessment

HayGroup
March 2007

HayGroup Report

- Extensive professional analysis of VTA management and practices
- Recommended structural and operational changes
- Created 2 Phase VTA Transformation Program

Phase 1

- Created Auditor General & Department
- Created External Affairs Chief & Department
- Recruited for vacant positions
 - Chief Financial Officer
 - Chief Information Officer
 - Public Information Officer

Phase 2

- Combine Engineering and Construction
- Create SVRT Project Office
 - Create SVRT Chief
- Streamline
 - Congestion Management Office
 - Administrative Services
 - Operations
 - Fiscal Resources

Phase 2 (continued)

- Real Estate Portfolio Management
 - Manage acquisition and disposition
- Labor Negotiation Strategy
 - Work Rules, Wages, Benefits
- Operations
 - Consolidate Quality Assurance and Warranty
 - Consolidate Planning

Phase 2 (continued)

- Paratransit
 - Audit financial records for efficiency
 - Expense reductions through efficiencies
- Security
 - Recruit Chief of Security
 - Renegotiate contracts (Sheriff and Securitas)



VTA Transformation Program

Phase 1

I. Project Management	KAC Project Team				Budget	VTA		Project Month			
	Team Lead	Level of Effort	Estimated Hours	Estimated Cost		Staff	Board	May 2007	June 2007	July 2007	August 2007
1. Develop a Transformation Project Work Plan and Scorecard											
a. Develop a Project Work Plan and Scorecard that includes recommendations to be implemented in the Transformation Program managed by KAC.	K. Antion	Lead	160	\$36,280		A. Carey					
b. Manage the Project Work Plan and Report Progress							A&F Committee				
2. Develop a Communications Strategy and Plan	B. Bolger	Lead	150	\$31,955	Yes	B. Alanez					
a. Develop a Strategy and Plan to improve communications with VTA Stakeholders and Employees											
b. Execute near term communication activities that support the plan											
II. Implement Governance Process and Practices to Enable Transformation											
1. Establish an Audit Committee as a Standing Committee of the Board	K. Antion	Lead	16	\$4,000			Board Chair				
a. Develop an Audit Committee Charter for consideration by the Audit Committee							Audit Committee				
b. Work with the Administration and Finance Committee to finalize and adopt their Committee Charter							A&F Committee				
2. Implement an Auditor General function			80	\$20,000		General Manager	Audit Committee Chair				
a. Create a position description for the Auditor General. Recommend this position description to the General Manager and Audit Committee Chair	K. Antion	Lead				General Manager	Audit Committee Chair				
b. Develop a Request for Proposal including a scope of work to procure a firm to provide audit resources, including an interim Auditor General.	K. Antion	Assist				T. Smith	Audit Committee				
c. Work with the Contracts and Materials Management department to procure these services	K. Antion	Review				T. Smith	Audit Committee				
3. Initiate Board Training on Duties and Responsibilities	J. Nadler	Lead	133	\$29,500							
a. Plan, Develop and Conduct Board Workshops:						General Manager	A&F Committee				
i. VTA Vision and Mission						VTA Executive Staff	VTA Board				
III. Implement Organization Recommendations											
1. Develop and Implement the Transformation Organizational Structure	K. Antion	Lead	160	\$33,025		General Manger					
a. Develop Roles and Responsibilities for Senior Management Positions											
b. Develop new Position Descriptions for Executive and Senior Management positions											
c. Work with Executive and Senior Managers to design and finalize the Transformational Structure											
d. Revise FY07/08 Goals and Objectves to support the new organization structure											
e. Work with the GM to recruit or appoint the following positions:											
i. Permanent Chief Financial Officer											
ii. Chief Information Officer											
iii. Public Information Officer											
f. Create the Office of External Affairs											
IV. Upgrade the SAP System											
a. Provide Statagic Oversight for SAP Upgrade	K. Antion	Lead	10	\$2,500		D. Beley					
V. Develop Strategies with the General Manager on Transformation Program Initiatives	K. Antion	Lead	40	\$10,000		General Manager					
Phase I Totals			749	\$167,260							



California Bureau of State Audits

July 2008

BSA Recommendations

- Governance
- Financial Reporting and Planning
- Project Planning

Financial Reporting & Planning

- Implement HayGroup Recommendations
- Capital Budget report spending by year
 - Carryover by source
 - Expected total project cost
- Improve Project Monitoring Reports
- Improve explanations in forecasts

Project Planning

- Implement HayGroup recommendations
- Formalize policies for planning and evaluation
- Conform to GFOA recommended practices
- Establish policy for construction exceptions

**Santa Clara Valley Transportation Authority
One-Year Follow-Up to BSA Report of # 2007-129**

Chapter 3 - Project Planning

#	BSA Recommendation	VTA Action Plan	VTA Lead	One-Year Follow-up (7-31-09)
P-1	To ensure adequate control over its project planning process, VTA should develop written policies and procedures for project planning and evaluation.	VTA will formalize a process with policies and procedures that include a comprehensive index of manuals, regulations, and guidance documents and description of their appropriate use in the project planning, evaluation project development processes. VTA will submit a draft of the process to appropriate advisory committee for review in November 2008 and to Board committee in spring 2009. Policies and procedures will be in place for use in the FY2010/FY2011 Capital Budget deliberations.	Ristow	At the December Technical Advisory Committee (TAC) meeting, VTA reviewed the proposed concept for a comprehensive index of planning manuals. The TAC approved the index document listing all of the planning, project development guidance, and project evaluation documentation in April 2009 [REF: Document #8]. Project guidance documents are used in all project selection and funding decisions for highway, roadway, transit, bicycle and pedestrian projects. Guidance documents in the index are also employed for all phases of project development, from planning and environmental review through final design.
P-2	To conform to GFOA-recommended practices, VTA should create policies and procedures to clearly identify all project costs and revenues, and to estimate and have a plan for funding the operating costs resulting from capital projects.	Formalize the existing policies and cost estimating practices with written procedures. VTA will establish a Fiscal Policy that proposed capital projects include: (a) total project costs; (b) total annual operating costs resulting from the capital project; and (c) estimated annual revenues derived from the implementation of the capital project.	J. Smith & Ristow	VTA revised the capital project request forms and instructions for the FY 2010 & 2011 budget cycle to require: total estimated cost; monthly capital expenditure projections for the first two years, and annual expenditures for ten years (i.e., cash flow); incremental operating costs for five years (if any); and potential funding sources for both capital and operating costs. Capital project requests for the biennial budget were submitted following these new guidelines. Further refinements in the capital projects request procedures may be developed in future budget cycles.
P-3	To achieve consistency in its project monitoring, VTA should ensure that its project managers follow the construction administration manual or document when management has agreed to an exception.	Establish a procedure by which management considers requests for variances from the Construction Administration Manual. Incorporate into the Construction Administration Manual by December 2008.	Robinson	Draft Construction Administration Manual Request for Variance procedure revised based on internal E&C Division review and issued as a Work Instruction to E&C staff.
P-4	VTA should complete its plans to implement the Hay Group recommendations related to project monitoring.	Continue implementing the Hay Group recommendations, with completion of the remaining action items by spring 2009.	Ristow & Robinson	VTA has substantially completed implementation of the Hay Group recommendations related to project monitoring. See Attachment A for details.