



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

**Wednesday, April 28, 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. FY 2010 & FY2011 Budget Deficit Update**
- 5. Financial Stability Ideas for Consideration (continued from April 7, 2010 meeting)**
- 6. Review Use of Funds**
  - Operations
  - ATU Pension
  - Retiree Medical
  - Non ATU Pension
  - Medical Benefits
- 7. 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](mailto: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](mailto: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.**



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# FY 2010 & FY 2011 Budget Deficit Update

Ad Hoc Financial Recovery Committee

April 28, 2010

# FY10 & FY11 Budget Deficit Update

## Adopted Budget

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2-year Deficit	\$27M
FY 2011 Ending Operating Reserves	\$19M
FY 2011 Ending Operating Reserve %	5.3%

# FY10 & FY11 Budget Deficit Update

## Status as of December 2009 Board Meeting

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Additional Projected 2-year Deficit	(\$70M)
Savings from Internal Efficiencies	15M
Measure A Operating Assistance	25M
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Additional Deficit Remaining after December Board Actions	(\$30M)

# FY10 & FY11 Budget Deficit Update

## Status as of April 2010

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Additional Projected 2-year Deficit	(\$70M)
Savings from Internal Efficiencies	15M
Confirmation of STA Amount	15M
Additional Stimulus Funds	12M
Impact of 1 <sup>st</sup> & 2 <sup>nd</sup> qtr Sales Tax receipts	37M
Revised Fare Revenue Projections	(3M)
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	\$6M

# FY10 & FY11 Budget Deficit Update

## Current Projection April 2010

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2-year Deficit	\$21M
FY 2011 Ending Operating Reserves	\$25M
FY 2011 Ending Operating Reserve %	7.2%

# FY10 & FY11 Budget Deficit Update Summary

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- Drawdown of additional \$25M Measure A Operating Assistance not needed at this time
- Combined STA funding, additional Stimulus funding, and the impact of sales tax receipts sufficient to provide FY 2011 Operating Reserves at \$20M level
- Further Mitigation actions are not triggered at this time

# FY10 & FY11 Budget Deficit Update

## Ongoing Concerns

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- Rate of economic recovery
- STA funding for future years less than anticipated in SRTTP
- Long-term structural deficit remains

To: Ad Hoc Financial Recovery Committee & Stakeholders  
From: Jim Lawson, Staff Liaison  
Date: April 7, 2010  
Re: Financial Stability Ideas for Consideration

At the March 24, 2010 meeting of the Ad Hoc Financial Recovery Committee, Chairperson Gage distributed a list of ideas for consideration that would serve to improve VTA's financial stability. The attached table provides the following information for those suggestions and additional potential cost saving scenarios.

- Quantification of orders of magnitude for potential savings/additional revenues, where available. (note: these are rough estimates for the purpose of illustrating orders of magnitude and are based on FY10 spending/revenue levels. Actual savings/additional revenue realized may differ slightly based on scenario specifics)
- Timeframe for implementation
  - Short-term—within current 2-year budget cycle
  - Mid-term—18 months-5 years
  - Long-term—5 or more years

These scenarios will be presented for discussion at the April 7, 2010 and April 24, 2010 meetings.

This memo replaces the "draft" version emailed to the Committee Members and Stakeholders on April 2, 2010.





# Financial Stability Ideas for Consideration Review

Ad-Hoc Financial Recovery Committee

April 7, 2010

# Financial Stability Ideas for Consideration

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- Key components to achieve Financial Stability
  - Identify new or increase existing recurring revenues
  - Identify and implement recurring savings
- Implementation Timeframes
  - Short-term—within current 2-year budget cycle
  - Mid-term—18 months to 5 years
  - Long-term—5 or more years

# Financial Stability Ideas for Consideration



- Identify and implement recurring savings
  - Transit Service
    - Level of Service
    - Cost of Service
      - » Labor & Benefits
      - » Non-Labor
      - » Other
  - Contracted Services/Regional Partnerships

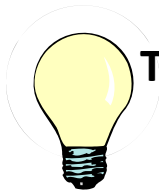
# Financial Stability Ideas for Consideration

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## RECURRING REVENUES

# Financial Stability Ideas for Consideration



## Transition away from Eco Pass Program

### Background

- Employers purchase annual sticker for all full-time employees at a given worksite
- Pricing levels based on proximity to VTA service and number of employees
- Residential and San Jose State programs also available
- Potential for deeply discounted fares depending on level of utilization
- Fare Policy calls for price to be set so that the average fare per boarding approximates the average fare per boarding for all other Adult riders
- Current pricing has not kept pace with the Fare Policy

# Financial Stability Ideas for Consideration

## Eco Pass Program (cont.)



### Current Pricing Structure (Annual rate per employee/resident/student)

Employer and Residential Location/ Service Level	1-99 Employees/ Residents	100-2,999 Employees/ Residents	3,000-14,999 Employees/ Residents	15,000+ Employees/ Residents
Downtown San Jose	\$144.00	\$108.00	\$72.00	\$36.00
Areas served by bus and light rail	\$108.00	\$72.00	\$36.00	\$18.00
Areas served by bus only	\$72.00	\$36.00	\$18.00	\$9.00

# Financial Stability Ideas for Consideration

## Eco Pass Program (cont.)



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- Current forecast annualized Eco Pass boardings—4.83 million
  - Current forecast annualized Eco Pass Fare Revenue—\$3.46 million
  - Potential incremental Fare Revenue from program elimination depends on retention rate of current pass users
  - Timeframe—Short-term to Mid-term

# Financial Stability Ideas for Consideration

## Eco Pass Program (cont.)

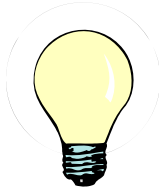


### Potential Incremental Fare Revenue

Ridership Retention	Incremental Fare Revenue
100%	\$3,800,000
90%	\$3,100,000
80%	\$2,400,000
70%	\$1,600,000
60%	\$900,000
50%	\$200,000
40%	(\$540,000)
30%	(\$1,300,000)
20%	(\$2,000,000)

← Break even point

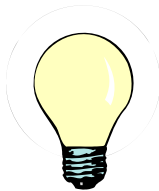
# Financial Stability Ideas for Consideration



## **Eliminate 30-year Sunset of 2000 Measure A**

- Requires 2/3 voter approval
- \$42 million potential additional revenue to VTA Transit beginning in FY 2037 assuming current 18.5% rate for Operating Assistance
- Timeframe—Long-term

# Financial Stability Ideas for Consideration



## Utilize SB83 Funds for Transit

- SB83 authorizes countywide transportation agencies to propose a motor vehicle registration fee of up to \$10 to voters
- Requires simple majority for approval
- Estimated annual revenues--\$14 million
- Must be a nexus between the fee payer and programs/projects
- Distribution of revenues to eligible programs based on Board adopted expenditure plan
- Current legislation limits transit use to “service expansion”
- Timeframe—Mid-term to Long-term

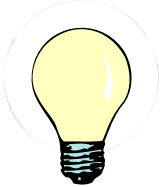
# Financial Stability Ideas for Consideration

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## RECURRING SAVINGS

# Financial Stability Ideas for Consideration

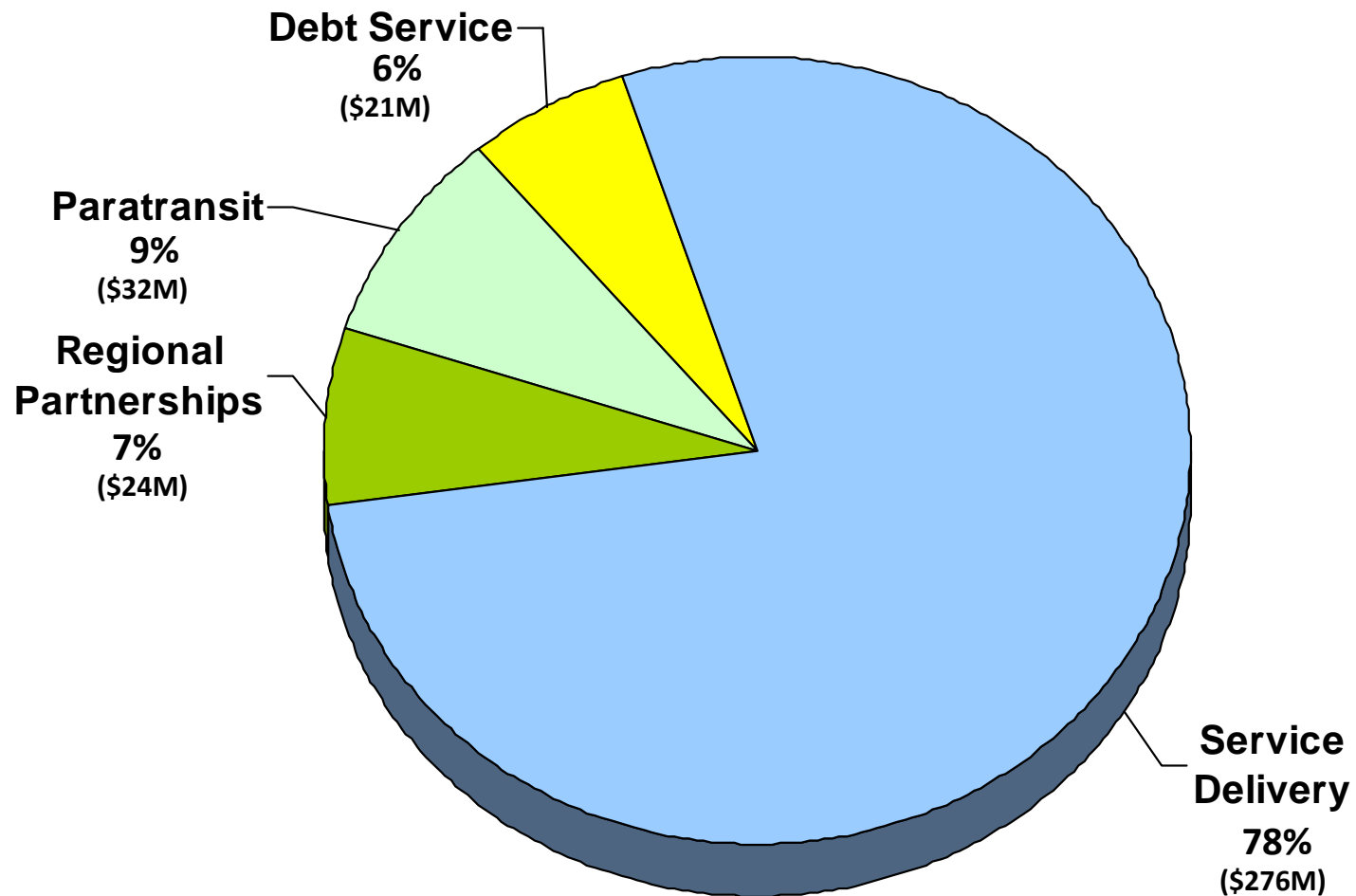


Overriding issue for VTA's future financial sustainability is the need to reduce the overall cost structure

# Financial Stability Ideas for Consideration

## VTA Transit

Budgeted Operating Expenses (\$353M)



# Financial Stability Ideas for Consideration



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## Primary Drivers of Service Delivery Expense

- Level of Service
- Cost of Service

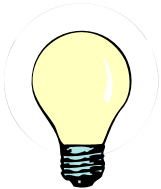
# Financial Stability Ideas for Consideration

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## LEVEL OF SERVICE

# Financial Stability Ideas for Consideration



## Reduce Underperforming Service

### Background

- Board adopted standard = average boardings per revenue hour
- Calculated by service type—Core, Local, Community Bus, Limited, Light Rail
  - By time of day for weekends, Saturday, Sunday
  - Minimum 15 boardings per revenue hour standard applies to all bus (except Express)
  - Express bus standard = 60% of seated vehicle capacity (22 passengers)

# Financial Stability Ideas for Consideration

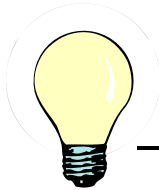
## Reduce Underperforming Service (cont.)



- Standard used to identify underperforming lines & make recommendations for improvements
  - Span, frequency, days, routing, marketing, discontinuation
- Estimated savings for 10% service Reduction

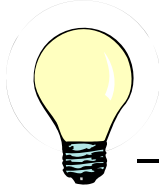
Mode	Net Savings
Bus	\$12M-\$14M
Light Rail	\$2.2M-\$3.4M

# Financial Stability Ideas for Consideration



## **Subsidize local service provided by cities or others**

- VTA provides a level of subsidy that is less than the current cost of service delivery
- Entity defines service levels and contracts for services directly
- Timeframe—Mid-term, may require changes to current union contracts



## **Competitively bid new or existing services**

- Level of savings depends on amount and type of service contracted
- Other transit agencies have reported saving 32%-38% of fully allocated operating costs
- Cost differences are the result of reduced operator wages, benefits, and work rules
- Timeframe—Mid-term, may require changes to current union contracts

# Financial Stability Ideas for Consideration



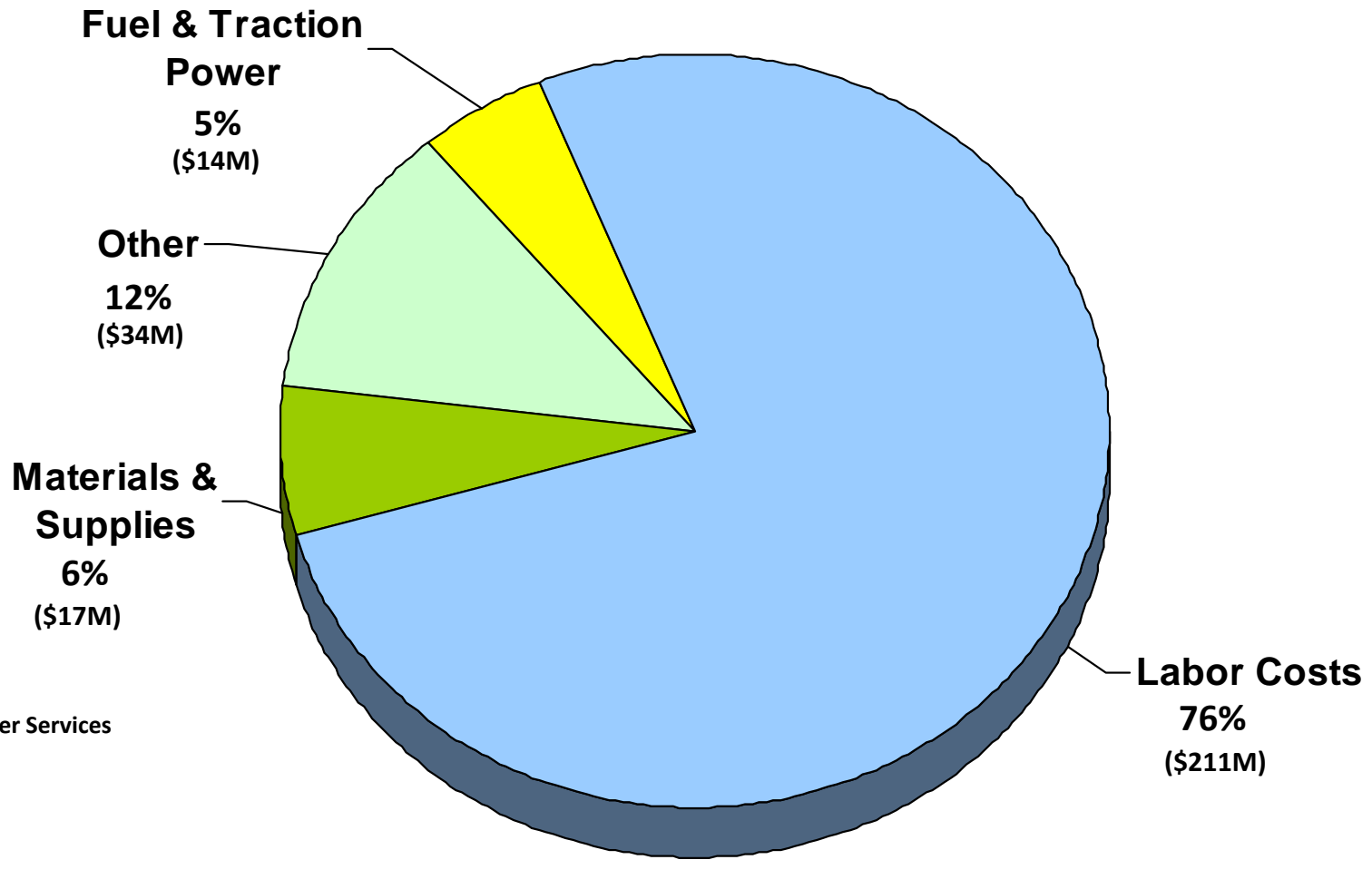
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## COST OF SERVICE

# Financial Stability Ideas for Consideration

## VTA Transit

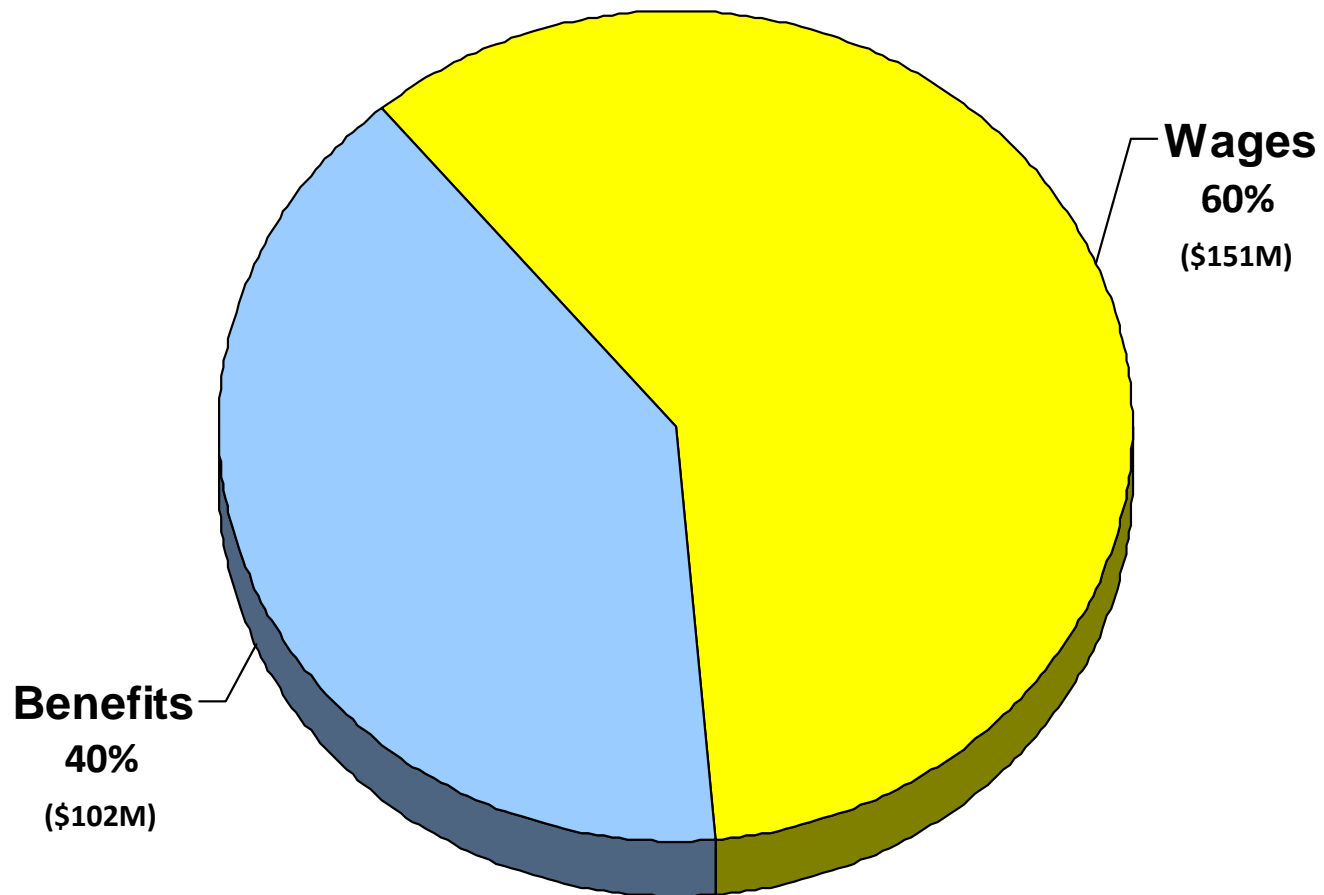
Service Delivery Budget (\$276M)



# Financial Stability Ideas for Consideration

## VTA Transit

Labor Costs Budget (\$253M)\*

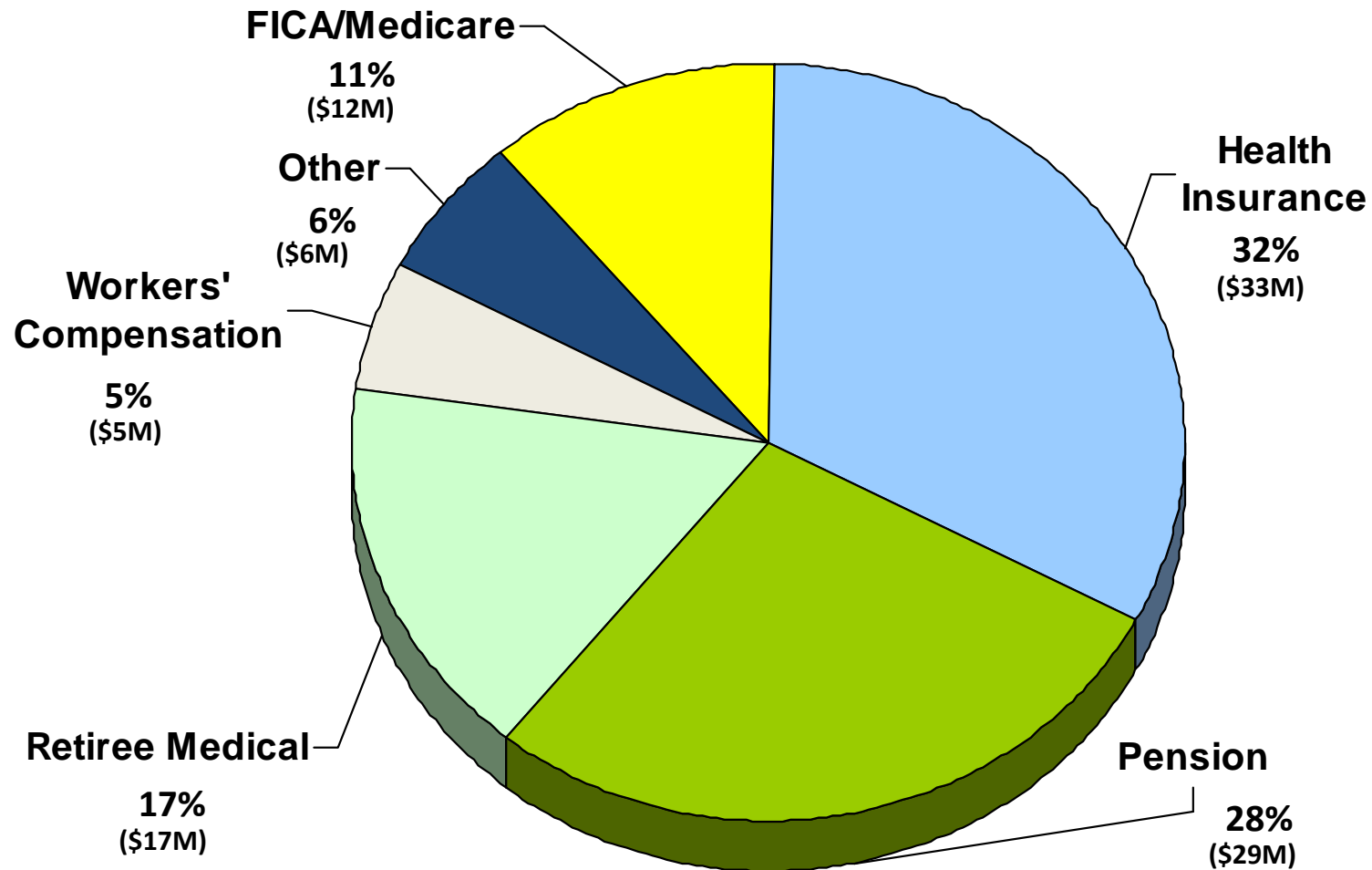


\* All employees including amounts reimbursed by capital projects

# Financial Stability Ideas for Consideration

## VTA Transit

Benefits Budget (\$102M)\*



\* All employees including amounts reimbursed by capital projects

# Financial Stability Ideas for Consideration

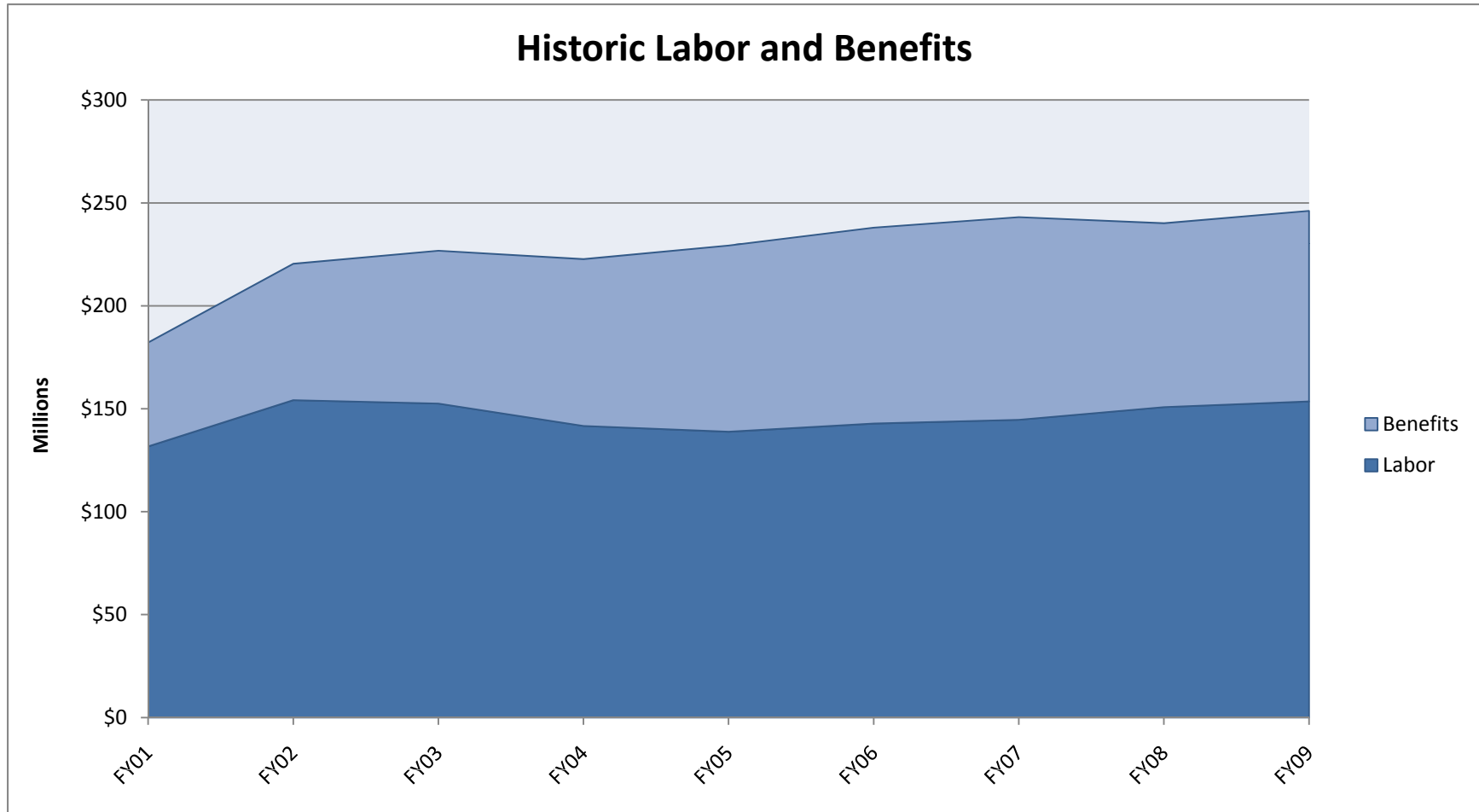
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## Labor & Benefits

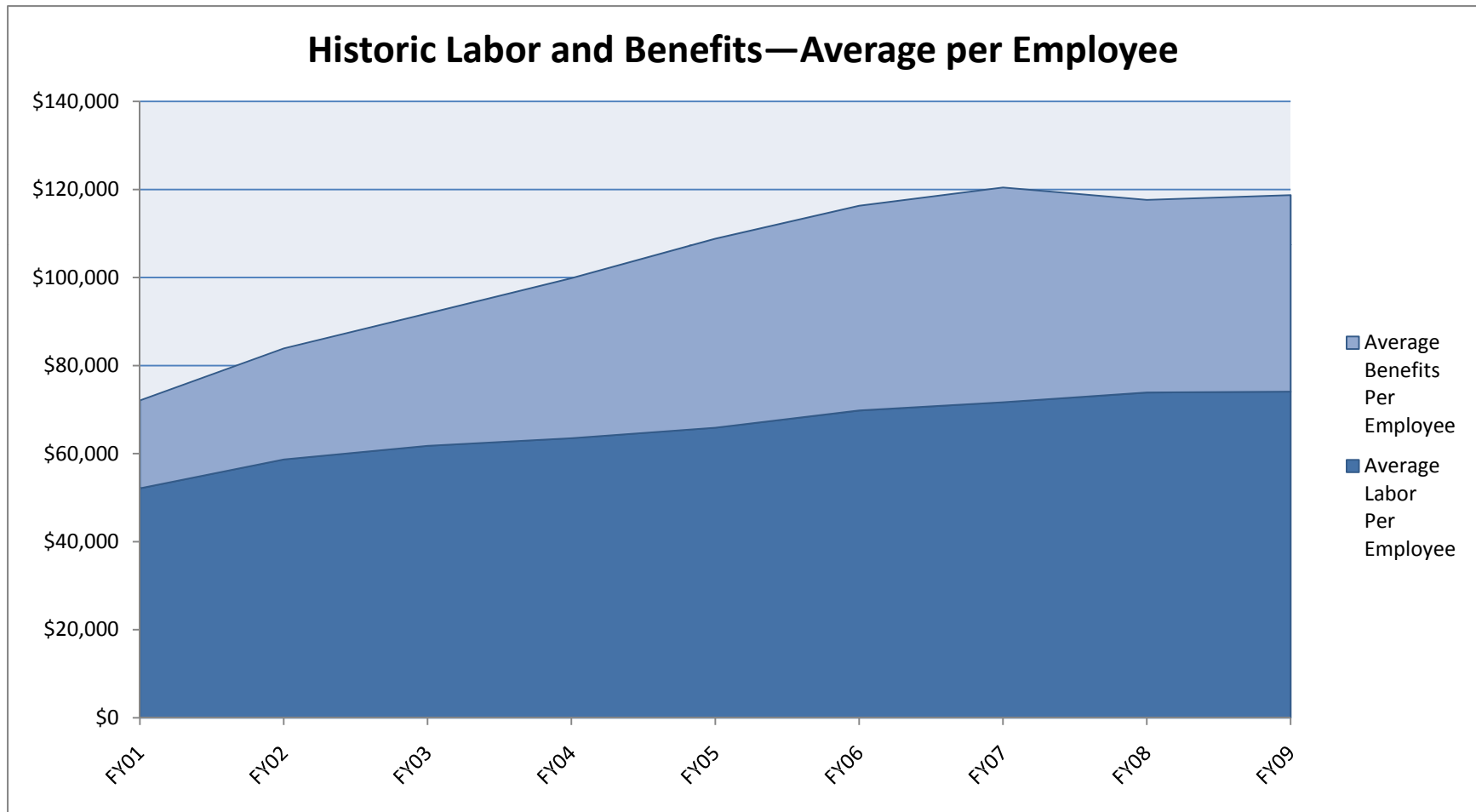
# Financial Stability Ideas for Consideration

## Historic Labor and Benefit Costs



# Financial Stability Ideas for Consideration

## Historic Labor and Benefit Costs (cont.)



# Financial Stability Ideas for Consideration



- Bring costs for labor and benefits under control
- Future labor agreements entered into with significant modifications.

# Financial Stability Ideas for Consideration

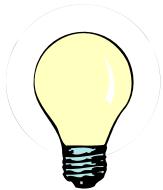
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## Primary Drivers of Labor Costs

- Number of Employees
- Wages and Benefits

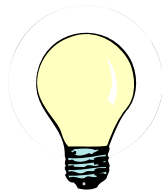
# Financial Stability Ideas for Consideration



## Reduce Staff Levels

- Across the board layoffs
  - \$24 million reduction in labor costs per 10% staff reduction (approximately 200 employees)
    - Would require major service reduction
  - Timeframe—Short-term
- Administrative staff layoffs
  - \$3 million reduction in labor costs per 10% staff reduction (approximately 30 employees)
  - Timeframe—Short-term

# Financial Stability Ideas for Consideration



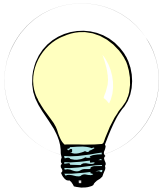
## Reduce Wages

- Across the board wage cut
  - \$21M savings per 10% reduction
  - Timeframe—Mid-term, would require negotiations with bargaining units

Bargaining Unit	Contract Expires
AFSCME	June 30, 2011
ATU	February 10, 2013
SEIU	June 30, 2011
TAEA	June 30, 2011

# Financial Stability Ideas for Consideration

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## **Modify Benefits**

### Background

- Current Benefits Package
- Historic Health Insurance Costs

# Financial Stability Ideas for Consideration

## Modify Benefits



### Summary of Current Benefits Package

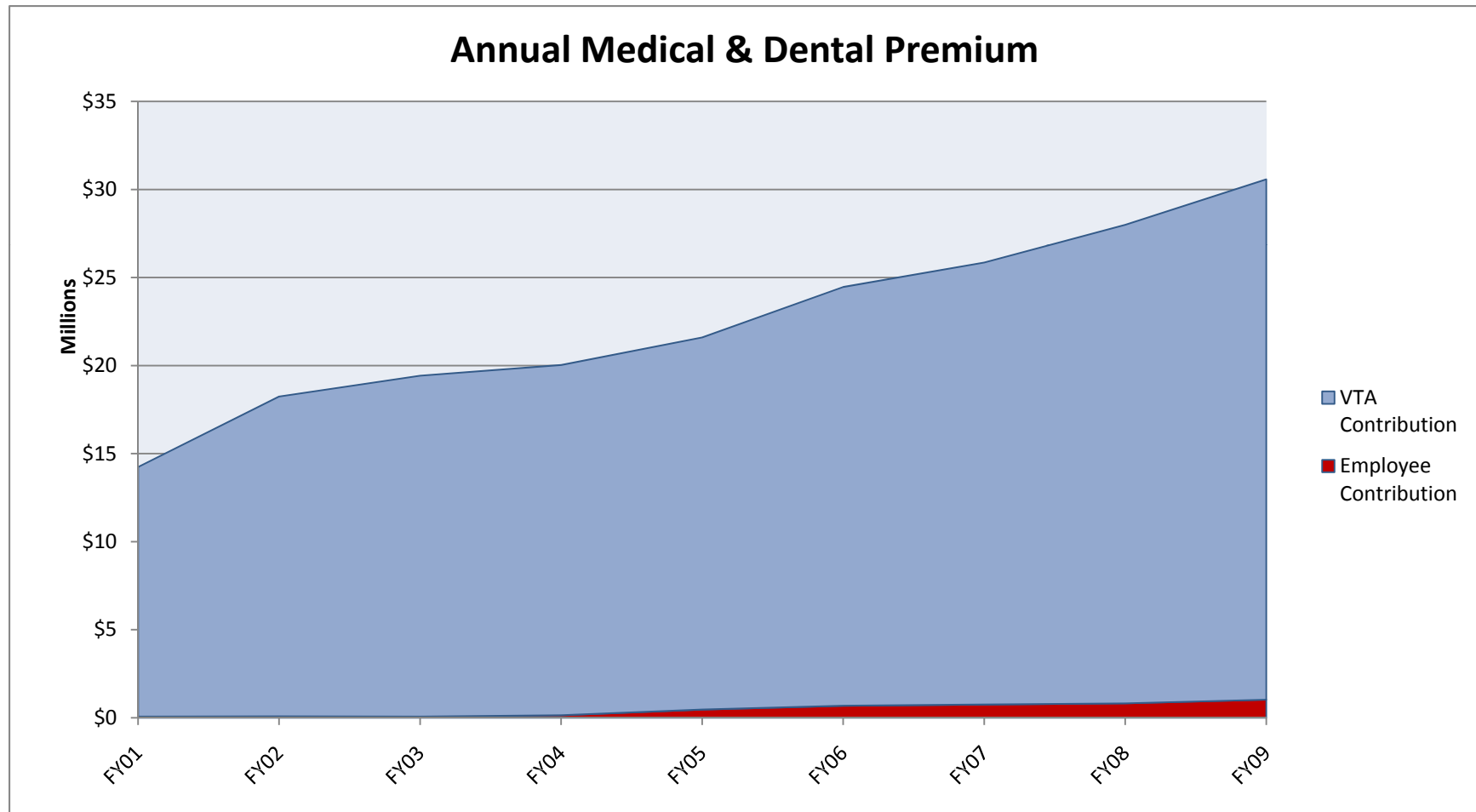
Benefit	Coverage	SEIU, AFSCME, NON-REP, TAEA Employee Contribution	ATU Employee Contribution
Medical	Employee and Dependents	\$35/month + any premium in excess of Kaiser family premium	\$35/month*
Dental	Employee and Dependents	None	None
Vision	Employee and Dependents	None	None
Pension	2% @ 55	None	None
Retiree Medical	Employee	Actives—None Retirees—any premium in excess of Kaiser single premium (plus \$25/mo if retired after 1/2/06)	Actives—None Retirees--\$0, \$25 (if retired on or after 9/1/04)**

\*effective 6/11/12, ATU represented employees will pay \$35 OR any premium in excess of Kaiser family premium, whichever is higher

\*\* retirees on or after 1/1/11 will pay \$35 OR any amount in excess of the single retiree Out of Area Kaiser Medicare premium, whichever is higher

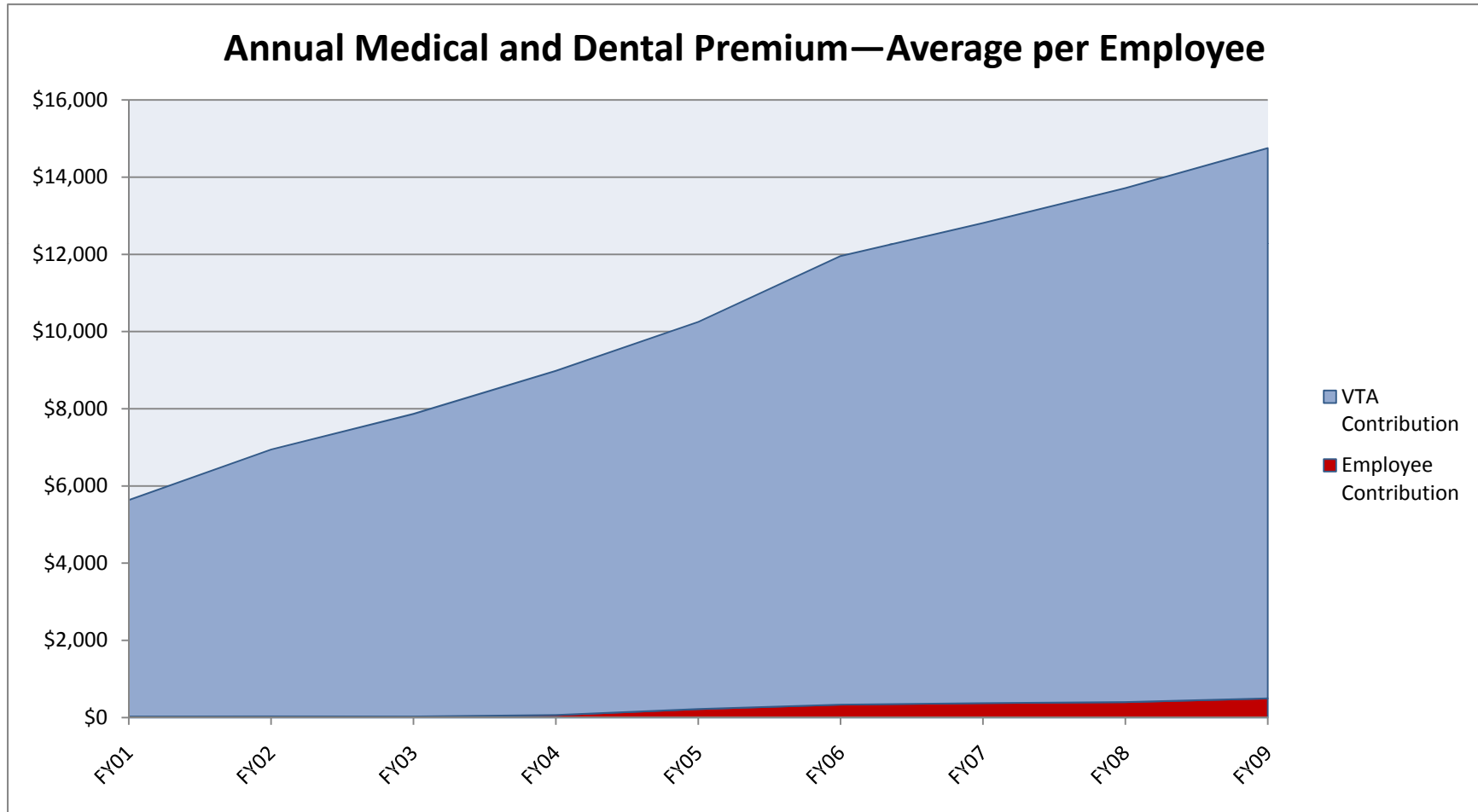
# Financial Stability Ideas for Consideration

## Historic Health Insurance Costs



# Financial Stability Ideas for Consideration

## Historic Health Insurance Costs (cont.)



# Financial Stability Ideas for Consideration

## Modify Benefits (cont.)



### Potential Health Insurance Cost Savings Scenarios

Timeline—Mid-term, Requires Negotiation

(Savings based on existing plan coverage)

Modification Scenario	Potential Savings
Increase employee contribution to \$70/mo	\$800K
VTA pays medical for employees only	\$16M
VTA pays medical for employee plus one dependent	\$6M
VTA pays a capped dollar amount per month of medical	\$2M-\$17M
VTA pays a capped percentage of medical	\$1.2M for every 5% paid by employee
VTA pays up to lowest cost Dental Plan	\$1.4M

# Financial Stability Ideas for Consideration

## Modify Benefits (cont.)



### Potential Pension Cost Savings Scenarios

Timeline—Long-term, New Employees

Modification Scenario	Potential Savings
VTA only pays for employer's share of pension contribution (Hypothetical)	Up to \$10M
Introduce a two-tiered retirement system	Initial estimates indicate \$1M-\$10M +. Staff has requested an actuarial analysis to confirm. Full cost savings not realized immediately as changes would apply to new hires only.

# Financial Stability Ideas for Consideration

## Modify Benefits (cont.)



### Potential Retiree Medical Cost Savings Scenarios

Timeline—Long-term, New Employees

Modification Scenario	Potential Savings
Active employees pay portion of Retiree Medical contribution (Hypothetical, 1%-11% of gross earnings)	\$1.5M-\$16M
Introduce a two-tiered Retiree Medical program (Health Reimbursement Account for new hires)	Depends on amount of employer contribution and vesting period. Full cost savings not realized immediately as changes would apply to new hires only.

# Financial Stability Ideas for Consideration

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## Non-Labor

# Financial Stability Ideas for Consideration

## Non-Labor

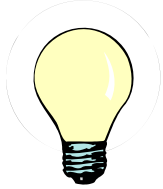


### Potential Non-Labor Cost Savings Scenarios

Scenario	Potential Savings	Timeframe
Reduce Advertising/Marketing costs	\$170K per 10% reduction	Short-term
Reduce Professional Services costs	\$370K per 10% reduction	Short-term

# Financial Stability Ideas for Consideration

## Other



### **Independent efficiency study—review non-core activities**

- Move to directing info/complaint calls to 511
- Evaluate staffing levels
- Evaluate Copy Center
- Review Information Technology support

# Financial Stability Ideas for Consideration



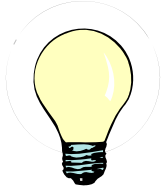
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# CONTRACTED SERVICES/REGIONAL PARTNERSHIPS

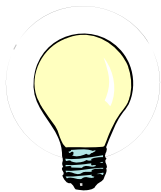
# Financial Stability Ideas for Consideration

## Contracted Services/Regional Partnerships

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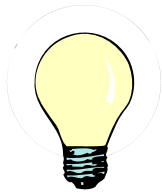
**Support re-bidding (competition) for contracted services including Paratransit, Caltrain & ACE**



**Look to “regionalize” commuter rail (Caltrain, ACE, Capitol Corridor)**

# Financial Stability Ideas for Consideration

## Contracted Services/Regional Partnerships (cont.)



**Reduce contribution levels and consider viability of continued support for Regional Partnerships**

Regional Partnership	FY10 Operating Contribution	Potential Savings per 10% Reduction	Timeframe
Caltrain	\$15.9M	\$1.6M	Short-term
ACE	\$2.7M	\$0.3M	Short-term
Dumbarton Express	\$0.4M	\$40K	Short-term
Highway 17 Express	\$0.4M	\$36K	Short-term
Monterey-San Jose Exp.	\$40K	\$4K	Short-term



# Questions and Discussion

# Peer Salary Survey

## February 2010

Position	Bargaining Unit	# of Agencies Surveyed	# of Agencies Above VTA	# of Agencies Below VTA	Monthly Salary			% VTA Above/ (Below) Average	
					VTA	Survey High	Survey Low		Survey Average
Accountant Assistant	SEIU	13	7	6	\$4,904	\$5,846	\$4,363	\$5,114	(4.11%)
Accountant III	AFSCME	6	3	3	\$6,816	\$7,542	\$5,626	\$6,773	0.63%
Associate Civil/Transportation Engineer	TAEA	18	14	4	\$8,048	\$9,961	\$7,984	\$8,754	(8.06%)
Buyer III	SEIU	6	6	0	\$6,194	\$7,648	\$6,654	\$7,202	(14.00%)
Construction Inspector	SEIU	10	10	0	\$6,134	\$8,229	\$6,390	\$7,316	(16.16%)
Engineering Technician III	SEIU	10	4	6	\$6,404	\$7,395	\$5,679	\$6,412	(0.12%)
Financial Analyst	AFSCME	8	6	2	\$6,816	\$8,485	\$6,155	\$7,100	(4.00%)
Human Resources Analyst	Non-Rep	12	6	6	\$6,647	\$8,485	\$5,803	\$6,472	2.70%
Information Systems Analyst II	SEIU	11	7	4	\$6,946	\$9,822	\$5,860	\$7,327	(5.20%)
Janitor	SEIU	11	7	4	\$3,621	\$4,852	\$2,936	\$3,760	(3.70%)
Management Analyst	AFSCME	13	6	7	\$6,816	\$7,922	\$5,860	\$6,812	0.06%
Office Specialist II	SEIU	20	12	8	\$4,174	\$5,273	\$3,431	\$4,265	(2.13%)
Operator	ATU	4	0	4	\$5,006	\$4,734	\$3,941	\$4,302	16.36%
Programmer Analyst III	SEIU	8	4	4	\$6,946	\$9,172	\$5,932	\$7,249	(4.18%)
Secretary	SEIU	13	7	6	\$4,566	\$5,815	\$3,762	\$4,674	(2.31%)
Senior Accountant	AFSCME	11	4	7	\$7,893	\$10,154	\$6,674	\$7,823	0.89%
Senior Management Analyst	AFSCME	8	3	5	\$7,893	\$10,313	\$7,251	\$8,272	(4.58%)
Senior Transportation Planner	AFSCME	15	5	10	\$8,703	\$10,313	\$7,536	\$8,773	(0.80%)
Transit Mechanic	ATU	4	0	4	\$6,363	\$6,238	\$5,306	\$5,844	8.88%
Transportation Planner III	SEIU	11	8	3	\$7,358	\$9,448	\$6,690	\$8,040	(8.48%)

Notes: Employee percentage of pension contribution deducted from average wage for comparative purposes were applicable.  
VTA salaries are not reflected in Survey numbers (High/Low/Average).

# Peer Benefits Comparison

AGENCY	RETIREMENT FORMULA	EMPLOYEE CONTRIBUTION % (pre-tax)	EMPLOYEE MEDICAL BENEFITS	RETIREE MEDICAL
VTA	2.0%@55	0%	ATU-100% for employee and dependents less \$35/mo Non-ATU--100% for employee and dependents up to Kaiser family premium less \$35/mo	Admin retirees - Vesting--5, 8 or 15 years; VTA pays up to cost of Kaiser single active premium; retirees after 1/2/06 pay \$25/mo. ATU retirees - VTA pays 100% of retiree medical; after 9/1/04, retirees pay \$25/mo. As of 1/1/11, VTA pays up to cost of Kaiser Medicare OOA plan, or 100% less \$35.
Campbell	2.5%@55	8%	City contributes \$915 per month toward medical premium; if employee selects lower plan, receives post tax reimbursement.	Vesting--5 years - zero contribution Reimbursement up to capped amount at 17 years vesting
Cupertino	2.7%@55	2%	City contributes \$702 for single, \$762 for 2-party, and \$802 for family coverage; employee reimbursed for lowest cost plan	Vesting--10 years % coverage varies based on yrs of service
Gilroy	2.5%@55	8%	Cafeteria plan, \$1,250 for health benefits; unused balance paid to employee	Vesting--5 years (PERS) \$0 contribution; at age 55-65 or over up to \$300/mo "recognition" pay
Milpitas	2.7%@55	8%	100% up to Kaiser family premium	Vesting--5 years % coverage varies based on yrs of service
Morgan Hill	2.5%@55	1%	90% of lowest cost medical plan for family, up to 96.5% of lowest 2-party; employee reimbursed or buy-up for other benefits	Vesting--5 years Retiree medical at retiree's cost
Mountain View	2.7%@55	10.5%-11.25%	100% of employee + 90% of difference between single and 2-party or family premium for HMO plans; employee pays more for PPO plan	Vesting--15 years 85% of single coverage HMO
Palo Alto	2.7%@55	8%	100% up to second highest premium for employee and dependents; employee pays more for PPO plan	Vesting--10 years - 50% of premium paid at 10 years; at 20 years vesting, 100% of premium paid Contribution equal to single coverage active employees

AGENCY	RETIREMENT FORMULA	EMPLOYEE CONTRIBUTION % (pre-tax)	EMPLOYEE MEDICAL BENEFITS	RETIREE MEDICAL
San Jose	2.5%@55	4.28%	90% of lowest single or family premium	Vesting--15 years 100% of lowest premium
Santa Clara	2.7%@55	8%	Health premium allocation, unused balance paid to employee (post-tax)	Vesting--10 years Pays medical premium up to \$289/mo for retirees under 65 and \$174 for retirees over 65 (changes each year, based on CPI)
Sunnyvale	2.7%@55	1%	Cafeteria plan; City pays 80% of average family premium	Vesting--5 years Contribution equal to single coverage active employees
Santa Clara County	2.5%@55	3.931%	100% up to lowest single or family premium for HMO plans	Vesting--5, 8 or 10 years 100% of lowest premium for HMO plan
San Mateo County	2.0%@55.5	varies by hire date	90% of single or family premium for Kaiser or Aetna, 80% for higher cost plan	Vesting--5 years Contribution based on sick leave balance at retirement; once exhausted, zero contribution, retiree pays 100%
AC Transit	AFSCME, IBEW & ATU 2.0%@55 NonRep 2.5%@55	0%	100% for employee and dependents	Vesting--5 years Reimbursement up to capped amount, depending on retiree age
BART	2.0%@55	0%	100% of highest HMO plan for family coverage less employee contribution of \$84.41/mo (indexed at 3% per year)	100% of highest HMO plan for family coverage less retiree contribution of \$84.41/mo (indexed at 3% per year)
Golden Gate Transit	2.0%@55	ATU 2% all others 8%	100% for employee and dependents	Vesting--varies based on age and years of service 100% coverage for retirees, retiree contribution for dependents based on age and years of service
MUNI	2.0%@60	7.5%	100% of single plan, Kaiser rate less \$19.54 for employee+1, capped amount for family premium	Vesting Varies--San Francisco Employee Retirement System (SFERS)
Santa Clara Valley Water District	2.5%@55	9.9%	100% of family coverage	10-20 years vesting, depending on hire date; 100% for retiree and spouse
SamTrans	2.0%@55	0%	100% up to highest Bay Area HMO for employees and dependents	Vesting--5 years (PERS) 100% up to highest Bay Area HMO for employees and dependents

NOTE: All rates shown are for 2009/2010