

ANNUAL REPORT | 2019



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Nuria I. Fernandez
*VTA General Manager
& CEO*

Looking back on the accomplishments of 2019, the theme was “triumph in the face of great challenge.”

The creation of an Ad Hoc Committee on Board Enhancement led our board members to seek out new ways to heighten their impact and commitment to the work of VTA. Directed by Board Chair Teresa O’Neill, this committee came up with fresh ideas to help improve board members’ effectiveness and hold them to a higher standard of engagement.

It was a year of great achievement. We successfully carried out the most significant changes to our transit service plan we’ve seen in more than a decade. After meticulous planning designing the system to serve more passengers with greater frequency, dozens of VTA employees donned ambassador hats to cover the entire service area. They answered questions and helped passengers navigate changes in their bus and train routes.

We also helped improve the flow of traffic along one of the busiest thoroughfares in the Bay Area with the expansion of Express Lanes on State Route 237. We began construction to realign and widen the notoriously congested interchange at Mathilda Ave and Highway 101 in Sunnyvale, adding other amenities to allow better mobility for various types of vehicles.

Ridership remains a significant challenge for transit operators across the nation. But with innovative endeavors like the addition of Zero Emission, fully electric buses, and pilot projects such as the accessible autonomous vehicle to be used as a shuttle for Veterans Administration hospital patients, we are forging ahead to find more effective and attractive ways to move people.

Finally, despite unexpected delays with the first phase of the BART Silicon Valley Extension, the Federal Transit Administration (FTA) maintains a strong sense of trust in VTA, choosing our BART Phase II project as the first in the country to participate in the FTA’s “Expedited Project Delivery Program.” This is a governmental pilot project intended to accelerate the delivery of transit projects by reducing review time for approval of federal funding to 120 days (compared to a typical two-year process).

With strong leadership from our board and hard work on the part of VTA staff, we are on solid ground to bring greater mobility to Santa Clara Valley.

Be safe,

A handwritten signature in black ink that reads "Nuria I. Fernandez". The signature is fluid and cursive.

Financial Stability

The past year forced us to tighten our belt, reducing a budgeted deficit of \$26 million to a positive balance of \$2 million, through careful management of expenses and cost containment efforts and by following the recommendations of the Ad Hoc Committee on Financial Stability.

As a result of the delay in the full rollout of the New Transit Service Plan (NTSP) for our bus and light rail system until the final days of the year, we were able to significantly narrow the budget gap in our 2019 Fiscal Year operating budget.

We implemented the second fare increase in our adopted budget, resulting in operating revenues to date that were 4.1 percent higher than the same period last year. And when voters defeated a 2018 threat to Senate Bill 1 (SB1) funds, we received over \$8.0 million in revenues for capital and operating expenses. We also received an increased allocation of over \$10 million in State Transit Assistant (STA) funds.

Our Board is steadfastly following the recommendations of the Ad Hoc Financial Stability Committee to continue to keep our fiscal condition strong. As we head into the new year, we look forward to increasing our ridership with the New Transit Service Plan and the influx of new riders transferring from the BART Silicon Valley Extension to VTA bus and light rail.



In order to meet our commitment as good stewards for the taxpayers of Santa Clara County, VTA's Board of Directors also voted to:

- Discontinue Light Rail Express Service and align the New Transit Service Plan with current operating service hours.
- Institute a voluntary retirement incentive, which resulted in an estimated savings of \$1 million.
- Pursue several joint development opportunities to bring in a significant amount of revenue for the future by granting long-term lease agreements with developers who build housing and other services on VTA-owned properties.

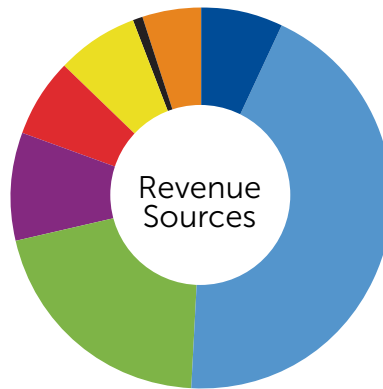


Transit Oriented Communities

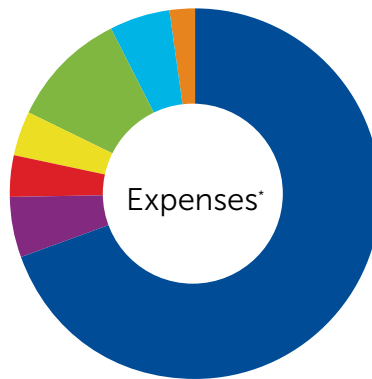
- Tamien Station 569 units (135 affordable); \$100 M revenue over the term of the ground lease
- Evelyn Station Park & Ride 100% affordable; \$13 M revenue over the term of the ground lease
- Other potential projects: Santa Clara Transit Center; Blossom Hill Station; Cerone Yard; BART Phase II

2019 Financial Picture

The data on this page reflects calendar year 2019 actual revenues and expenditures for the VTA Transit Operating Fund.



- Passenger Fares (includes Paratransit Fares) \$39.0M
- 1976 Half-Cent Sales Tax \$236.2M
- Transportation Development Act (TDA) \$110.5M
- 2000 Measure A Sales Tax Operating Assistance \$49M
- 2016 Measure B-Transit Operations \$36.2M
- State Transit Assistance (STA) \$38M
- Federal Operating Grants \$4.3M
- Other Revenue \$26M



- Bus & Light Rail Operations \$330.9M
- ADA Paratransit Operations \$24.8M
- Debt Service \$17.5M
- Commuter Rail and Other Contracted Services \$17.5M
- General Administration \$48.9M
- Finance and Budget \$25M
- Government Affairs \$10.2M

Financial Highlights

Sales Tax Based Revenues were \$46.6M or **12.1%** higher than budgeted

Total Operating Revenues were \$47.4M or **9.6%** higher than budgeted

Total Operating Expenditures were \$3.5M or **0.6%** lower than budgeted

Note: Totals and percentages may not be precise due to independent rounding.

*Before reimbursements. Note: does not reflect
 a) Transfer to Capital Reserve, and
 b) Engineering & Transportation Program Delivery and Planning & Programming Division expenses which are primarily funded through capital programs, grants, federal, state, local and other funds.

Safety and Security



VTA bus and train operators are the front lines of our organization, and as such, they are the first to see changes in behavior around our system. The tragic change they noticed in 2019 was an increase in distraction near light rail tracks, or worse, a deliberate willingness to ignore safety warnings.

The tragic incident of a 14-year-old bicyclist who was hit by a light rail vehicle after she climbed under an activated crossing gate emphasized the need to increase our safety messaging in a more direct way. Our social media messages showed some of the scary incidents light rail operators see on a regular basis hoping to impress upon passengers and passersby alike that *You Can't Beat a Train*.

The Santa Clara County Sheriff's Office Transit Patrol ticketed dozens of drivers for failing to obey traffic laws around one light rail crossing during a targeted enforcement campaign during Rail Safety Month in September. VTA will continue to put out sobering messages about safety to help thwart this change in behavior around our system.

VTA's Updated Safety Plan



In addition to promoting a public safety message, it is our responsibility to run a safe system. VTA is on track to complete a Public Transit Agency Safety Plan (PTASP) in accordance with new federal regulations. The plan is an innovative approach to improving transit safety by incorporating new Safety Management System (SMS) methods and approaches that are risk based and performance based. We are asking questions like *"What will likely be the cause of our next incident?"* and *"What are we doing to prevent it?"*

Our deadline to complete the safety plan is July 2020.



Downtown Safety Railing Pilot Project

In November, we completed installation of stainless-steel railings in the Downtown San José Transit Mall as a barrier between the light rail tracks and the sidewalk. We are evaluating the use of these railings, along with signage and parking garage signals, to discourage pedestrians cyclists, scooters, and vehicles from intruding on the light rail tracks at unpredictable locations on 2nd street between San Fernando and San Carlos streets. The evaluation will help inform expansion of the safety enhancements throughout the transit mall. Enhancing safety around light rail in the transit mall is the first step towards increasing light rail speeds through Downtown San Jose.

Transportation Innovation

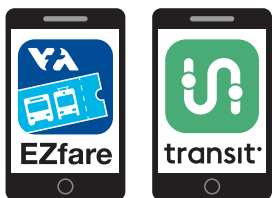
This year we created an Office of Innovation, charged with forging a path to select and prioritize the latest technological advances for transportation.



VTA zero emission bus



Accessible autonomous vehicle



Under those auspices, VTA is pursuing a cutting-edge pilot program with the Veterans Administration to develop, test and demonstrate an Accessible Autonomous Vehicle that will operate at the Palo Alto VA Hospital campus. The preliminary testing phase is expected to begin in early 2020.

In addition, we're building up our Mobility as a Service (MaaS) strategies with our new mobile fare payment system EZfare, and real time information improvement with Transit app. And we're piloting a signal priority system where VTA buses on a specific test route will have preference in traffic signals to allow them to flow through traffic more freely.

VTA has also completed a plan to implement California's 2040 zero emission bus fleet requirement. At the same time, VTA is leading the research to manage energy efficiency for a fleet of zero emission buses. In partnership with the California Energy Commission and several other partners, we are creating a "Vehicle to Grid Integration" program that will address the complexity of bus yard management, electrical infrastructure and vehicle operation monitoring.

Operations

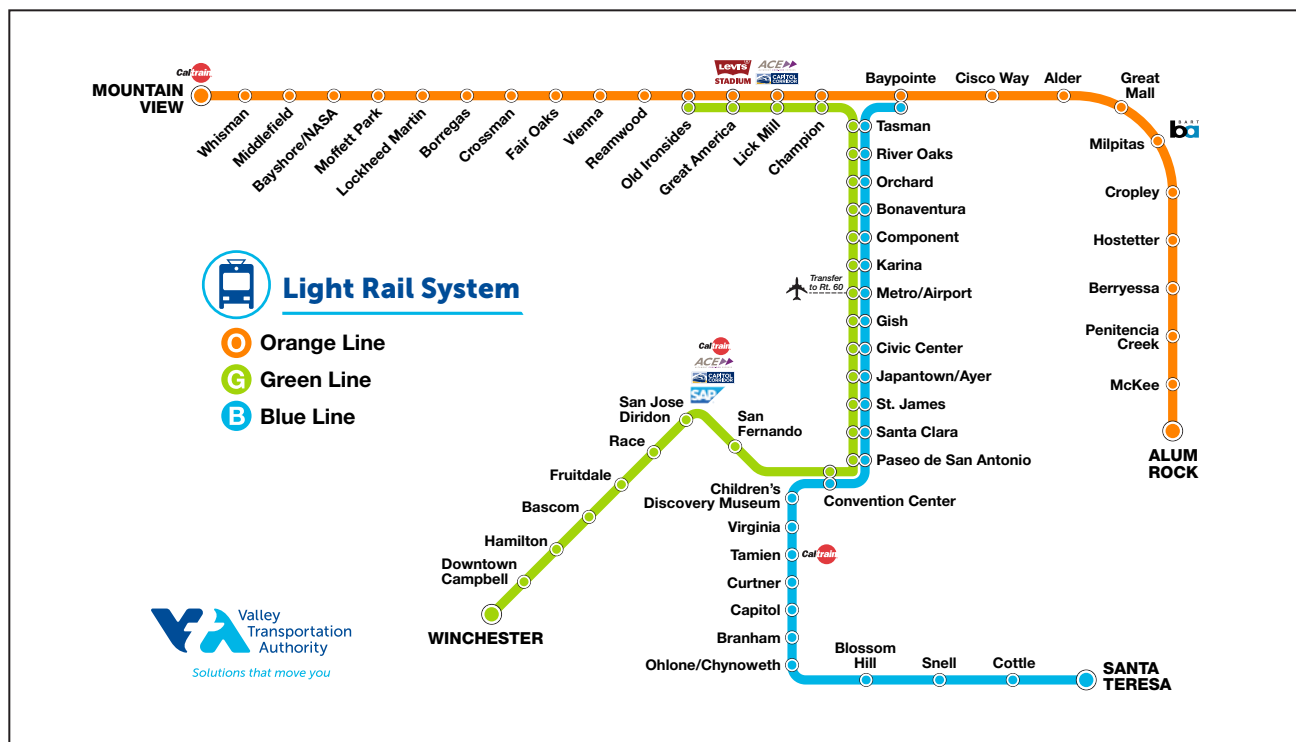
The biggest change for 2019 is the implementation of our New Transit Service Plan in late December 2019. It's the most significant update VTA has made to its service in decades.

The New Transit Service Plan focuses a greater share of transit service in places that are transit supportive than the previous plan. This allows VTA to operate more efficiently, carrying more riders overall at a lower cost per rider. Certain routes that were re-directed or had service reduced were shown to have ridership below the minimum standards needed to support such service, so 10 percent of our resources go to those routes. We now have 17 routes with frequent service of every 15 minutes or better.

We've redesigned our light rail service to provide a direct connection between the soon-to-open BART connection and the employment centers in North County via the new Orange Line. We've also made light rail easier to use by rebranding routes as colors. The Mountain View – Winchester Line is now called the Green Line, running from Winchester Boulevard in Campbell to Old Ironsides in Santa Clara. The Former Santa Teresa – Alum Rock Line is now the Blue Line, running from Santa Teresa to Baypointe where passengers can transfer to the Orange Line.



We are also pleased to start a new partnership with several Silicon Valley employers to help fund some express bus routes. These routes bear a high cost per rider and it was difficult to maintain their continued operation with the emphasis on cost-effectiveness in the New Transit Service Plan. Fortunately, Stanford Research Park, Juniper Networks, Lockheed Martin and the County of Santa Clara stepped up to provide partial funding that will allow VTA to keep some routes in operation.



Ridership



26.9
million



8.3
million

Average Weekday
System Ridership:

114,600



Systemwide ridership from January through September 2019, compared to the same period last year, reflected a decrease of 2.4%. Ridership on our bus system declined 2.5% and light rail ridership declined 1.8%. However, the Mountain View line has recorded a 3.1% increase in ridership when compared to the same period last year.



SmartPass Program

We added seven new customers to our SmartPass program, accounting for potentially more than 4,000 new VTA riders from residential, employment and university centers throughout Santa Clara County. VTA's advertising campaign features the advantages of transit in reducing environmental impacts and parking demands to organizations. We are continuing to work with employers to further develop their Transportation Demand Management programs to not only include transit but also carpooling, walking, biking and other alternative modes.



Building for Today and the Future

2016 Measure B Funding

We successfully defended Measure B funds in litigation and in January 2019 we were able to access the funds held in escrow since April 2017. 2016 Measure B tax collections through September 2019 total approximately \$510 million. Funds previously held in escrow were released, contributing \$14.5 million to transit revenues.

Our first action was to release \$9 million of one-time, advanced 2016 Measure B funds to all 15 cities and the County of Santa Clara for their Streets and Roads Repair programs.



Express Lanes Expanding

We added more than five new miles to the Express Lanes running along State Route 237 through San Jose, Santa Clara, Sunnyvale and Milpitas, offering a quicker and more reliable commute in one of the most congested corridors in Silicon Valley.

This second phase of VTA's Express Lanes Program extends the first stretch of lanes, which began operation in 2012 on SR 237, from Dixon Landing Road to North First Street. All commuters who use the Express Lanes must have a FasTrak transponder regardless of how many occupants a vehicle has, or whether it's a clean air vehicle.

Construction on Phase 3 is underway on US 101 and SR 85, which will convert the existing carpool lanes to express lanes on US 101 from near SR 237 in Sunnyvale to the San Mateo County line in Palo Alto. It also includes the existing US 101/SR 85 carpool lane-to-carpool lane direct connector ramps. Completion is expected in 2021.



Mathilda Avenue Improvement Program

The Mathilda Avenue Improvement program is on track to be the first major interchange reconstruction project completed with 2016 Measure B funding. Work began in March to realign and widen the interchanges at US 101 and Mathilda, add bike lanes and continuous sidewalks, and install traffic signals with new access between the highway and Mathilda Ave. In November, the reconfigured US 101 South off-ramp to Mathilda Avenue opened. We now provide two dedicated left and right turn lanes at a new signalized intersection, allowing for continuation onto either northbound or southbound Mathilda Avenue. This project, funded by 2016 Measure B, Senate Bill 1 (The Road Repair and Accountability Act) and the City of Sunnyvale, is slated for completion in 2020 to help traffic flow more smoothly at one of the most historically congested intersections in Santa Clara County.

BART Silicon Valley Extension



Phase I

We are approaching the commencement of passenger service in 2020 on the Berryessa Extension, the first phase of the largest transportation infrastructure project in Santa Clara County history. In 2019, VTA and BART conducted multiple testing phases and VTA made several system modifications in response to BART's acceptance testing. Prior to passenger service, BART will continue with additional acceptance testing, begin prerenue operations and the system will be safety-certified by the California Public Utilities Commission.

Phase II

Activities ramped up, and we achieved several significant milestones on the six-mile, four-station, second phase of the project that travels through downtown San Jose and into Santa Clara. In early 2019, VTA completed several months of studying a single bore tunnel configuration and arrived at an agreement with BART to build a side-by-side track configuration in a large single bore tunnel.

Another major achievement was the BART Silicon Valley Phase II Project selection as the FTA's first project for the Expedited Project Delivery Pilot (EPD) Program. In late summer, FTA Acting Administrator Jane Williams made a special visit to San Jose to announce the federal agency's first allocation of \$125 million from the EPD program for the project.



Rendering of single bore tunnel

We also contracted with the General Engineering Consultant of Mott MacDonald/PGH Wong who will develop the design and cost estimate for Phase II to be included in our Expedited Project Delivery application due to be submitted to the FTA in the first quarter of 2020.

Workforce Development

VTA stays ahead of the curve in preparing our workforce for the future.

This year we hosted the President of Amalgamated Transit Union (ATU) International John Costa. He was interested in our nationally recognized apprenticeship program, Joint Workforce Investment (JWI), a partnership among VTA, ATU and Mission College. His visit led to the adoption of a resolution by ATU International to use our program as a model for their chapters at transit agencies around the country. The resolution referred to our JWI program as the “gold standard” for apprenticeship programs in transportation.

Another “first” with our program is the November graduation of 270 VTA Operations employees at Mission College with a Certificate of Achievement in Transportation. This is the part of our apprenticeship program where participants earn college credit, which helps them advance in their careers at VTA.



ATU International President John Costa visits VTA/ATU Joint Workforce Investment Program



We also partnered with Mission College to secure an \$873,000 grant to procure a new “route learning system” software that will help light rail operators to become familiar with routes during training. The grant also includes the purchase of a bus simulator which will enhance operator training by providing a simulated “real world environment” before they actually go out into the real world.



Board Governance



At the start of 2019, VTA Board Chair Teresa O’Neill created the Ad Hoc Board Enhancement Committee charged with identifying ways to improve board engagement and effectiveness.

The committee ordered an independent review, led by the RSM team of Steve Mermelstein and Pat Hagan, to evaluate how VTA’s current governance structure and practices help to support our mission, goals and objectives.

A master plan was developed for the “VTA Governance Study” to define the significant tasks, key points of input, major deliverables, and projected schedule.

This effort broke up the assessment into two defined major phases with separate deliverables:

PHASE 1:

- Evaluation of board and committee governing requirements and selected adherence testing
- Review of current VTA governance structure, processes and documents
- Develop community outreach strategy including establishing tools to provide project information to the public and receive community input
- Establish benchmark agencies

PHASE 2:

- Interview VTA Board members and select VTA executive and managerial staff
- Interview select VTA Member Agency representatives
- Conduct benchmark agency interviews
- Identify and evaluate benchmark agency, and public and applicable private sector best practices

This process included a robust community engagement plan that provided numerous opportunities for local jurisdictions, advisory committees and the public to provide input and receive updates on the committee’s progress. VTA’s Governance and Audit Committee and other VTA standing committees will continue their evaluation of the recommendations contained in the assessment to determine which to recommend to the full board in late 2020/early 2021.

Board of Directors February 2019

Teresa O’Neill
Chairperson

Cindy Chavez
Vice Chairperson

Marie Blankley, *Alternate*
Jeannie Bruins, *Ex-Officio**
Larry Carr
Magdalena Carrasco
Dave Cortese*
Devora “Dev” Davis, *Alternate*
Lan Diep
Susan Ellenberg, *Alternate*
Adrian Fine, *Alternate*

Glenn Hendricks, *Alternate*
Charles “Chappie” Jones
Sam Liccardo*
John McAlister
Howard Miller, *Alternate*
Raul Peralez
Rob Rennie
Rich Tran

**These individuals also serve on the MTC.*

Our People, Our Community

VTA Employees of the Year

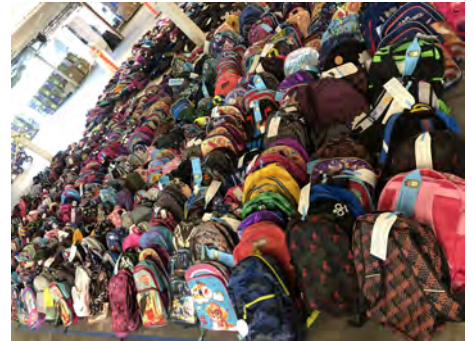


Tracene Crenshaw
Assistant Board Secretary



Jamaine Gibson
Coach Operator

VTA employees are not only dedicated to their jobs, they are dedicated to our community. Among the many events our employees took part in was the annual Breast Cancer Awareness Walk and a day to Wear Red for Heart Health Awareness. We also broke our own records, once again, in collecting backpacks for school children in need and food for Second Harvest of Silicon Valley's holiday food drive.



VTA was honored to receive the Bay Area Metro Award from the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) for our outstanding Joint Workforce Investment apprenticeship program.

We did our part to encourage our community to ride transit during National Get on Board Day in April, joining transit agencies across the country to promote the benefits of public transit. Our marketing efforts won a First Place AdWheel Award from the American Public Transportation Association.



And last, but not least, VTA General Manager and CEO, Nuria Fernandez, was elected Chair of the prestigious American Public Transportation Association to serve a one-year term from October 2019 to October 2020.

Pictured left to right is APTA President Paul Skoutelas, Nuria Fernandez, and APTA Immediate Past Chair David Stackrow.





 Santa Clara Valley
Transportation
Authority

Solutions that move you

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