



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

**Wednesday, August 25, 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. Action Item:** Approve Final Report.
- 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: [board.secretary@vta.org](mailto:board.secretary@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 (408) 321-2330 (TTY only). VTA's Homepage is located on the web at: <http://www.vta.org> or visit us on Facebook <http://www.facebook.org/scvta>.

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

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**VTA Expenditure Priorities,  
Key Financial Principles and  
Proposed Deficit Reduction Targets**

**Ad Hoc Financial Recovery Committee**

**August 25, 2010**

# Ad Hoc Committee Documents Discussed

<b>Document</b>	<b>Status</b>
Guidance on Expenditure Prioritization	Approved on June 2
Key Financial Principles: Pros, Cons and Alternatives	Approved/Discussed on August 4 (Excluding Principle on Use of Capital Funds)
Deficit Reduction Targets by Category	Discussion Began August 4

# Today's Presentation

- ❑ “Guidance on Operating Expenditure Priorities, Key Financial Principles and Deficit Reduction Targets” prepared for today's meeting
- ❑ Purpose is to provide a single document that shows how key financial principles are linked to deficit reduction targets, and to incorporate the pros, cons and alternatives associated with each financial principle

# VTA Financial Stability Policy – Guidance on Expenditure Prioritization

In developing VTA's Biennial Operating Budget and associated financial plans, VTA shall prioritize its activities in the following order ...guidance shall be used both when budget reductions are required...and when increases in operating revenues permit VTA to devote additional resources to its transit-related activities.

1. Preserving level of fixed route transit service and paratransit service provided to VTA riders to greatest extent possible
2. Activities that directly support provision of transit service, i.e., only those core operating, management and administrative functions necessary and essential to support provision of existing level of transit service, both in terms of types of functions required and level of resources needed to support service. Measured against industry standards and best practices. with consideration of efficiencies from reducing layers of management
3. Support for Regional Partnerships (e.g. Caltrain, ACE, Dumbarton Express, etc.) provided by VTA in consideration of other partners' contributions
4. Activities that clearly contribute to increasing , diversifying VTA's operating funding (e.g. fare programs, joint development, advertising, and other opportunities for earned income)
5. Activities that provide information to riders, employees, stakeholders and the public
6. Activities that would prudently and strategically expand VTA transit service, when sustainable revenues are available to support the service growth

# Key Financial Principles

Key Principles establish policy direction from VTA's Board of Directors to staff for the creation of the biennial budget and when addressing the structural deficit in VTA's operating budget.

The Key Principles have been numbered, and organized into two groups:

1. Principles assumed in the Long Range SRTP Financial Plan showing an average annual deficit of over \$40 Million from FY2012-FY2019; and
2. Principles directly tied to a particular deficit reduction target

# **KEY PRINCIPLES ASSUMED IN DEVELOPMENT OF LONG RANGE SRTP PROJECTIONS**

# Principle Number 1: Operating Reserve at 15%

**Principle:** VTA shall take the necessary steps to protect its financial liquidity by building and maintaining an Operating Reserve equal to 15 percent of annual operating expenses, which is equal to just under two months of operating cash flow requirements. To the extent that the Operating Reserve level falls below the 15 percent target, during the next biennial budget process, VTA must identify measures necessary to reach the 15 percent threshold within a 3 year period, and begin implementation of some or all of those measures during the next biennial budget process.

## How Principle Relates to Deficit Reduction Target:

- Assumed in identifying the baseline \$40 Million target
- \$40 Million target is projected to keep Operating Reserve level between 15 -20 percent from FY2012 to FY2015
- Operating Reserve level drops to 10 – 11 percent from FY2017 to FY2019

# Principle 1 - Operating Reserve

## Pros, Cons, Alternatives

<b>Pros</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Protects VTA against the vagaries of the economy</li><li><input type="checkbox"/> Serves as 'insurance policy' or 'rainy day fund' during emergencies</li><li><input type="checkbox"/> Lack of a reasonable reserve increases risk of service reductions and layoffs when there are even minor revenue fluctuations</li></ul>
<b>Cons</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Rebuilding operating reserve to the 15 percent level will require difficult policy choices - spending reductions and enhanced revenues</li></ul>
<b>Alternatives</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Establish Operating Reserve target at a lower level, such as 10 percent</li><li><input type="checkbox"/> 10 percent reserve is lower than VTA's historic target, and provides a significantly smaller cushion against future unexpected fluctuations in revenues or expenses</li></ul>

# Principle Number 2: Limit Use of Capital Funding

**Principle:** When determining whether to use all or a portion of its eligible capital funding for operating-related purposes, such as preventive maintenance, VTA should attempt to balance the needs of its day to day operations with its longer term needs to preserve, protect and renew its capital assets, and maintain VTA's vehicles, facilities and infrastructure in a "state of good repair." 100 percent of eligible capital funding may be used for operating purposes for a limited period, but should not be used for operating purposes on an ongoing basis. By FY2017, VTA should return to its historical practice of allocating 35 percent of eligible capital funding for operating purposes, and 65 percent for capital purposes.

## How Principle Relates to Deficit Reduction Target:

- Affects amount of "flexible" FTA grant funds available for operating purposes, and therefore affects level of annual savings required to keep operating expenses in line with operating revenues
- Implementation of principle assumed in current SRTP projections

5307 Funds (\$M)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Used for Operating	\$60	\$43	\$36	\$30	\$27	\$24	\$20	\$15	\$15	\$16

# Principle 2 – Use of Capital Funds for Operating

## Pros, Cons, Alternatives

<b>Pros</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Maintaining a reasonable level of equipment replacement provides a better level of service for transit users</li><li><input type="checkbox"/> By carefully balancing use of these funds, VTA should be able to preserve service levels, jobs and reliability of equipment, facilities, and infrastructure</li></ul>
<b>Cons</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Reducing amount of Federal funds used for operating purposes may require identifying additional operating spending reductions or enhanced revenues</li></ul>
<b>Alternatives</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Continuing to use all eligible capital funds for operating purposes helps maintain service levels and employment while awaiting an economic rebound</li></ul>

# Principle Number 3: Control Cost Growth

**Principle:** VTA shall take appropriate steps to ensure that its operating costs do not grow faster than its reasonably anticipated operating revenues. Unless required by Federal, state or local law, **measures that increase operating expenses should not be implemented until the funding for those increases has been identified with reasonable certainty.**

## How Principle Relates to Deficit Reduction Target:

Principle assumed in establishing \$40 Million annual target during the SRTP period, in order to balance VTA's operating expenses with its reasonably anticipated operating revenues

# Principle 3 – Control Cost Growth

## Pros, Cons, Alternatives

<b>Pros</b>	<input type="checkbox"/> Purpose of this principle is to ensure that VTA does not take on current or future financial liabilities that it cannot afford
<b>Cons</b>	<input type="checkbox"/> Adhering to this principle could require difficult policy choices affecting future employee compensation and service levels
<b>Alternatives</b>	<input type="checkbox"/> None <input type="checkbox"/> Controlling future cost growth is an essential component of ensuring VTA's financial sustainability

# **PRINCIPLES DIRECTLY TIED TO DEFICIT REDUCTION TARGETS**

# Principle Number 4: Achieve Internal Efficiencies

**Principle:** Direct staff to meet the adopted Target Savings through a combination of internal efficiencies. **Such efficiencies to be achieved through a variety of systemic cost reduction actions, which are not one-time in nature.** Such actions may include, but are not limited to, the elimination of unfilled budgeted positions, savings associated with not filling staff positions that become vacant through attrition, other staff reductions, consolidation of services, reductions in ongoing cost commitments, etc... Such reductions shall be achieved to the greatest degree possible in a manner consistent with the preservation of service.

## How Principle Relates to Deficit Reduction Target:

- Principle implemented by establishing annual deficit reduction target of \$5 Million or 12.5% per year in “Internal Efficiencies” category

# Principle 4 – Internal Efficiencies

## Pros, Cons, Alternatives

<b>Pros</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> “Internal efficiencies” represent savings measures that reduce costs with little or no impact on service levels</li><li><input type="checkbox"/> Some internal efficiency measures can be implemented without layoffs (e.g., by not filling positions that become vacant through staff attrition)</li></ul>
<b>Cons</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Certain measures may involve layoffs</li><li><input type="checkbox"/> Other measures may reduce level of resources available for support functions, and negatively affect their performance</li></ul>
<b>Alternatives</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> Alternatives would involve meeting deficit reduction targets solely through some combination of changes in employee expenses and service delivery</li></ul>

# Principle Number 5: Negotiate Sustainable Bargaining Unit Agreements

**Principle:** In developing cost reduction strategies and plans, and in negotiating labor agreements, VTA shall work collaboratively with its employee bargaining units to identify ways to protect VTA's financial condition and liquidity, including ways to control the cost to VTA of employee benefit programs, while also preserving the quality and integrity of VTA services. Consideration shall be given to partnering with Santa Clara County and other cities within the county to provide the greatest leverage in negotiating with benefit providers.

**How Principle Relates to Deficit Reduction Target:** Principle implemented by establishing an annual savings target of \$23 Million per year or 57.5% in the "Employee Expense" category

# Principle 5 – Sustainable Bargaining Agreements

## Pros, Cons, Alternatives

<p><b>Pros</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Employee wages and benefits constitute 70% of VTA’s operating budget - controlling those expenses key to achieving financial stability</li> <li><input type="checkbox"/> By establishing a policy that controls growth of benefit plans through employee contributions, expense caps, tiers, partnerships and/or other methods, VTA can, over time, negotiate compensation packages that improve its financial stability</li> </ul>
<p><b>Cons</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Employees, who bargained in good faith for their current benefit packages, may experience increased costs for medical or other benefits</li> <li><input type="checkbox"/> If a multi-tiered compensation system were to be implemented, new employees, performing the same work as other employees, could do so in exchange for lesser benefits and compensation.</li> </ul>
<p><b>Alternatives</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> None</li> <li><input type="checkbox"/> Implementing measures that control the cost of employee benefits is essential to ensuring VTA’s financial sustainability</li> </ul>

# Principle Number 6: Use of Contracted Services

## Principle:

- A. VTA shall periodically evaluate the use of contracted services for the delivery of service on selected VTA transit routes, and the delivery of other services utilized in the course of operating and supporting VTA transit service. In making decisions regarding the use of contracted services, VTA should compare the expected impacts on cost, safety, reliability and customer service associated with contracted service delivery, and any related long term financial risks, against the performance and cost of utilizing VTA staff in delivering those same services.
- B. This principle includes the provision of contracted services with partner agencies such as Caltrain, Altamont Commuter Express, Dumbarton Express, etc. Such contributions to be reduced proportionally to the total of VTA's annual operating deficit.
- C. VTA shall continually work with contracted service providers (OUTREACH, Santa Clara County Sheriff's Department, Allied Barton, etc.) to maximize efficiency and control costs.

**How Principle Relates to Deficit Reduction Targets:** Principle implemented by establishing an annual deficit reduction target of \$12 Million or 30% in the "Service Delivery" category, and may play a role in achieving Internal Efficiencies target of \$5 Million or 12.5%.

# Principle 6 – Use of Contracted Services

## Pros, Cons, Alternatives

<b>Pros</b>	<input type="checkbox"/> Potentially enables VTA to deliver services in a more cost effective manner. Enables the organization to expand and contract with differing revenue levels without the necessity of layoffs of VTA employees.
<b>Cons</b>	<input type="checkbox"/> If not properly implemented, may result in a lesser quality of service and greater depreciation of VTA equipment.
<b>Alternatives</b>	<input type="checkbox"/> Use only in-house resources to deliver services.

# **ANNUAL DEFICIT REDUCTION TARGETS BY CATEGORY**

# Annual Deficit Reduction Targets By Category

Category	Related Principle	Proposed Deficit Reduction Target	Percent of Total Target
Internal Efficiencies	Principles 4 & 6	\$5 Million	12.5%
Employee Expenses	Principle 5	\$23 Million	57.5%
Service Delivery	Principle 6	\$12 Million	30.0%
<b>Overall Annual Target</b>	<b>Principles 1-6</b>	<b>\$40 Million</b>	<b>100.0%</b>

# Next Steps

- ❑ August: Vote by Ad Hoc Committee on Principles/Deficit Reduction Targets
- ❑ September: Report to Board of Directors' Meeting on results of Committee's work
- ❑ September: Review Committee's work with each Board Standing Committee
- ❑ October: Action Item at Board of Directors' Meeting to establish policy level direction on targets for deficit reduction

**Ad Hoc Financial Recovery Committee**  
**Guidance on Operating Expenditure Priorities, Key Financial Principles**  
**and Deficit Reduction Targets**

Meeting Date: August 25, 2010

**(CORRECTED)**

**Section I.**  
**Financial Stability Policy**  
**VTA Transit Enterprise Fund**

This Policy establishes guidance on expenditure prioritization and the key principles that VTA shall use to prudently align its operating costs with its available resources.

Guidance on Expenditure Prioritization

In developing VTA's Biennial Operating Budget and associated financial plans, VTA shall prioritize its activities in the following order. This prioritization guidance shall be used both when budget reductions are required in order to keep spending consistent with available revenues, and when increases in operating revenues permit VTA to devote additional resources to its transit-related activities.

1. Preserving the level of fixed route transit service and paratransit service provided to VTA riders to the greatest extent possible. The service plan shall be developed in accordance with VTA's Transit Sustainability Policy and service design guidelines and in the best interest of the public.
2. Activities that directly support the provision of transit service, i.e., only those core operating, management and administrative functions that are necessary and essential to support the provision of the existing level of transit service, both in terms of the types of functions required and level of resources needed to support service. Measured against industry standards and best practices with consideration of efficiencies achieved by reducing layers of management.
3. Support for Regional Partnerships (e.g. Caltrain, ACE, Dumbarton Express, etc.) provided by VTA in consideration of other partners' contributions
4. Activities that clearly contribute to increasing and diversifying VTA's operating funding (e.g. fare programs, joint development, advertising, and other opportunities for earned income).
5. Activities that provide information to riders, employees, stakeholders and the public.
6. Activities that would prudently and strategically expand VTA transit service, when sustainable revenues are available to support the service growth.

**Ad Hoc Financial Recovery Committee**  
**Guidance on Operating Expenditure Priorities, Key Financial Principles**  
**and Deficit Reduction Targets**

Meeting Date: August 25, 2010

**(CORRECTED)**

**Section II. Key Financial Principles**  
**(Revised August 20, 2010)**

The following Key Principles establish a framework for policy direction to the Santa Clara Valley Transportation Authority Board of Directors and staff during the creation the biennial budget and when addressing the structural deficit in VTA's operating budget.

The Key Principles have been numbered, and organized into two groups:

- Principles that are assumed in the development of the annual deficit reduction targets, but are not directly tied to a particular deficit reduction target category; and
- Principles that are directly tied to a particular Deficit Reduction target category.

**Key Principles Assumed in Development of Deficit Reduction Targets**

**Principle Number 1: Operating Reserve at 15%** - VTA shall take the necessary steps to protect its financial liquidity by building and maintaining an Operating Reserve equal to 15 percent of annual operating expenses, which is equal to just under two months of operating cash flow requirements. To the extent that the Operating Reserve level falls below the 15 percent target, during the next biennial budget process, VTA must identify measures necessary to reach the 15 percent threshold within a 3 year period, and begin implementation of some or all of those measures during the next biennial budget process.

**How Principle 1 Affects the Development of Deficit Reduction Target:** This principle is assumed in identifying the baseline \$40 Million annual deficit reduction target. This level of annual Deficit Reduction would keep the Operating Reserve level between 15 percent and 20 percent from FY2012 through FY2015. However, even with \$40 Million per year in Deficit Reduction, current projections show the Operating Reserve level dropping down to 10 percent – 11 percent in FY2017 through FY2019.

**Ad Hoc Financial Recovery Committee**  
**Guidance on Operating Expenditure Priorities, Key Financial Principles**  
**and Deficit Reduction Targets**

Meeting Date: August 25, 2010

**(CORRECTED)**

**Principle Number 2: Limit Use of Capital Funding<sup>1</sup>** - When determining whether to use all or a portion of its eligible capital funding for operating-related purposes, such as preventive maintenance, VTA should attempt to balance the needs of its day to day operations with its longer term needs to preserve, protect and renew its capital assets, and maintain VTA's vehicles, facilities and infrastructure in a "state of good repair." 100 percent of eligible capital funding may be used for operating purposes for a limited period, but should not be used for operating purposes on an ongoing basis. By FY2017, VTA should return to its historical practice of allocating 35 percent of eligible capital funding for operating purposes, and 65 percent for capital purposes.

**How Principle 2 Affects the Development of Deficit Reduction Targets:** This principle affects the amount of "flexible" FTA grant funds that are expected to be available for operating purposes, and therefore affects the level of annual Deficit Reduction required to keep VTA's operating expenses in line with its operating revenues. Implementation of this principle is assumed in VTA's current SRTP projections. The \$40 Million annual deficit reduction target assumes that VTA will gradually scale back its use of 5307 funds for operating purposes between FY2012 and FY2017, and would return to using 35 percent of its 5307 funds for operating purposes and 65 percent for capital purposes by FY2017.

**Principle Number 3: Control Cost Growth** - VTA shall take appropriate steps to ensure that its operating costs do not grow faster than its reasonably anticipated operating revenues. Unless required by Federal, state or local law, measures that increase operating expenses should not be implemented until the funding for those increases has been identified with reasonable certainty.

**How Principle 3 Relates to Deficit Reduction Target:** This principle is assumed in establishing the annual deficit reduction target of \$40 Million per year during the SRTP period, in order to balance VTA's operating expenses with its reasonably anticipated operating revenues.

**Principles Directly Tied to Deficit Reduction Targets**

**Principle Number 4: Achieve Internal Efficiencies** – Direct staff to meet the adopted Target Deficit Reduction through a combination of internal efficiencies. Such efficiencies to be achieved through a variety of systemic cost reduction actions, which are not one-time in nature. Such actions may include, but are not limited to, the elimination of unfilled budgeted positions, not filling staff positions that become vacant through attrition, other staff reductions, consolidation of services, reductions in ongoing cost commitments, etc. Such reductions shall be achieved to the greatest degree possible in a manner consistent with the preservation of service.

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<sup>1</sup> Note: 2000 Measure A Program – By Board Policy, and in accordance with a Court ruling based on the text of the ballot initiative, a limited amount of revenue collected from the 2000 Measure A Sales Tax may be used to fund VTA's operations. Increasing the amount of Measure A funds diverted to operations will seriously compromise the VTA's ability to deliver the projects promised to the voters under this program.

**Ad Hoc Financial Recovery Committee**  
**Guidance on Operating Expenditure Priorities, Key Financial Principles**  
**and Deficit Reduction Targets**

Meeting Date: August 25, 2010

**(CORRECTED)**

**How Principle 4 Relates to Deficit Reduction Target** – This principle would be implemented by establishing a deficit reduction target of \$5 Million or 12.5% per year in the “Internal Efficiencies” category.

**Principle Number 5: Negotiate Sustainable Bargaining Unit Agreements** - In developing cost reduction strategies and plans, and in negotiating labor agreements, VTA shall work collaboratively with its employee bargaining units to identify ways to protect VTA’s financial condition and liquidity, including ways to control the cost to VTA of employee benefit programs, while also preserving the quality and integrity of VTA services. Consideration shall be given to partnering with Santa Clara County and other cities within the county to provide the greatest leverage in negotiating with benefit providers.

**How Principle 5 Relates to Deficit Reduction Target:** This principle would be implemented by establishing an annual deficit reduction target of \$23 Million per year or 57.5% in the “Employee Expense” category.

**Principle Number 6: Use of Contracted Services** –

- A) VTA shall periodically evaluate the use of contracted services for the delivery of service on selected VTA transit routes, and the delivery of other services utilized in the course of operating and supporting VTA transit service. In making decisions regarding the use of contracted services, VTA should compare the expected impacts on cost, safety, reliability and customer service associated with contracted service delivery, and any related long term financial risks, against the performance and cost of utilizing VTA staff in delivering those same services.
- B) This principle includes the provision of contracted services with partner agencies such as Caltrain, Altamont Commuter Express, Dumbarton Express, etc. Such contributions to be reduced proportionally to the total of VTA’s annual operating deficit.
- C) VTA shall continually work with contracted service providers (OUTREACH, Santa Clara County Sheriff’s Department, Allied Barton, etc.) to maximize efficiency and control costs.

**How Principle 6 Relates to Deficit Reduction Target:** This principle would be implemented by establishing a deficit reduction target of \$12 Million or 30% in the “Service Delivery” category.

**Ad Hoc Financial Recovery Committee**  
**Guidance on Operating Expenditure Priorities, Key Financial Principles**  
**and Deficit Reduction Targets**

Meeting Date: August 25, 2010

**(CORRECTED)**

**Section III. Annual Deficit Reduction Targets by Category**

The table below summarizes the proposed annual deficit reduction targets by category.

**Summary of Proposed Annual Deficit Reduction Targets by Category**

<b>Category</b>	<b>Related Principle</b>	<b>Proposed Deficit Reduction Target</b>	<b>Percent of Total Target</b>
Internal Efficiencies	Principle 4	\$5 Million	12.5%
Employee Expenses	Principle 5	\$23 Million	57.5%
Service Delivery	Principle 6	\$12 Million	30.0%
Overall Annual Savings Target	Principle 3	\$40 Million	100.0%

**Ad Hoc Financial Recovery Committee**  
**Guidance on Operating Expenditure Priorities, Key Financial Principles**  
**and Deficit Reduction Targets**

Meeting Date: August 25, 2010

**(CORRECTED)**

**Additional Recommendation for the Board's Consideration:**

**Revenue Enhancement Committee** - VTA's Board of Directors shall establish a Joint Labor/Management Task Force responsible for advising the Board on possible mechanisms for increasing VTA's operating revenues, and for developing specific recommendations to the Board regarding revenue measures that could be implemented administratively by VTA, measures that would require legislative action, and measures that would require voter approval. Such measures are to include, but not be limited to, potential fare adjustments (including possible changes to existing fare programs such as the EcoPass that promote transit ridership), parcel tax, sales tax and benefit assessment districts.

Please note that this principle does not relate to Deficit Reduction targets, which are required for the development of the FY2012-2013 biennial budget, because most significant revenue ideas could not be implemented before June 30, 2011. This concept would be considered for long term implementation.

# **State of Good Repair**

## Capital Operating Funds

Ad Hoc Financial Recovery Committee

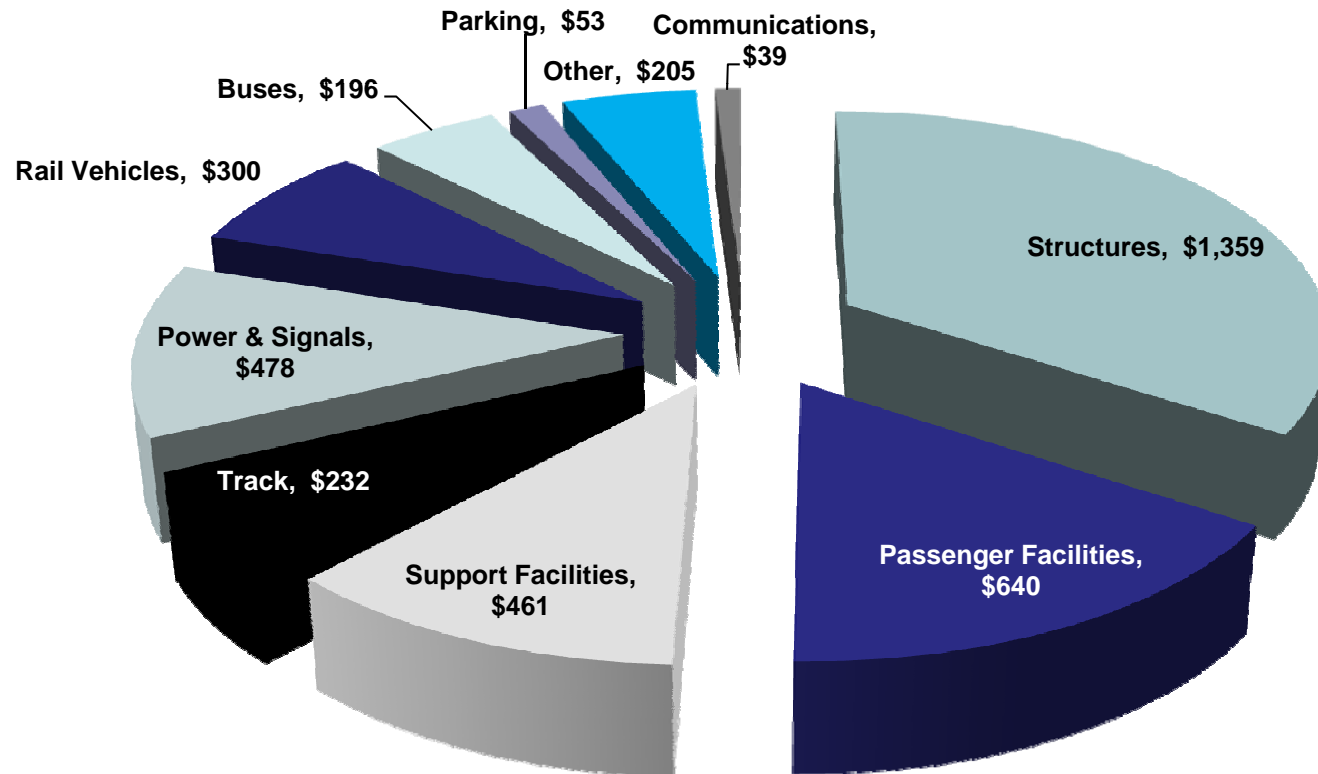
August 25<sup>th</sup>, 2010

# State of Good Repair



- VTA owns \$4 billion in transit infrastructure<sup>1</sup>

Value of Assets, \$ million



<sup>1</sup> Based on RTCI Inventory Submitted to MTC in 2007

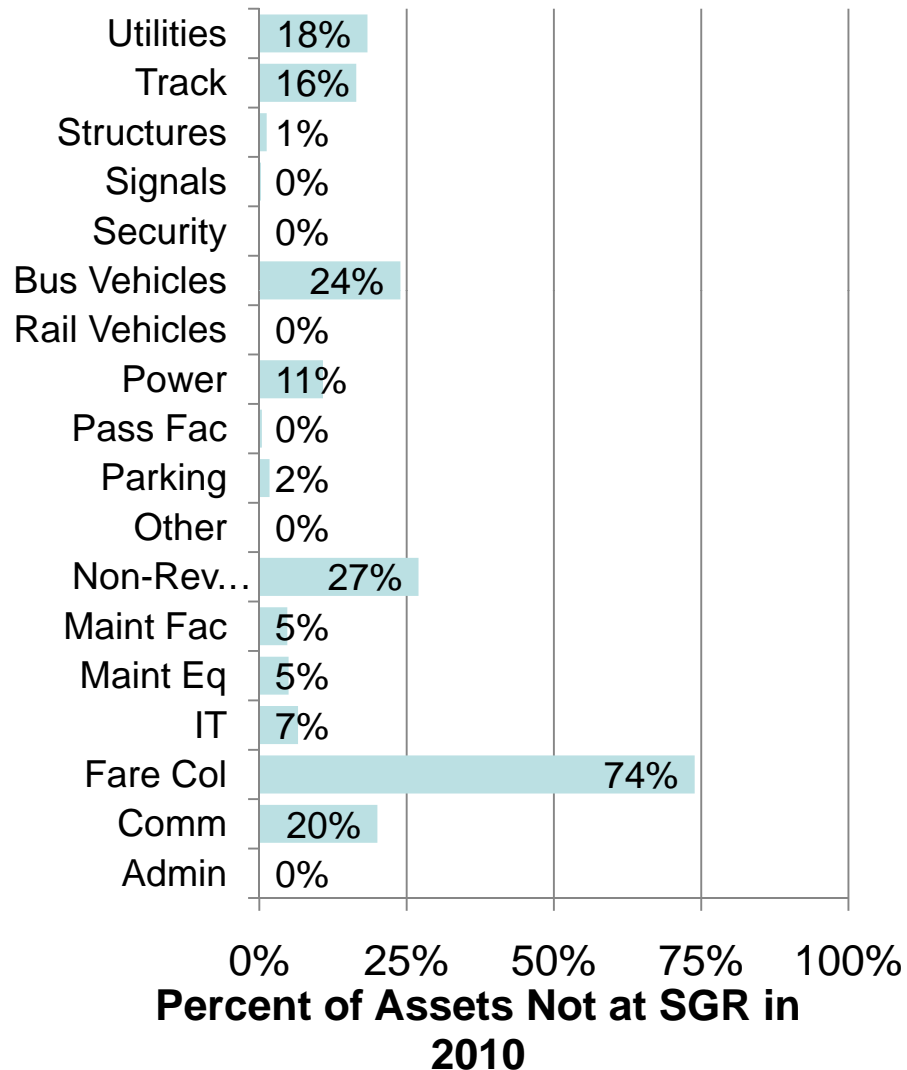
# State of Good Repair

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- Some of VTA assets are beyond or close to useful life, for example:
  - Track & power infrastructure from 1984 LRT segments;
  - Fareboxes;
  - 9700, 9800 bus fleets

# State of Good Repair



- As currently identified, 95% of all assets are in SGR
- Some are beyond useful life
  - Does not reflect disposal of 9200,9300 buses
  - Does not reflect recent purchase of hybrid buses
  - Does not reflect projected replacement of fareboxes

Based on RTCI Inventory Submitted to MTC in 2007

# State of Good Repair

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- Efforts underway to update inventory, useful life, replacement and rehabilitation costs of all assets
  - Results will be used to identify total backlog in VTA capital program as well as more accurately project future renewal needs
- Anticipated Outcome:
  - VTA's rail network will require significant reinvestment over the next 20 years;
  - Overall system needs will significantly outweigh planned and funded expenditures currently in SRTP
- Projected Completion of Effort:
  - January 2011

# State of Good Repair



- What is the SGR for other transit agencies?

Agency	Projected Annual SGR Needs (millions)	Replacement Value of All Assets (millions)	SGR Needs as % of Total Asset Value
MBTA	\$620	\$12,000	5.20%
CTA	* \$820	\$24,000	3.30%
Miami-Dade	\$39	\$1,200	3.10%
7 Large Operators in US**	\$8,400	\$281,000	3.00%

- What would 3.00% need mean for VTA on \$4 billion of assets?
  - \$120 million projected annual SGR needs
- Estimated average annual 5307/5309 Grant Funding
  - \$55 million

\*CTA needs exclude backlog (all other include backlog)

\*\*Operators in FTA's 2008 Rail Modernization Study: sum of CTA, MBTA, NY MTA, NJ Transit, BART, SEPTA, WMATA

# Short Range Transit Plan (2010-2019)

## (Non-Measure A)

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- Core System Tier 1 Projects
  - \$578 million of projects
  - Considered to be “funded” in the CIP through use of combination of federal, state and regional grants as well as bond financing
  
- Core System Tier 2 Projects
  - \$531 million of projects
  - Currently unfunded

# Major Categories of Tier 2 Projects

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- Vehicles & Equipment (\$23 million)
  - NRV fleet replacements
  - Paratransit Operating Facility
- Operations Facilities & Equipment (\$24 million)
  - Fuel system conversion
  - TVM shop upgrade for TVM maintenance
  - HVAC replacement
  - Maintenance equipment replacement
  - Small bus operating facilities modification

# Major Categories of Tier 2 Projects

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- Light Rail System Maintenance (\$10 million)
  - Train tracking system
  - LRT Crossovers & Switches
  - LRT Public Address System & Real Time Information
  - Way Power & Signal Equipment
- Light Rail Systems Enhancements (\$346 million)
  - Vasona Extension to SR 85
  - Enhancements resulting for LR COA

# Major Categories of Tier 2 Projects

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- Information & Technology (\$54 million)
  - Advance Communications Replacement
  - Maintenance/Replacement of IT Systems (including SAP, network, etc)
- Miscellaneous (\$67 million)
  - Caltrain capital match to State of Good Repair program (non Meas A eligible, in excess of current capital contribution of \$3.5M)

**Responses to Questions Posed  
At  
August 18, 2010 Ad-Hoc Fiscal Recovery Committee Meeting**

**1. What are the needs of VTA’s capital program? What would be the impact on the deficit and the capital program if we maxed out PM every year? What would be the trade off?**

- a. Needs of capital program – see presentation scheduled for August 25th
- b. Impact on operating deficit if maxed out PM every year
  - i. Maxing out 5307 grants to PM would reduce the \$40 million target to \$20 million target with an ending operating reserve in FY19 of 9%
    - 1. A target of \$26.5 million under this scenario will result in at least 15% operating reserve in each year
- c. Impact on capital program if maxed out PM every year
  - i. Reduction in state of good repair and an increase in operating cost due system failures and increased wear and tear on infrastructure and potential decrease in ridership.
  - ii. Potential credit rating implications if VTA is not addressing its infrastructure renewal needs.

**2. Who are the contractors that are providing service for JWI program and isn’t this funded by grants, if so, where on the list of revenues is it?**

Contractor is Balance Point, grant revenues reflected in “Other Income” line.

**3. What is the breakout between JWI Program and Maintenance Training on the Top 15 schedule?**

JWI Program budget \$225K, Maintenance Training \$110K

**4. Isn’t Mobility Travel Training done by VTA employees and not contracted out? If contracted out, to what firm?**

Contractors are Innovative Paradigm and Vista Center for the Blind

**5. Can we go through the professional services contracts and identify what can be done in house?**

Staff reviews the professional services contracts on an ongoing basis and makes a determination whether or not work can be done in house or done more effectively through contractors. This is done in collaboration with bargaining units and with the understanding that there is no intent to increase permanent staff. Following the staff’s review, employee unions have the opportunity to conduct their own reviews to confirm or contest the staff determination. If it is determined that sufficient work is contained in the contract to support an internal employee, VTA has agreed to hire an employee on a “project employee” basis, i.e. the term of employment concludes with the completion of the contracted project.

**6. How many personnel are in the Security Contract?**

- a. Allied Barton: 79 FTE's (26 armed/53 unarmed)
  - i. Contract includes approx \$40K/year for non-labor related expenses
- b. SC County Sheriff: 19 FTE's (Capt., 2 Sergeants, 1 clerical, 15 deputies)
  - i. Contract includes \$686K/year for non-labor expenses

**7. Provide affirmation (or not) to SEIU claim that 52/110 positions in fiscal resources are managers and supervisors.**

True, with a correction and note of explanation. The actual number is 43 out of 93 filled positions. However, the Accountant III classification is currently listed as a supervisory classification although in practice and compensation it is not. Staff is currently in the process of re-stating the specifications for this class to correctly identify the Accountant III as a non-supervisory professional position. This will revise the number to 35 out of 93 filled positions. Staff is also reviewing other similar classifications such as Senior Accountant and Senior Analyst level positions.

**8. What are the categories for internal efficiencies?**

- a. There are two parts to internal efficiencies: labor and non-labor
  - i. The labor portion deals with the *level* of staffing for particular functions, activities, services. For example: if it were possible to combine one or two functions/activities, the required level of staffing may be reduced by the amount of any duplicative work/activities that might exist without such consolidation.
  - ii. The non-labor portion would most likely affect VTA's non-labor related operating budget and would include savings associated with streamlining processes, technological innovations, or decreasing discretionary expenditures not directly related to service delivery. This could include savings in areas such as materials and supplies, fuel, security, insurance, marketing, professional services and traction power.

**9. Can we do 1/3 of the \$40 M target per category?**

1/3 of \$40M is \$13.3 million. Based on prior efforts made in conjunction with the development of the FY10 & FY11 budget, opportunities to achieve savings in an amount equal to \$13.3 million in the internal efficiencies category may be limited without affecting bus/rail service levels. Reducing Partner Agency contributions by 1/3 could decimate their service.

**10. Why are non-rep staffing levels relatively flat when comparing FY01 and FY09 while other groups contracted?**

There can be several reasons for the level of staffing in different areas over a nine year period. Among these are changes in technology and changes in our business model. It will take additional research to determine more precisely in VTA's situation why this occurred.

**11. On the contracting out services slide, who are the 3 agencies with the 31-38% savings experience?**

- a. Metropolitan Transit System (San Diego, CA) - 36%
- b. Regional Transportation District (Denver, CO) – 31%
- c. SamTrans (Sam Mateo County, CA) – 35%

**12. Why can't VTA go 'paperless' and save the money associated with generating multiple copies of documents?**

The current monthly output from VTA's copy center is approximately 630,000 copies, significantly reduced over the last two years from 2.5 million copies per month. As a result of this reduction the re-assignment of a majority of copy center staff to other departments is currently underway and should be completed by late Fall 2010. SEIU has worked with us to accommodate these re-assignments. We continually strive to reduce our dependency on paper, most of VTA's advisory committee members receive their packets via e-mail and most of our subscribers do the same. However, we do reproduce many mandated large documents such as Environmental Documents, Requests for Proposals, property condemnation document packets.

Another example is a recently implemented process for applying for jobs with the VTA over the internet and electronically tracking the progress of the job applicant through the selection process. This has resulted in a significant reduction in paper, walk in traffic, and filing activities.

An exhaustive analysis of our copy needs here at VTA has been conducted and will be reflected in forthcoming recommendations that will show reduction in copy equipment organization-wide.