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


5. Review Chairperson Gage’s Recommendations to Attain Financial Stability.

6. 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.
To: Ad Hoc Financial Recovery Committee

From: Jim Lawson, Staff Liaison

Date: April 2\textsuperscript{nd}, 2010

Re: Reductions by Other Transit Operations

At the request of the Committee, staff surveyed other transit/commuter rail operations in the area. Some of this information was communicated previously in the memo to the Committee dated March 26\textsuperscript{th}.

**Caltrain**

- Reduced service from 98 to 90 daily trains
- Lost $10 million annually of state revenue over past three years
- Announced 70\% reduction in Samtrans contribution to operations

**MUNI**

- Projected deficit of $53 to $58 million for next fiscal year.
- Agency is considering potential service cuts from 8 to 10 percent.
- Considering doubling to $30 the cost of discounted monthly passes for seniors, the disabled and youth.
- Raised fares and implemented major service cuts last year.
- Agency has lost $230 million in revenue over the last two years and spent its reserves.
- Union members rejected a plan last month that would have prohibited drivers from earning higher overtime pay until they first log 40 regular hours on their weekly timecard and would have required operators to make a one-time contribution to their pension fund that would saved the agency $8.9 million.
- Supervisor Sean Elsbernd has proposed an initiative for the November election that would change the city charter and address the salaries, benefits and work rules for Muni operators, who now are guaranteed the second-highest salaries nationwide and receive an annual payment of $3,000 for dependent health care regardless of whether or not they have dependents.
SamTrans
- Agency is facing a $28.4 million budget shortfall. Implemented a 7.5 percent reduction in its service beginning December 2009.
- The changes include the elimination of six express routes to San Francisco and one local route and a reduction in the frequency of service on six routes.
- Froze salaries for administrative employees. Administrative employees also will be required to take six furlough days this fiscal year.
- Implemented fare increase effective in February 2010

AC Transit
- AC Transit faces a $50 million deficit.
- Raised fares in July 2009.
- Implemented 8.4 percent service reduction set for March 2010.

BART
- BART faces a $60 million projected shortfall over the next four years.
- Agency will consider service reductions, fare and parking fee increases, and cutting labor and other expenses to close this year’s projected deficit of $14 million.
- For the current budget year, BART saw the largest drops in both ridership and sales tax receipts in its 37-year history.
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.
## Ad Hoc Financial Recovery Committee
### Financial Stability Ideas for Consideration
#### Potential Savings Matrix

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Potential Annual Revenue Increase or Savings</th>
<th>Timeframe for Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition away from ECO Pass program</td>
<td>$0-$4M depending on retention rate of current pass users</td>
<td>Short-term to Mid-term</td>
</tr>
<tr>
<td>Ballot measure to eliminate 30-year sunset for Measure A</td>
<td>$42M beginning in FY 2037 (assumes current 18.5% operating assistance)</td>
<td>Long-term</td>
</tr>
<tr>
<td>Consider Transit as a recipient of some SB 83 (Vehicle Registration Fee) funds</td>
<td>Up to $14M, determined by Board adopted expenditure plan</td>
<td>Mid-term to Long-term</td>
</tr>
<tr>
<td>Reduce VTA services for routes that do not meet productivity standards</td>
<td>Assuming 10% service reduction: Bus: $12M-$14M; Light Rail: $2.2M-$3.4M</td>
<td>Short-term to Mid-term</td>
</tr>
<tr>
<td>Provide subsidy to individual communities or others for directly contracted services</td>
<td>Dependent on subsidy level, amount and type of service</td>
<td>Mid-term, may require changes to current union contracts for some contracted services</td>
</tr>
<tr>
<td>Require that VTA competitively bid services and/or contract for new services (i.e., BRT)</td>
<td>Dependent on amount and type of service contracted</td>
<td>Mid-term, may require changes to current union contracts for some contracted services</td>
</tr>
<tr>
<td>Across the board layoffs</td>
<td>$24M per 10% staff reduction (approx 200 employees). Does not include probable impacts on service delivery</td>
<td>Short-term</td>
</tr>
<tr>
<td>Administrative staff layoffs</td>
<td>$3M per 10% staff reduction (approx 30 employees)</td>
<td>Short-term</td>
</tr>
<tr>
<td>Across the board wage cut</td>
<td>$21M per 10% cut</td>
<td>Mid-term, requires negotiation</td>
</tr>
<tr>
<td>Increase employee contribution to health care costs from $35/month to $70/month</td>
<td>$800K</td>
<td>Mid-term, requires negotiation</td>
</tr>
<tr>
<td>VTA pays health care costs for employees only</td>
<td>$16M</td>
<td>Mid-term, requires negotiation</td>
</tr>
<tr>
<td>VTA pays health care costs for employees plus one dependent</td>
<td>$6M</td>
<td>Mid-term, requires negotiation</td>
</tr>
<tr>
<td>VTA pays up to a capped dollar amount per month of health care costs</td>
<td>$2M-$17M depending on cap level and scenario parameters</td>
<td>Mid-term, requires negotiation</td>
</tr>
<tr>
<td>VTA pays a capped percentage of health care costs</td>
<td>$1.2M for every 5% paid by employee</td>
<td>Mid-term, requires negotiation</td>
</tr>
<tr>
<td>VTA only pays up to the cost of the Pacific Union Dental Plan</td>
<td>$1.4 M</td>
<td>Mid-term, requires negotiation</td>
</tr>
<tr>
<td>VTA only pays for employers' share of retirement costs (New Employees only)</td>
<td>Up to $10M. Full cost savings not realized immediately as changes would apply to new hires only.</td>
<td>Long-term, requires negotiation</td>
</tr>
<tr>
<td>Introduce a two-tiered retirement system (New Employees)</td>
<td>Initial estimates indicate $1M-$10M +. Staff has requested an actuarial analysis to confirm.</td>
<td>Long-term, requires negotiation</td>
</tr>
<tr>
<td>Employee pays portion of annual Retiree Medical contribution (New Employees only)</td>
<td>$1.5M-$16.5M. Full cost savings not realized immediately as changes would apply to new hires only.</td>
<td>Long-term, requires negotiation</td>
</tr>
<tr>
<td>Introduce a two-tiered Retiree Medical program (Health Reimbursement Account, New Employees only)</td>
<td>Depends on amount of employer contribution and vesting period. Full cost savings not realized immediately as changes would apply to new hires only.</td>
<td>Long-term, requires negotiation</td>
</tr>
<tr>
<td>Reduce Advertising/Marketing costs</td>
<td>$170K per 10% reduction</td>
<td>Short-term</td>
</tr>
<tr>
<td>Reduce Professional Services costs</td>
<td>$370K per 10% reduction</td>
<td>Short-term</td>
</tr>
<tr>
<td>Reduce contribution levels to regional partners (Caltrain, ACE, Dumbarton Express, Highway 17 Express, Monterey-San Jose Express)</td>
<td>$1.9M per 10% reduction</td>
<td>Short-term</td>
</tr>
</tbody>
</table>

4/7/2010
Ad Hoc Financial Recovery Committee

FINANCIAL STABILITY IDEAS for CONSIDERATION

March 24th, 2010

REVENUES

• ECO Pass - Transition away from ECO Pass when Translink is implemented. ECO Pass brings average fare down and is heavily subsidized. Largest users are Santa Clara County and San Jose State University. Most likely would impact ridership negatively but would help with revenues.

• Ballot Measure - Look to a future ballot measure that would eliminate the 30 year sunset on Measure A. This would greatly aid the Measure A program as well as our overall financial outlook. Consider Transit as recipient of some SB 83 funds.

TRANSIT SERVICE

• Service Reductions - Look to reduce VTA provided services for routes that do not meet productivity standards.

• Contracted Service – as an alternative to service cuts:
  o Provide a level of subsidy to the community and have them contract for services directly. Mountain View Route 34 is an example, local routes in Gilroy and Morgan Hill are also examples.
  o Require that VTA competitively bid services. NCTD and Denver are good examples where considerable money was saved and service preserved.
  o New Services (BRT, for example) could be contracted.

COST STRUCTURE

• Reduce Overall Cost Structure - The overriding issue with regard to VTA future financial sustainability is the need to reduce the overall cost structure. The cost structure is driven by labor and benefits costs (more than 70%).
  o VTA’s cost for providing health care must be addressed. VTA currently pays all but $35/month for the cost of Kaiser Family plan.
  o VTA pays 100% of the cost for retirement, ATU Plan and Calpers, for all employees
  o All of these benefits are contained in labor agreements.
  o Virtually every Bay Area Municipality and public agency is impacted by these costs.
Options Include:

- **Board Policy** - Costs for labor and benefits need to be brought under control and no future labor agreements will be entered into without significant modifications to the current structure. Some examples of cost containment proposals include:
  - VTA paying a capped share of health care cost
  - VTA only paying for the employers’ share of retirement costs
  - Moving to a defined contribution plan, away from a defined benefit plan
  - Consider a compromise introduction of a two-tiered system where new employees would accept the above pension conditions and existing employees maintaining the current benefit level, with reasonable cost and risk sharing.

- **Third Party Evaluation** - Have an independent efficiency study which could yield recommendations such as:
  - Move to directing info/complaint calls to 511
  - Reduce advertising/marketing
  - Evaluate all staffing levels with an eye on reductions
  - Evaluate Copy Center
  - Review Information Technology support

**CONTRACTED SERVICES**

- Support re-bidding (competition) for contracted services including Paratransit, Caltrain, ACE.
- Look to “regionalize” commuter rail (Caltrain, ACE, Capitol Corridor)
- Reduce contribution levels (will result in service cutbacks, ie no weekend service; Gilroy service, cut one ACE train, etc.
- Consideration of continued support for Caltrain and ACE
Financial Stability Ideas for Consideration Review

Ad-Hoc Financial Recovery Committee

April 7, 2010
Financial Stability Ideas for Consideration

• 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

RECURRING REVENUES
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)

<table>
<thead>
<tr>
<th>Employer and Residential Location/Service Level</th>
<th>1-99 Employees/Residents</th>
<th>100-2,999 Employees/Residents</th>
<th>3,000-14,999 Employees/Residents</th>
<th>15,000+ Employees/Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown San Jose</td>
<td>$144.00</td>
<td>$108.00</td>
<td>$72.00</td>
<td>$36.00</td>
</tr>
<tr>
<td>Areas served by bus and light rail</td>
<td>$108.00</td>
<td>$72.00</td>
<td>$36.00</td>
<td>$18.00</td>
</tr>
<tr>
<td>Areas served by bus only</td>
<td>$72.00</td>
<td>$36.00</td>
<td>$18.00</td>
<td>$9.00</td>
</tr>
</tbody>
</table>
Financial Stability Ideas for Consideration
Eco Pass Program (cont.)

• 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
## Potential Incremental Fare Revenue

<table>
<thead>
<tr>
<th>Ridership Retention</th>
<th>Incremental Fare Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>$3,800,000</td>
</tr>
<tr>
<td>90%</td>
<td>$3,100,000</td>
</tr>
<tr>
<td>80%</td>
<td>$2,400,000</td>
</tr>
<tr>
<td>70%</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>60%</td>
<td>$900,000</td>
</tr>
<tr>
<td>50%</td>
<td>$200,000</td>
</tr>
<tr>
<td>40%</td>
<td>($540,000)</td>
</tr>
<tr>
<td>30%</td>
<td>($1,300,000)</td>
</tr>
<tr>
<td>20%</td>
<td>($2,000,000)</td>
</tr>
</tbody>
</table>

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
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

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)

- Debt Service: 6% ($21M)
- Paratransit: 9% ($32M)
- Regional Partnerships: 7% ($24M)
- Service Delivery: 78% ($276M)
Financial Stability Ideas for Consideration

Primary Drivers of Service Delivery Expense

• Level of Service

• Cost of Service
Financial Stability Ideas for Consideration

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

<table>
<thead>
<tr>
<th>Mode</th>
<th>Net Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus</td>
<td>$12M-$14M</td>
</tr>
<tr>
<td>Light Rail</td>
<td>$2.2M-$3.4M</td>
</tr>
</tbody>
</table>
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

COST OF SERVICE
Financial Stability Ideas for Consideration
VTA Transit
Service Delivery Budget ($276M)

- Labor Costs: 76% ($211M)
- Fuel & Traction Power: 5% ($14M)
- Materials & Supplies: 6% ($17M)
- Other: 12% ($34M)

Other:
- Professional & Other Services
- Security
- Insurance
- Utilities
- Data Processing
- Communications
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

Labor & Benefits
Financial Stability Ideas for Consideration

Historic Labor and Benefit Costs

Historic Labor and Benefits

<table>
<thead>
<tr>
<th>Years</th>
<th>Benefits</th>
<th>Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY01</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>FY02</td>
<td>$50</td>
<td>$150</td>
</tr>
<tr>
<td>FY03</td>
<td>$100</td>
<td>$200</td>
</tr>
<tr>
<td>FY04</td>
<td>$150</td>
<td>$250</td>
</tr>
<tr>
<td>FY05</td>
<td>$200</td>
<td>$300</td>
</tr>
<tr>
<td>FY06</td>
<td>$225</td>
<td>$300</td>
</tr>
<tr>
<td>FY07</td>
<td>$250</td>
<td>$300</td>
</tr>
<tr>
<td>FY08</td>
<td>$275</td>
<td>$300</td>
</tr>
<tr>
<td>FY09</td>
<td>$300</td>
<td>$300</td>
</tr>
</tbody>
</table>

Millions
Historic Labor and Benefits—Average per Employee

- Average Labor Per Employee
- Average Benefits Per Employee

- FY01: $0
- FY02: $20,000
- FY03: $40,000
- FY04: $60,000
- FY05: $80,000
- FY06: $100,000
- FY07: $120,000
- FY08: $140,000
- FY09: $160,000

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

Primary Drivers of Labor Costs

• Number of Employees

• Wages and Benefits
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

<table>
<thead>
<tr>
<th>Bargaining Unit</th>
<th>Contract Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFSCME</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>ATU</td>
<td>February 10, 2013</td>
</tr>
<tr>
<td>SEIU</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>TAEA</td>
<td>June 30, 2011</td>
</tr>
</tbody>
</table>
Financial Stability Ideas for Consideration

Modify Benefits

Background

• Current Benefits Package

• Historic Health Insurance Costs
## Financial Stability Ideas for Consideration

### Modify Benefits

### Summary of Current Benefits Package

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

*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

Annual Medical & Dental Premium

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30</td>
<td>$35</td>
<td>$20</td>
<td>$25</td>
<td>$10</td>
<td>$15</td>
<td>$20</td>
<td>$25</td>
<td>$30</td>
</tr>
</tbody>
</table>

VTA Contribution
Employee Contribution
Annual Medical and Dental Premium—Average per Employee

- FY01: $14,000
- FY02: $16,000
- FY03: $8,000
- FY04: $10,000
- FY05: $12,000
- FY06: $4,000
- FY07: $6,000
- FY08: $8,000
- FY09: $10,000

Legend:
- VTA Contribution
- Employee Contribution
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)

<table>
<thead>
<tr>
<th>Modification Scenario</th>
<th>Potential Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase employee contribution to $70/mo</td>
<td>$800K</td>
</tr>
<tr>
<td>VTA pays medical for employees only</td>
<td>$16M</td>
</tr>
<tr>
<td>VTA pays medical for employee plus one dependent</td>
<td>$6M</td>
</tr>
<tr>
<td>VTA pays a capped dollar amount per month of medical</td>
<td>$2M-$17M</td>
</tr>
<tr>
<td>VTA pays a capped percentage of medical</td>
<td>$1.2M for every 5% paid by employee</td>
</tr>
<tr>
<td>VTA pays up to lowest cost Dental Plan</td>
<td>$1.4M</td>
</tr>
</tbody>
</table>
## Potential Pension Cost Savings Scenarios

**Timeline—Long-term, New Employees**

<table>
<thead>
<tr>
<th>Modification Scenario</th>
<th>Potential Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>VTA only pays for employer’s share of pension contribution (Hypothetical)</td>
<td>Up to $10M</td>
</tr>
<tr>
<td>Introduce a two-tiered retirement system</td>
<td>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.</td>
</tr>
</tbody>
</table>
## Potential Retiree Medical Cost Savings Scenarios

**Timeline—Long-term, New Employees**

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

Non-Labor
# Potential Non-Labor Cost Savings Scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Potential Savings</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Advertising/Marketing costs</td>
<td>$170K per 10% reduction</td>
<td>Short-term</td>
</tr>
<tr>
<td>Reduce Professional Services costs</td>
<td>$370K per 10% reduction</td>
<td>Short-term</td>
</tr>
</tbody>
</table>
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

CONTRACTED SERVICES/REGIONAL PARTNERSHIPS
Financial Stability Ideas for Consideration
Contracted Services/Regional Partnerships

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

<table>
<thead>
<tr>
<th>Regional Partnership</th>
<th>FY10 Operating Contribution</th>
<th>Potential Savings per 10% Reduction</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caltrain</td>
<td>$15.9M</td>
<td>$1.6M</td>
<td>Short-term</td>
</tr>
<tr>
<td>ACE</td>
<td>$2.7M</td>
<td>$0.3M</td>
<td>Short-term</td>
</tr>
<tr>
<td>Dumbarton Express</td>
<td>$0.4M</td>
<td>$40K</td>
<td>Short-term</td>
</tr>
<tr>
<td>Highway 17 Express</td>
<td>$0.4M</td>
<td>$36K</td>
<td>Short-term</td>
</tr>
<tr>
<td>Monterey-San Jose Exp.</td>
<td>$40K</td>
<td>$4K</td>
<td>Short-term</td>
</tr>
</tbody>
</table>
Questions and Discussion