



JPB Board of Directors
Meeting of July 1, 2021

Correspondence as of June 4, 2021

Subject

- 1 New Hillsdale Station Access from 31st
- 2 Item 7.3 Approval of VTA Biennial Budget for Fiscal Years 2022 and 2023
- 3 Caltrain Letters to Congress

From: SMGradeSep@caltrain.com
To: [jb; SMGradeSep@caltrain.com; Board \(@caltrain.com\)](mailto:jb; SMGradeSep@caltrain.com; Board (@caltrain.com))
Subject: RE: New Hillsdale Station Access from 31st
Date: Thursday, June 3, 2021 9:46:35 AM
Attachments: [Hillsdale map.PNG](#)

Dear Jerry,

Thank you for contacting us about the 25th Avenue Grade Separation Project that will improve safety and traffic flow, and reduce horn noise in the community. We're excited that the new Hillsdale Station which serves as a major access point to a variety of neighborhoods, businesses, shopping, local restaurants, and the San Mateo Event Center is now open.

Regarding your question, yes there will be a ramp from the 31st Avenue sidewalk up to the station parking lot sidewalk (see attached map). The project is now 90% complete, and 31st Avenue is anticipated to open late summer.

To stay informed and sign up for project updates visit www.caltrain.com/25thGS. Thank you again for reaching out.

Best,
Lori Low

From: jb <jerry94402@comcast.net>
Sent: Tuesday, June 1, 2021 4:45 AM
To: SMGradeSep@caltrain.com <SMGradeSep@samtrans.com>
Subject: New Hillsdale Station Access from 31st

ATTENTION: This email came from an external source. Do not open attachments or click on links from unknown senders.

A few questions regarding access to the new Hillsdale Station from 31st Avenue.

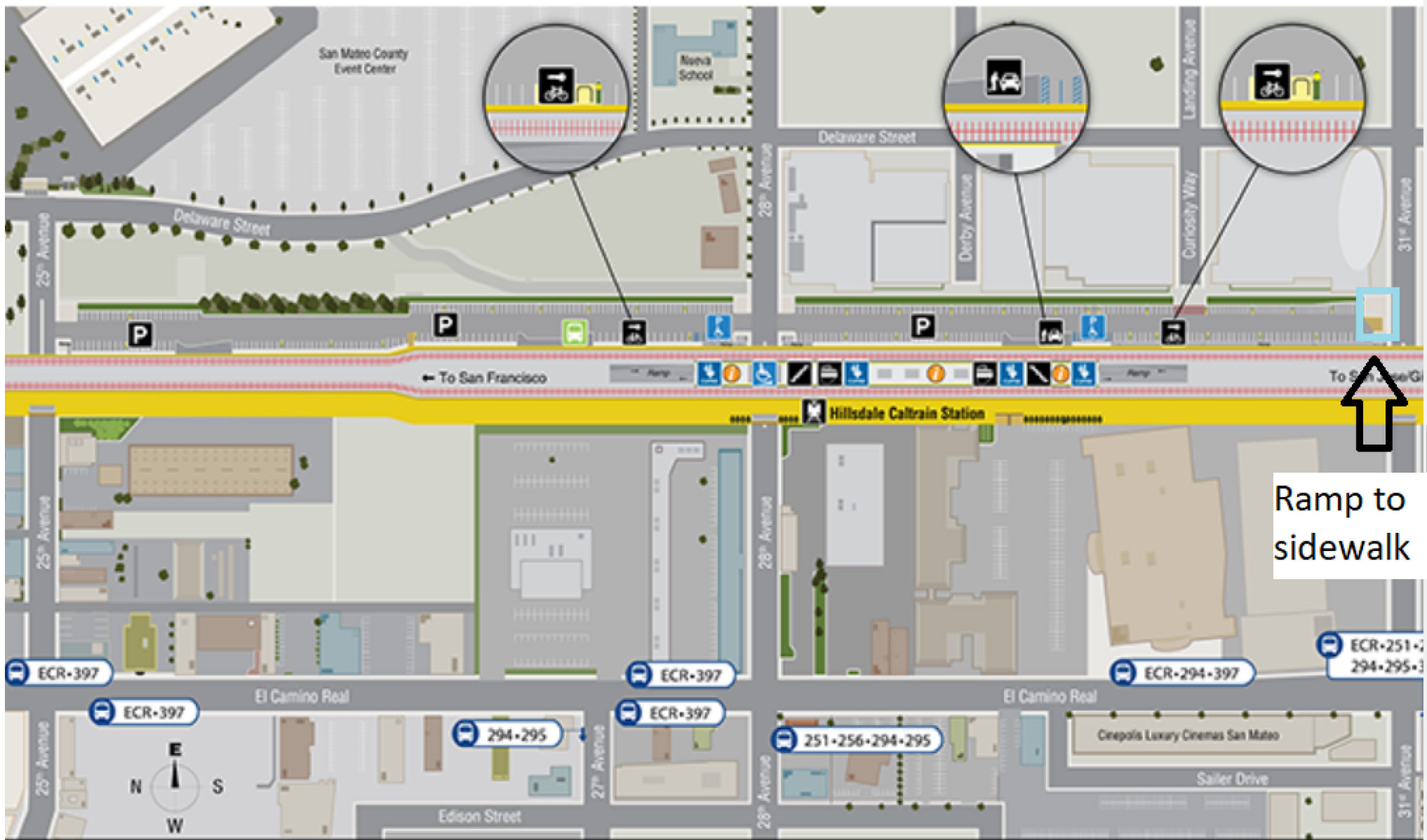
1. Will there be pedestrian access from 31st Avenue?
2. Will there be bicycle access from 31st Avenue?
3. Will there be wheelchair access to the new Hillsdale Station from 31st Avenue?

Answers would be appreciated.

Thank You

Jerry B.

Sent from [Mail](#) for Windows 10



Ramp to sidewalk

From: Roland Lebrun <ccss@msn.com>
Sent: Thursday, June 3, 2021 3:49 PM
To: Baltao, Elaine [board.secretary@vta.org]
Cc: MTC Commission; Board (@caltrain.com); cacsecretary [@caltrain.com]
Subject: Item 7.3 Approval of VTA Biennial Budget for Fiscal Years 2022 and 2023
Attachments: Turnout4Transit Paper.pdf

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Dear VTA Board and PAC members,

I would like to attract your attention to a superlative 28-page paper authored by <https://www.turnout4transit.org/> (attached) and subsequently buried here: http://santaclaravta.ig2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=3349&MediaPosition=&ID=7691&CssClass= (under "Public Comment").

The introductory paragraphs from the first page are extracted below for your convenience:

Overall, our analysis shows:

- ***It seems problematic to speak of an “operations” deficit without acknowledging that VTA transit’s operating and capital budget are deeply intertwined. Any statement on budget balances needs to be highly conscious of the various intra-agency funding flows. (See chapters A.1, A.2 & C.5)***
- ***Projections that are based on linear extrapolation carry a significant risk of misrepresenting possible long-term outcomes. It seems more helpful to provide various scenarios instead of singular projections. (See A.3)***
- ***A drop in fare revenue and simultaneous above-average increases in specific expense categories such as services and data processing need to be addressed for the benefit of the long-term financial health of the agency (see B.1-B.4. & C.1-C.6)***
- ***Transfers from the VTA transit operations budget to the transit capital fund are inconsistent with the identified funding need of the capital budget. (See C.5)***
- ***VTA has an outstanding debt of over \$880M and will spend more than \$280M dollars on interest payments alone between 2022 and 2030. (See D.1)***
- ***VTA capital projects (e.g., VTP highway projects) see significant cost-overruns and delays which are not communicated transparently. (See D.4)***

- **VTA has several reserves including relief funding that could potentially be used in the short-term to put VTA on a successful long-term track.** (See D.2 & D.3)

Thank you in advance for glancing over the result of many hours spent by Silicon Valley's future leaders drafting this thoughtful analysis of VTA's finances and the profound impact these will have on the failing health of what once was our Valley's transit system.

Roland Lebrun.

MTC Commissioners

From: VTA <board.secretary@vta.org>

Sent: Thursday, June 3, 2021 2:11 PM

To: ccss@msn.com <ccss@msn.com>

Subject: VTA Information: June 3, 2021 Board of Directors 2nd update to Agenda Packet

[View this email in your browser](#)



The VTA Board of Directors agenda packet for the Thursday, June 3, 2021, Meeting has been updated to include additional information (presentations, materials and/or public comment) for the following items:

- **Agenda Item #5.**, Committee Reports
- **Agenda Item #8.1.A.**, Receive Government Affairs Update.

- **Agenda Item #7.3.**, Approval of Biennial Budget for Fiscal Years 2022 and 2023

You may access the updated agenda packet/outline on our [agenda portal](#).

Thank you,

Office of the Board Secretary

[Access the Agenda](#)

To contact the VTA Board of Directors or VTA committee members, or for any other inquiries, please email board.secretary@vta.org

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to receive updates about all VTA services, programs and projects.



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Strengthening Transit in Santa Clara County

Comments on the VTA Fiscal Year 2022/23
Operating and Capital Budget

Public Comment



Challenge & Opportunity

VTA has faced many challenges since the pandemic started. However, there are opportunities for the agency to come back from this crisis and thrive. As transit users, we have a strong interest in a healthy, financially stable agency as we are the most affected by fluctuations in service.

Based on over ten years of data from VTA's adopted budget documents and Comprehensive Annual Financial Results,¹ we offer in this document perspective on and context for the 2022/23 budget, analyze revenue and expense trends and highlight specific budgetary issues. Most importantly we want to offer some preliminary suggestions that would invest in a better transit future for Santa Clara County.

Overall, our analysis shows:

- **It seems problematic to speak of an "operations" deficit** without acknowledging that VTA transit's operating and capital budget are deeply intertwined. Any statement on budget balances needs to be highly conscious of the various intra-agency funding flows. (See chapters A.1, A.2 & C.5)
- **Projections that are based on linear extrapolation carry a significant risk of misrepresenting possible long-term outcomes.** It seems more helpful to provide various scenarios instead of singular projections. (See A.3)
- **A drop in fare revenue and simultaneous above-average increases in specific expense categories such as services and data processing need to be addressed** for the benefit of the long-term financial health of the agency (see B.1-B.4. & C.1-C.6)
- **Transfers from the VTA transit operations budget to the transit capital fund are inconsistent with the identified funding need of the capital budget.** (See C.5)
- **VTA has an outstanding debt of over \$880M and will spend more than \$280M dollars on interest payments alone between 2022 and 2030.** (See D.1)
- **VTA capital projects (e.g., VTP highway projects) see significant cost-overruns and delays which are not communicated transparently.** (See D.4)
- VTA has several reserves including **relief funding that could potentially be used in the short-term to put VTA on a successful long-term track.** (See D.2 & D.3)

We appreciate the many conversations with elected officials, VTA and city staff as well as with our fellow residents that have contributed to this document and look forward to collaborating with VTA staff and the Board of Directors on supporting VTA's effort to build back stronger.

Note: The essence of the document was drafted before the tragic shooting on May 26, 2021.

¹ Both can be found at <https://www.vta.org/business-center/financial-investor-information#accordion-comprehensive-annual-financial-report>

Analysis of VTA's financial situation

A. VTA transit overall financial health

A.1. Historic overall trends

The graph below shows both VTA operating revenue and total expenses from 2006 through to the current 2023 projections.

It shows **revenues exceeding expenses for every year from 2006 to 2016 apart from the recession in 2009**. Only recently has this trend been reversed.

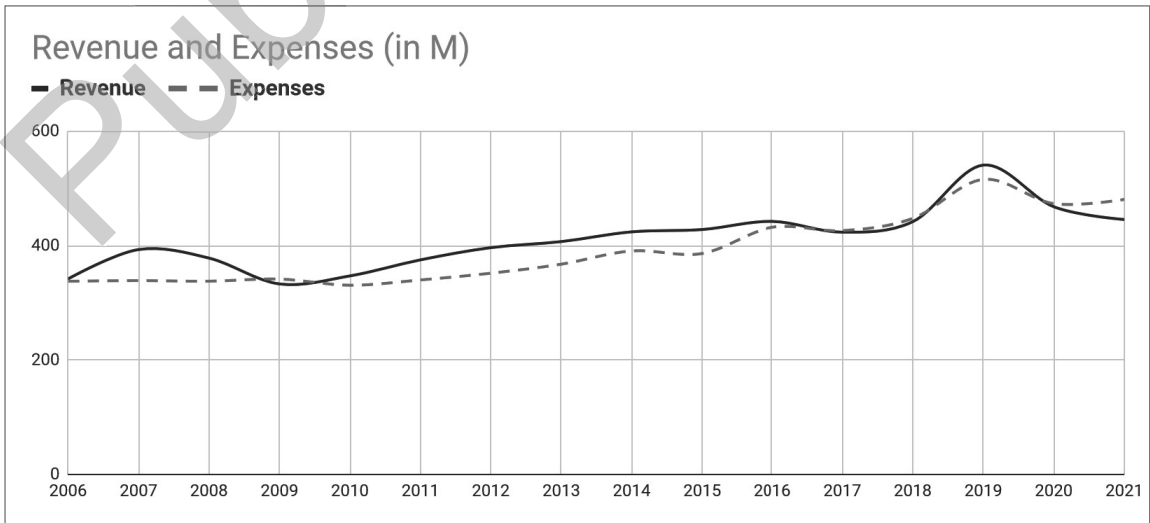
It is frustratingly difficult to determine the reason for this development because there are several factors contributing to it that are not always sufficiently transparent or distinguished.

Among those factors are:

- **Changes in the revenue sources outside of VTA's control** (e.g., in-/decrease in sales tax revenue, changes by the state in STA allocation) (see. B)

- **Changes over time in internal VTA allocation of revenues from the same source, e.g.**
 - Changes to how federal grant funding is used.
 - Over time the VTA Board has changed the percentage of Measure A revenue that is allocated to support transit operations
- **Changes in the actual cost of operating expenses** (e.g., salary increases, consultant fees) (see C)
- **Changes in contributions to other funds** outside of operations (e.g., transit capital fund, reserves) or agencies (see C.5)
- **Changes in service levels**

The issue is even more pronounced when trying to analyze projections for the future. (See. A.2)

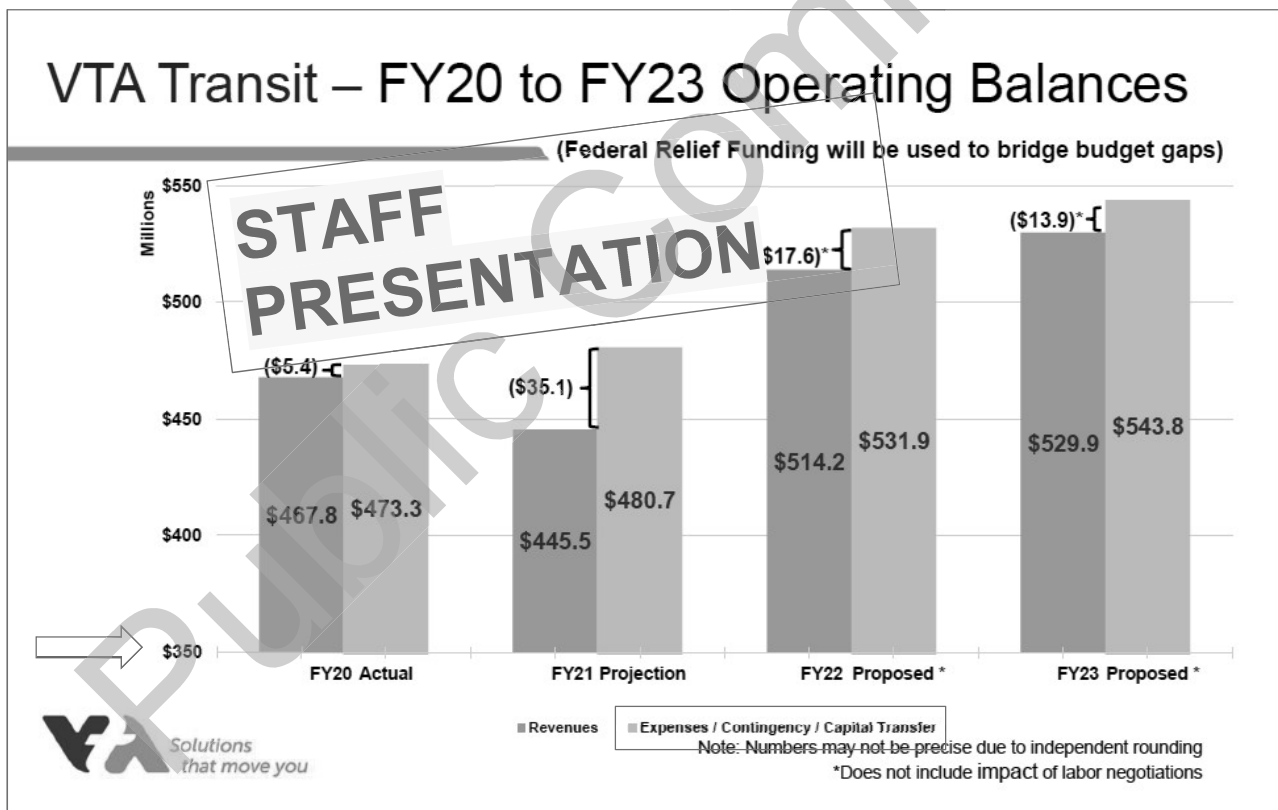


A.2. Short-term projections

The graph “VTA Transit - FY 20 to FY 23 Operating Balances” included in the staff presentation is problematic (see next page).

Its y-axis does not start at zero but rather at \$350 million. This misleads readers about the size of the budget deficit relative to the absolute size of the budget.

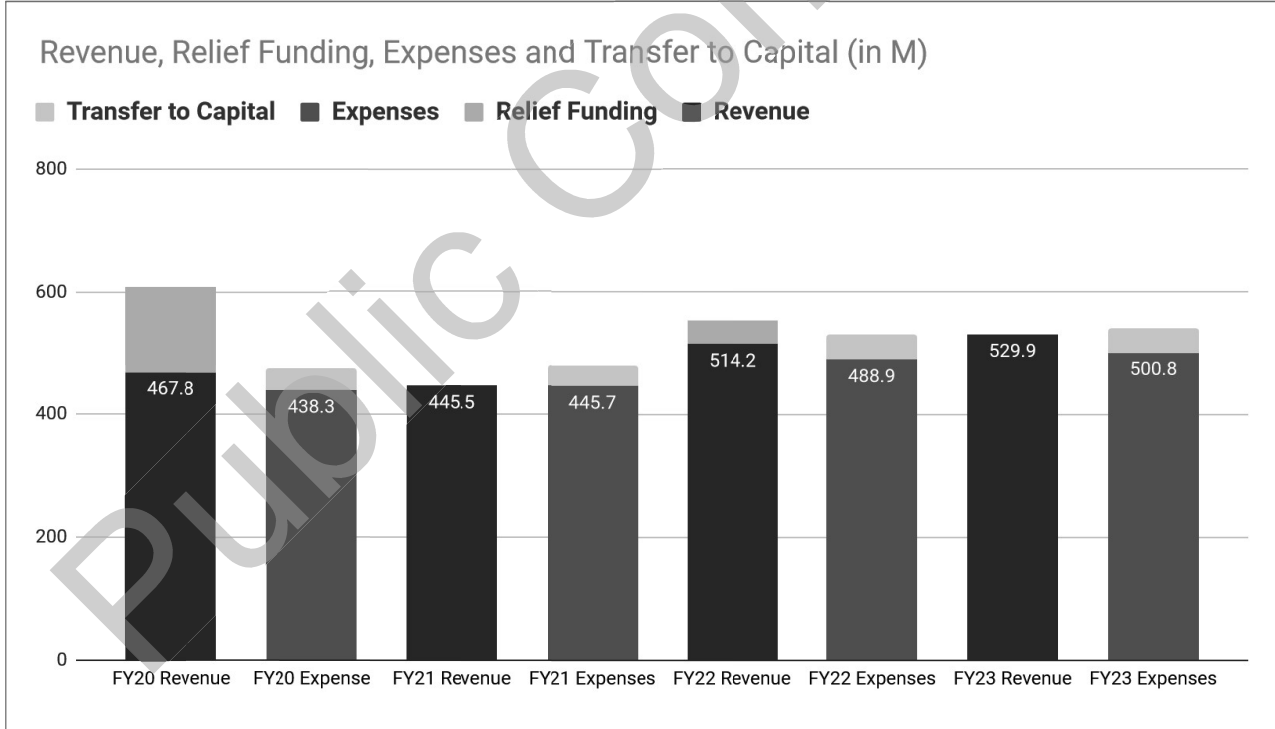
As the slide notes, the graph also does not include any federal relief funding received in FY20/21. It seems inconsistent to include Covid-related one-time expenses such as additional staff time or costs for additional cleaning on the expense side but not one-time funding on the revenue side. The special nature of the federal relief funding is certainly noteworthy, and this can easily be achieved by showing it in a slightly different shade than the typical VTA revenues.



It is also worth emphasizing more that the **“operating expenses” include transfers to the capital budget** (\$35M in each of FY 20/21, \$40M in each of FY22/23).

Obviously, there is a strong interdependence as capital projects support operations, and not funding certain capital projects would severely impede VTA’s ability to provide services in the future. But, since VTA is making a distinction between operations and capital budget, **it seems highly misleading to present an “operating budget deficit” if that deficit is solely due to transfers to the capital fund.**

Additionally, the **FY22/23 budget proposals each include a contingency of \$3M dollars.** While there are administrative benefits to including contingencies in a budget, for the purpose of discussing projected balances their inclusion seems problematic or should at least be made very transparent.



A.3. 10-year projection

The 10-year projections shown in the staff presentation is - especially in the later years - more based on mathematical calculations than on known actual developments.

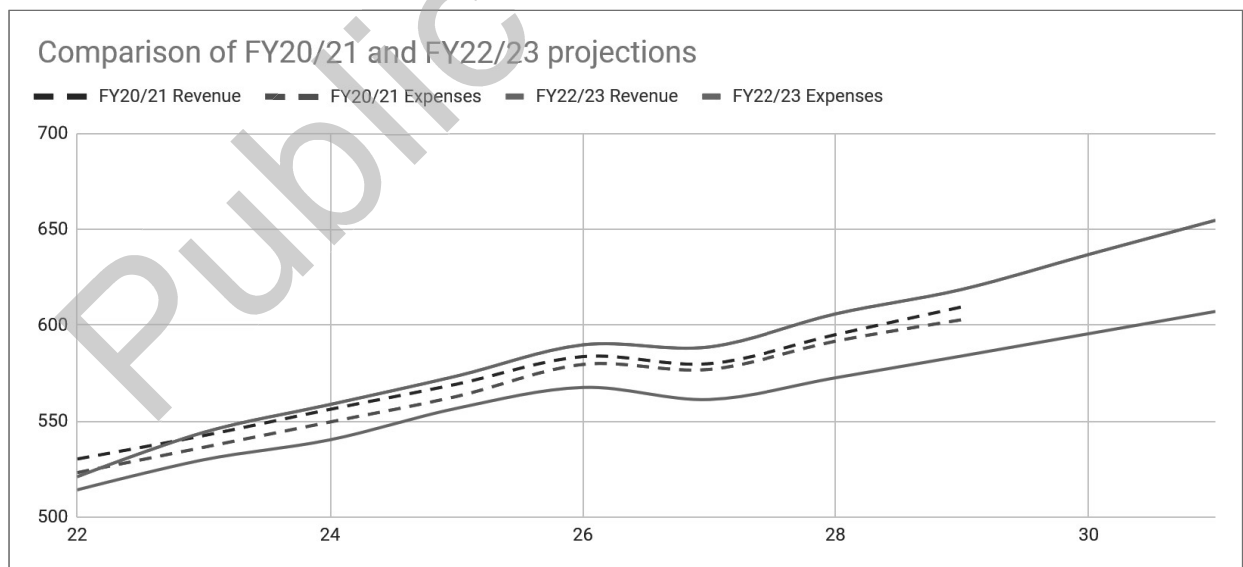
The general assumptions for the projections are:

- Revenue increase by 2% annually (average)
- Operating expenses increase by 3% annually (average)²

The main conclusion that can therefore be drawn is that **if expenses are increasing faster than revenues, it will result in a growing deficit over time – a conclusion that is trivial. The major questions are: how likely this scenario is and what are the actual underlying drivers of this potential gap.**

These questions will be explored further in section “Revenues & Expense Trends” (B.1 & B.2) below.

VTA staff themselves have noted that this is only one potential scenario and that, for example, the **10-year projection presented in the last budget cycle showed operating surpluses of \$3 to \$7.1 million dollars for all years** in that projection (see chart below).



² Page 18-19, [Item 11a, VTA Administration & Finance Committee May 20, 2021](#)

VTA staff also emphasized at the Administration & Finance committee on May 20th, 2021, that **VTA - despite the drastic projections - does not necessarily have a “structural deficit.”**

It should also be noted again that the **“operating” deficit shown includes transfers to the capital fund of \$40-50M per year** and that the absolute size of the deficit is in large part determined by the deficit in the early years.

Staff has also stated that its **assumption of an only 2% growth for revenue is based on very conservative forecasts and is likely to underestimate actual increases.**

A 2% growth rate annually for 2024-26 is also much lower than what, for example, the City of San José assumes in its base scenario for their current budget. San José staff projects a 4.4% increase per year on average for sales tax revenue.³

Additional assumptions used in the 10-year projection:

- *It will take four years (till 2025) for ridership/fare revenue to return to 2019 levels.*
- *Transfers to capital increase by \$2M biannually starting in 2026 (from a base of \$40M)*
- *Measure A debt service transfer ends in 2027 (drop in both revenue and expense curve in the chart). However, those Measure A funds could continue to be used to support operating expenses afterwards. This needs to be evaluated as part of a Measure A 10-year expenditure plan.*

³ Section II, “Five-Year Economic Forecast and Revenue Projections” of <https://www.sanjoseca.gov/your->

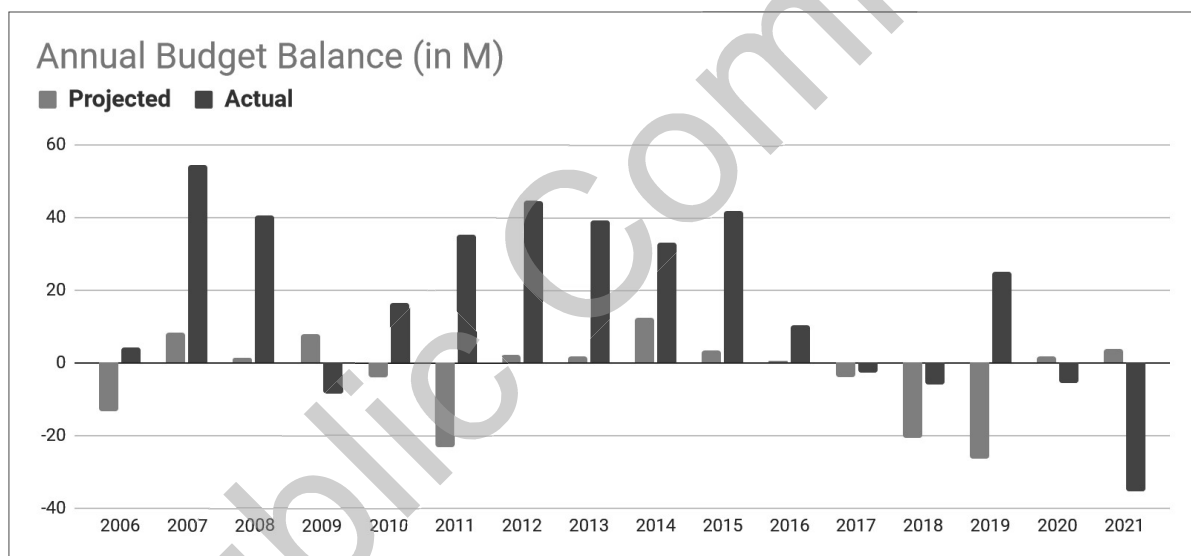
[government/departments-offices/office-of-the-city-manager/budget/budget-documents/2021-2022-budget-documents/2021-2022-five-year-forecast](https://www.sanjoseca.gov/your-government/departments-offices/office-of-the-city-manager/budget/budget-documents/2021-2022-budget-documents/2021-2022-five-year-forecast)

A.4. Past projections and actuals

Lastly, FY20 and FY21 have been exceptional due to the Covid pandemic. It seems **useful to provide additional historical data** to allow the public to better contextualize the impact and development of the VTA budget and operating balance.

According to its budget documents, **VTA Transit Operations created a surplus of over \$286M between 2006 and 2021. This is in stark contrast to a projected total deficit of \$47M** in the same timeframe.

A historic look at VTA's budget projections shows that **staff has typically budgeted very conservatively, and in most years the budget surplus was much larger than expected.**⁴



⁴ For example, due to larger than expected increases in sales tax revenue or by not filling all budgeted staff positions.

B. Operating Revenues

B.1. Sales taxes

VTA has seen a relatively stable increase in various sales tax revenue sources.

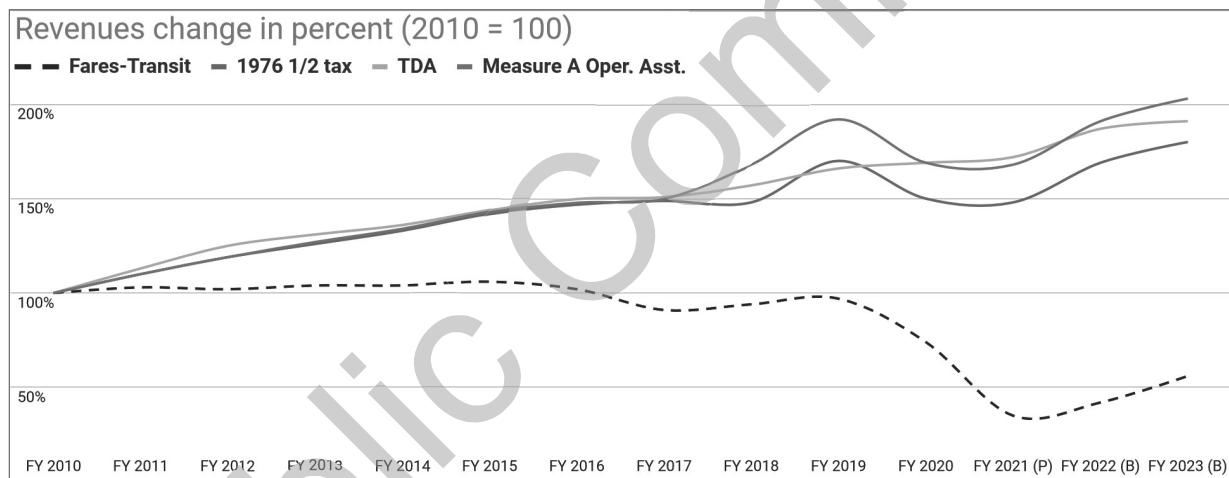
It needs to be noted that the spike in 2019 compared to 2018 is partly due to a budget anomaly⁵ which means the numbers for 2018 are likely underreporting and the numbers for 2019 are overstated.

TDA: Transportation Development Act (TDA) funds are derived from a quarter-cent sales tax levied by the State.

B.2. Fares

Fare revenue has (in nominal terms) been down by 50-60% in FY21 compared to the 2010-2018 averages. The budget deficit that staff projects for FY2022/23 is smaller than the drop in fare revenue compared to pre-pandemic average.

Should VTA ridership (and fare revenue) quickly return to pre-pandemic levels, the projected budget deficit would be eliminated.



⁵ Starting in FY2018 Q3 the California Department of Tax and Fee Administration (CDTFA) transitioned to a reporting system that resulted in unprocessed returns in FY2018 Q3

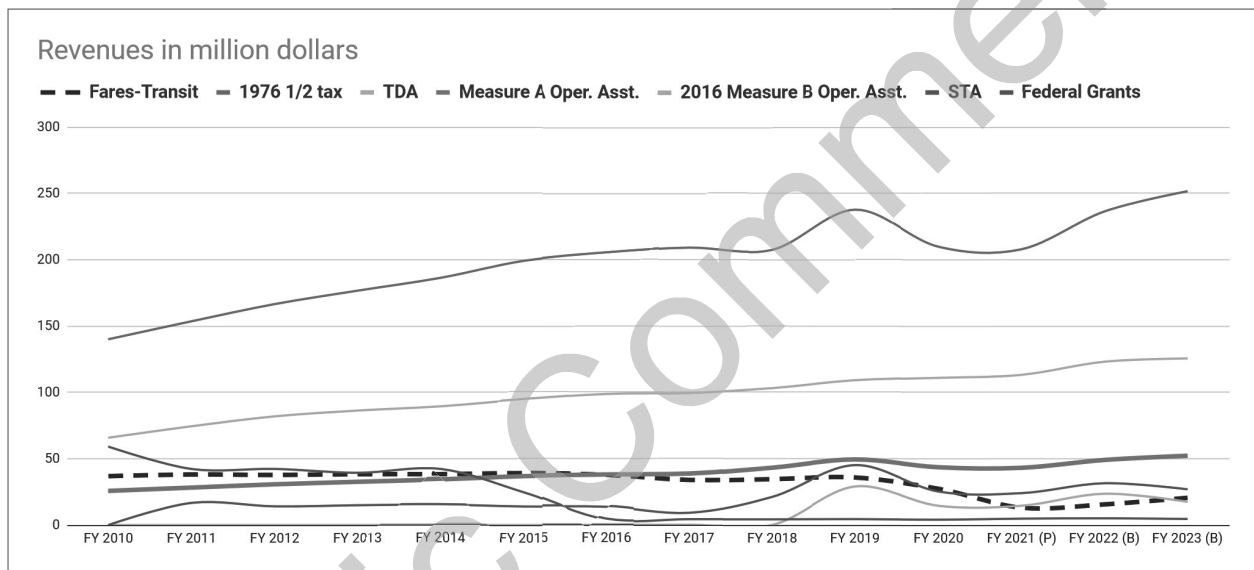
and FY2018 Q4. CDTFA is actively working through the backlog of unprocessed returns resulting in FY2019 Q1 and FY2019 Q2 receipts that are higher than normal.

B.3. Other revenue sources

Other revenue sources for the VTA operating budget include State Transit Assistance (STA), federal and state grants, investment, and advertising income.

B.4. Absolute revenue

Comparing how many dollars various revenue sources contributed to the VTA Transit budget, it is noteworthy that fares used to provide a significant source of income and more financial support to VTA transit operations than Measure A. Now this relationship is reversed with Measure A providing twice as much funding as fare revenue.



C. Operating Expenses

C.1. Labor costs

Labor costs have generally grown slower than sales tax revenue (TDA shown as an example in the chart below).

Between 2011 and 2020, **non-operations departments have added staffing at a slightly faster rate** (11%, 409 to 454) **than the operations division** (6%, 1,576 to 1,668).

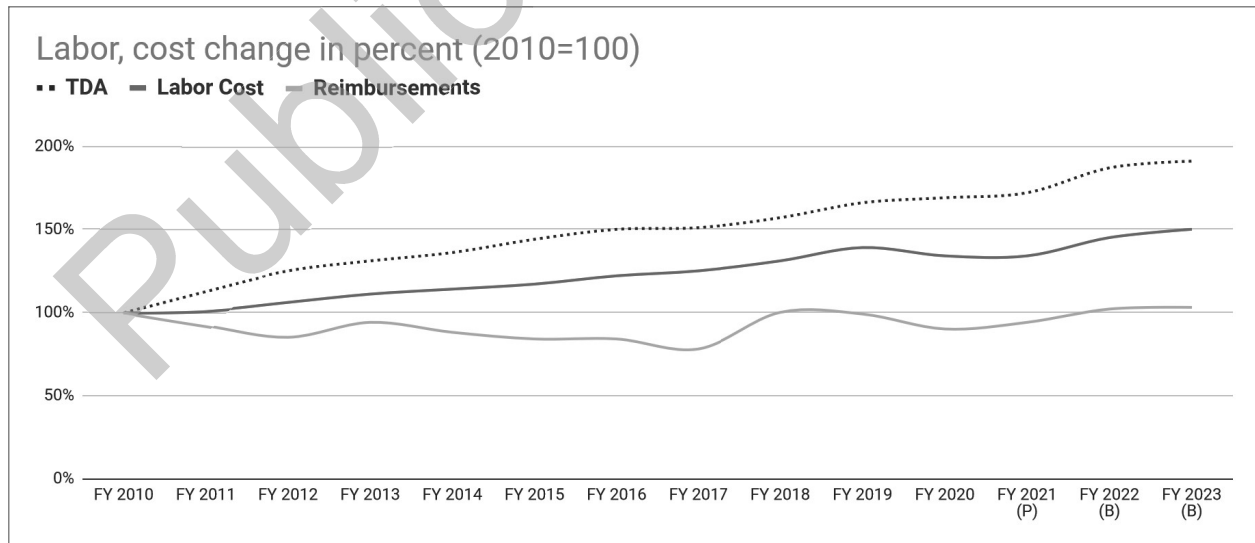
Base salaries for many blue-collar jobs (e.g., operators, facilities and maintenance workers, electro-mechanics, but also human resource managers) **have increased by 29% from 2012 to 2020**, while **base salaries for many white-collar jobs** (e.g., Sr. Account/Financial Analyst, Purchasing Manager, Contracts Administrators, Sr. Environmental Engineer, but also electricians) **have increased by 36-38%.**

Base salary for the GM seems to have increased by only 21% (\$290K in 2012 to \$350K on July 12, 2021).

Bus operators (and trainees) have the lowest minimum base salary of all VTA staff positions:

- Operators: \$47,091 minimum annual salary (equals to \$22.67/h)
- Trainees: \$43,190 minimum annual salary (equals to 20.75/h)

These hourly rates are lower than what the City of San José has identified as a “living wage” in their living wage policy.⁶



⁶ \$24.07/h,
https://www.sanjoseca.gov/home/showpublish_eddocument/73175/637571036112730000

Reimbursements

The VTA Transit Fund includes an offset under expenses called "Reimbursements" because currently all VTA staff costs are captured first in the transit operating budget and then reimbursed back based on anticipated staff hours that should be charged to capital and other reimbursable projects (e.g., from CMP, TOD).

The reimbursements have remained nominally stable despite overall salary and staffing increases. This suggests that reimbursements are potentially underreported.

If reimbursements had risen at the same rate as labor costs in general that alone would reduce the projected transit operations deficit by \$22M in 2023.

The percentage of labor costs reimbursed also varies widely between departments/divisions.

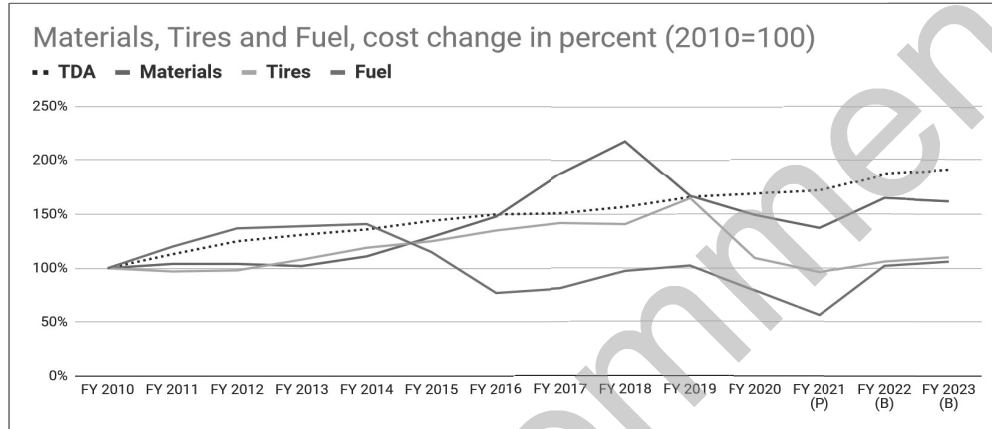
It is also not transparent though if within VTA transit itself capital projects are reimbursing staff time back to the transit operations budget.

FY 2020 Budget			
	Total labor cost	Reimbursements back to operations	% of labor costs reimbursed
Office of the General Manager	\$3.6M	\$3.1M	85%
Office of the General Council	\$3.0M	\$1.6M	53%
External Affairs	\$10.1M	\$0.7M	7%
Finance & Administration	\$49.8M	\$7.7M	15%
Operations	\$263.3M	\$10.9M	4%
Planning & Engineering	\$21.9M	\$22.3M	102%
System Safety & Security	\$5.3M	\$0.0M	0%

C.2. Fuel, Materials, Tires

In 2010, fuel is expected to be on a similar level as in 2010 (~\$10M annually). The same is true for tires (~\$1.6M), after generally increasing at a similar rate as sales tax till 2019.

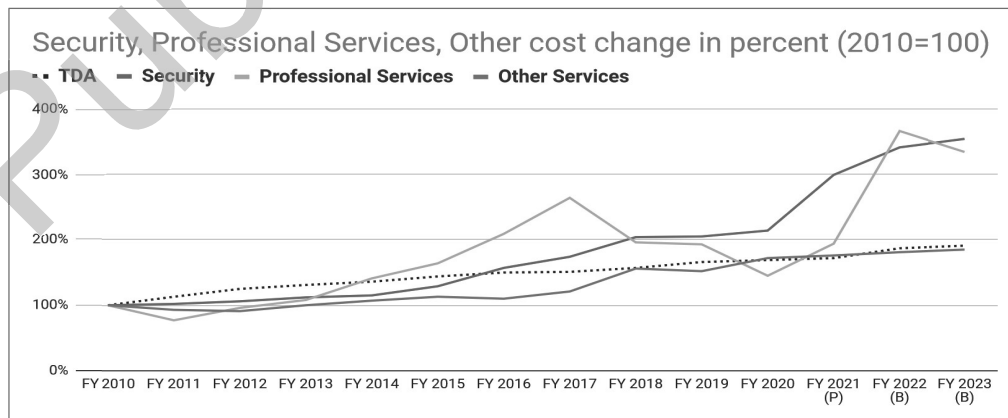
Materials started to increase by more than sales tax revenue but in recent years has fallen back to levels slightly lower (\$23M down from \$34M in 2018).



C.3. Services

Security and professional services have more than tripled since 2010 and by far outpaced increases in sales tax revenue.

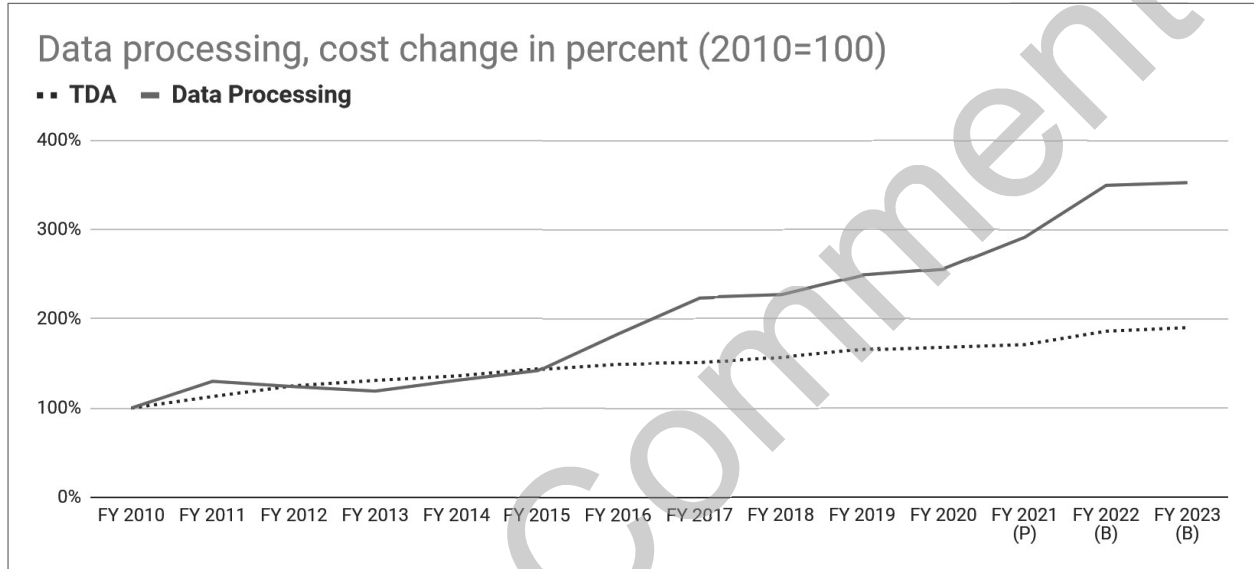
Security went from \$7.2M in 2010 to \$25.7M in the 2023 projection. Professional services went from \$2.8M to \$9.3M.



C.4. Data Processing

Expenses for data processing (\$2.1M in 2010) have **increased by 350%** since 2010 (to \$7.5M in 2023) and with that, have widely outpaced sales tax revenue.

It is unclear if this is the result of increases in existing contracts (potentially suffering from lock-in effects) or because of additional activities (e.g., additional software licenses).



C.5. Transfers to Capital

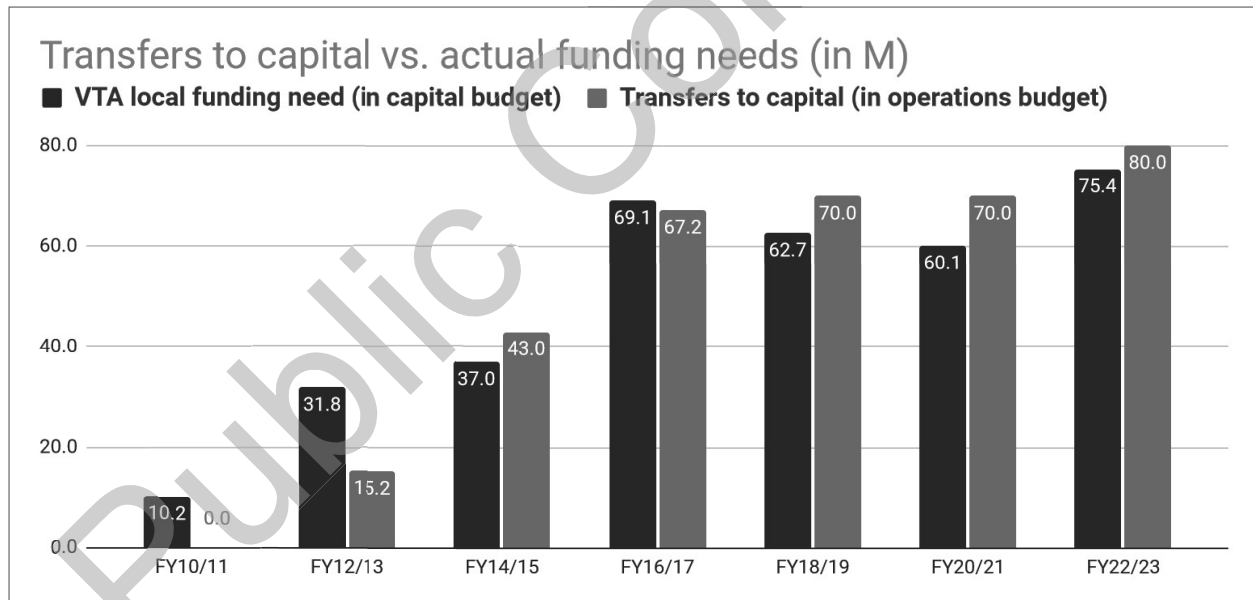
Looking at the expenses that are specifically reported in the “Other Expenses - Transfers to Capital Reserve” category⁷, it can be noted that **transfers seem to have increased significantly**. In the last three budget cycles **transfers from operating have also exceeded capital funding needs as disclosed in the VTA Transit Capital budget**. It is not transparent into which fund the surplus was transferred.

For example, the FY22/23 budget shows in the operating budget transfers of \$80M to capital reserves.⁸ Yet the capital budget identifies a funding need for the VTA local

share of only \$75.413M.⁹ We were unable to identify where the balance of \$4.588M is transferred to or what the balance of that target fund is.

It is further unclear why the remainder of the balance is not used for either additional capital projects or transferred back to the operating budget to reduce any operating deficit.

Similarly, the 2016 Measure B budget shows an allocation of \$1.9M to improve transit amenities¹⁰, yet the capital budget only allocates \$1.7M to specific projects.¹¹



⁷ VTA has made changes to how transfers from the operating fund to the capital fund are reported in the budget and audited financials. In the early 2010s some transfers were reported as reductions in revenues instead of as an expense, making it difficult to compare trends.

⁸ Line 42 on page 16

⁹ Last line on page 26

¹⁰ Page 110

¹¹ \$1.3M to #38 “Better Bus Stops 2023” and \$1.4M to #57 “On-Demand Paratransit Pilot”

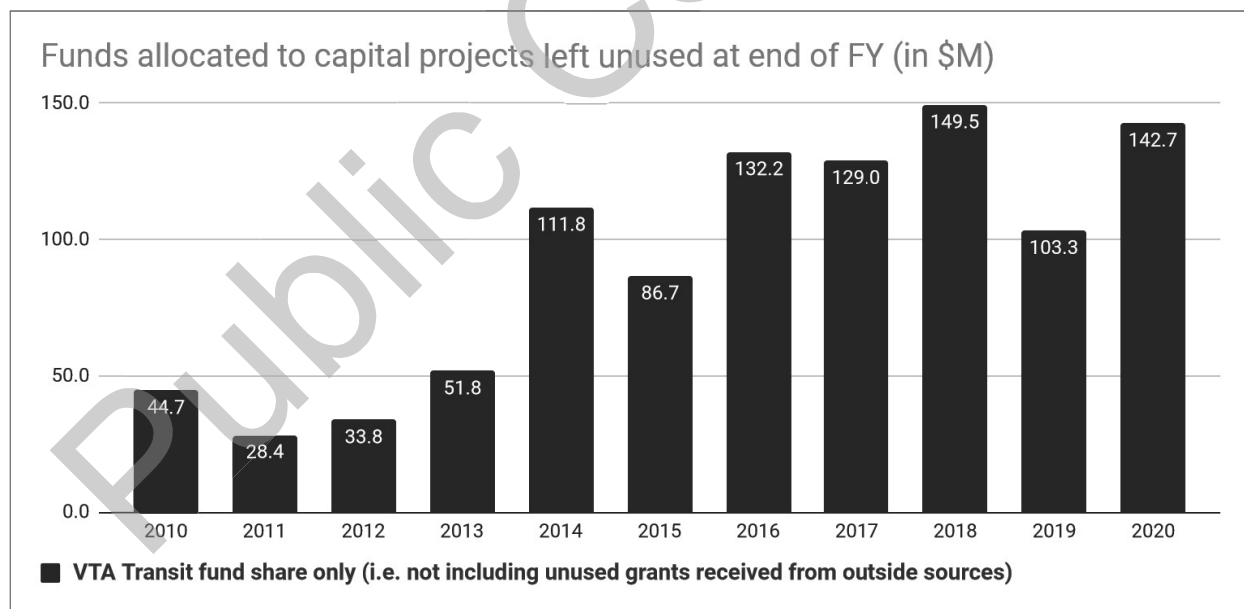
It is also worth noting that the **capital budget has significant carry-overs of funds that were allocated but not expended. At the end of FY19 the projected total carry-over was \$262M¹²** - \$103 million dollars of which were from local VTA funds.

Given this significant backlog of projects, it is unclear why staff is requesting further significant transfers into the capital budget, especially for projects that are 100% funded locally and despite a projected operating deficit.

Those \$103M could have been used (at least partly) to, for example, augment service in the operating budget.”¹³ These carry-overs have also been growing significantly since 2012.

Projected FY18/19 carry-over to FY20/21 in M (local VTA & external funding combined)	
Information Sys & Technology	\$30.30
Light Rail Way, Power & Signal	\$60.40
Non-Revenue Vehicles	\$1.90
Operating Facilities & Equipment	\$32.90
Passenger Facilities	\$23.00
Revenue Vehicles & Equipment	\$104.00
Miscellaneous	\$10.10
TOTAL	\$262.60

While there certainly is a benefit to building up reserves for larger capital expenditures (e.g., light rail vehicle replacement), many of the carry-overs are in much smaller projects, some even stretching multiple years.



¹² Latest available data. FY20/21 Adopted Budget, page 171.

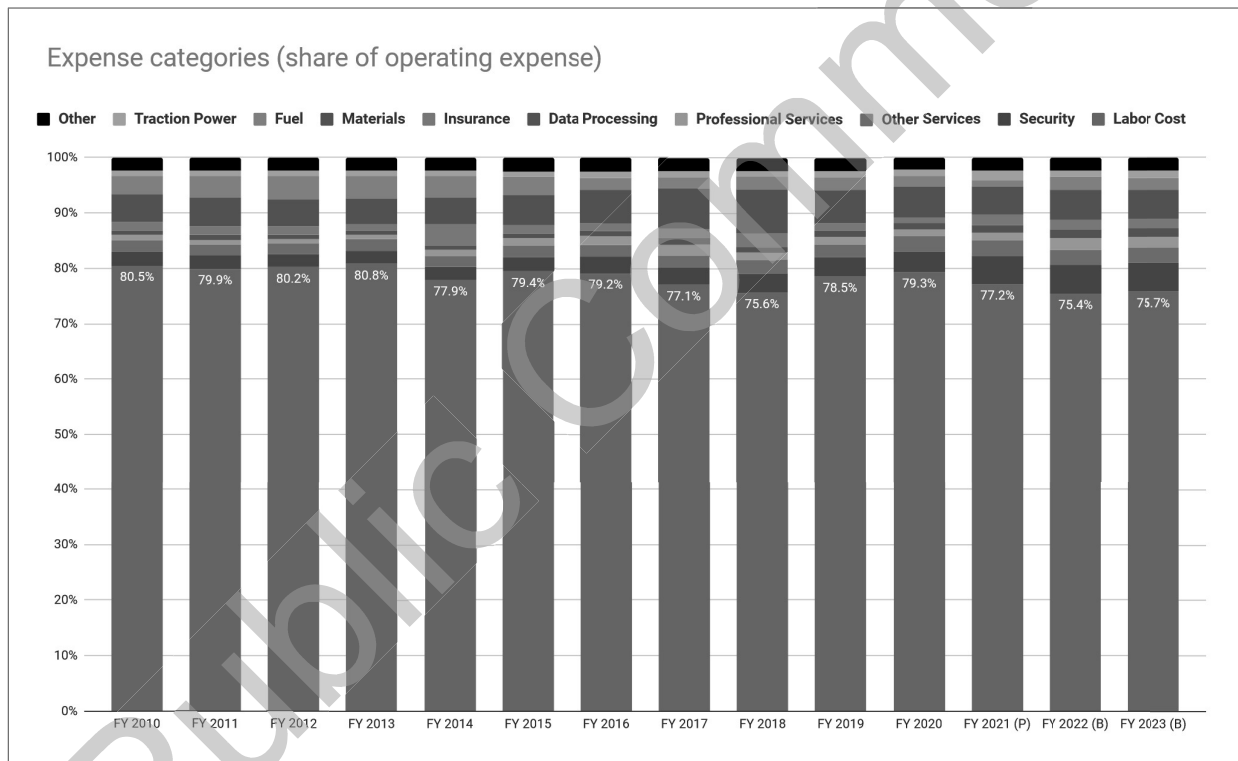
¹³ “Local share of capital projects - VTA Transit Fund” e.g., CAFRFY2020, page 2-36.

C.6. Expenses overall

Due to the differing growth rates of the various expense categories, the distribution of costs among categories has shifted. While in 2010, labor costs were 80.5% of overall operating expenses¹⁴ in 2023, they now contribute only about 75.7% of the operating expenses. Costs for materials, fuel and traction power have slightly decreased from 9.4% to 8.7%

Mostly fixed cost categories such as security and other services, data processing and insurance continue to take up a growing share of VTA expenses as they **have grown from a share of 7.8% in 2010 to 13.3% in 2023.**

All other expenses have remained stable at 2.3%.



¹⁴ Operating Expenses excluding "Other Expenses" (such as transfers to the capital fund)
- Lines 15-30, page 16.

Overview of VTA operating expenses budgeted for 2023 (ordered by size)

	2023 Cost in Thousands
Labor Cost (minus reimbursements)	323,963
Transfer to Capital	40,000
Paratransit	30,093
Security	25,731
Materials	25,211
Debt Service	20,831
Other Services	12,990
Fuel	10,734
Professional Services	9,313
Insurance	8,989
Data Processing	7,527
Traction Power	6,327
ACE	6,242
Utilities	4,439
Communications	1,912
Tires	1,685
Employee Related	1,106
Contribution to other agencies	1,061
Mics	986
Leases & Rents	983
Hwy 17 Express	439
Office Expense	287
COMPARED WITH TOTAL REVENUE	529,882

D. Specific issues

D.1. Outstanding debt and debt payments

Out of the eight independent funds of VTA, three of them have outstanding debt balances - taken together totaling almost a billion dollars (\$884M) as of July 2021(see table below).¹⁵

Their debt balances at the beginning of the FY 2022 & FY 2023 biennial budget cycle, and interest expenses budgeted in the two fiscal years are tabulated below.

During FY 2022/23 VTA will pay over \$80M in interest alone, not including payments to the principal. For comparison, 2016 Measure B will spend annually about \$50M on local roads and streets in all of Santa Clara County during this period.

Looking ahead, **VTA is expected to spend \$761M on debt service (\$285M on interest and \$476M on principal) between 2022 and 2030.**¹⁶

D.2. Existing Reserves

This does not include any potentially additional bonding for Measure B projects which would further increase the amount of revenues that VTA spends on debt service instead of operating or capital projects.

Note: On an annual basis, the Measure A Program reimburses the VTA Transit Fund for debt principal, interest and related expenditures incurred for the VTA transit fund debt.¹⁷ The reimbursement will continue until the debt obligations are extinguished in 2026. For reason left unexplained, the VTA transit budget shows debt service expenses¹⁸ that are higher (\$20.9M) than the corresponding Measure A repayment obligations (\$17.6M).

All amounts listed below are in \$'000s

1. VTA Total Outstanding Debt by Fund as of July 1, 2021

VTA Transit Fund	95,980
2000 Measure A	764,695
Silicon Valley Express Lanes	23,302
Total	883,977

2. Interest Expense by Fund for FY22 and FY23

FUND	FY22	FY23
VTA Transit Fund	4,732	3,921
2000 Measure A	36,090	34,290
Silicon Valley Express Lanes	1,199	1,195
Total	42,020	39,406

¹⁵ Source: VTA staff

¹⁶ Based on VTA CAFR 2020, 2-59 & 2-60

¹⁷ Line 12, p. 16 "Proposed Budget 2022/23"

¹⁸ Line 39, p. 16

VTA is projected to have about \$347.4 million in four reserve funds at the end of FY2021. Because of expected federal relief CRRSAA funding this balance is expected to increase to \$355.2 million by the end of fiscal year 2023.¹⁹

	End of FY21 (projected actual ²⁰)	End of FY23 (projected)
Operating Reserve	\$75.8M	\$75.8M
Sales Tax Stabilization	\$35.0M	\$35.0M
Debt Reduction ²¹	\$135.7M	TBA
Federal Relief Funding Balance ²²	\$100.9M	\$108.7M
Total	\$347.4M	\$355.2M²³

The **Operating Reserve** goal is 15% of the subsequent year's final operating budget in the VTA Transit Enterprise Fund. These funds are to remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unanticipated shortfalls or unavoidable expenditure needs.

The **Sales Tax Stabilization** reserve mitigates the impact of sales tax receipt volatility on service levels and the operating budget. VTA Transit Sales Tax Stabilization reserve is at its current ceiling.

The **Debt Reduction** reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund the local portion of the VTA Transit capital program to keep assets in a state of good repair.

¹⁹ Assuming no use of the debt reduction fund is made.

²⁰ Projection as of March 31, 2021.

²¹ As of June 30, 2020, based on VTA FY2020 audited financial report, Fund balance for end of FY21 was not available.

²² The Federal Relief Funding Balance does **not** include any ARPA funding.

²³ If Debt Reduction balance remains \$135.7M.

D.3. Other Fund balances

Other major fund balances are projected to be as shown below.

The **current fund balances for 2000 Measure A and 2016 Measure B are not included in the FY22/23 budget proposal.**

At a budget community meeting, VTA staff stated that the **balance for the Measure A fund was \$394.1 million on June 30th, 2020.** This seems to be corresponding to the current cash balance excluding long-term debt obligation.

	End of FY21 (projected actual)	End of FY23 (projected)	Change (absolute)
Congestion Management Program	\$2.6M	\$1.0M	(1.6M)
Transit-Oriented	\$32.3M	\$30.0M	(2.3M)
Express Lanes Program	(\$16.5M)	(\$14.9M)	1.6M
2008 Measure B - BART Operating Sales Tax	\$426.6M	\$323.7M	(102.9M)
<i>Not provided in the FY 22/23 budget</i>			
2000 Measure A	\$394.1M ²⁴		
2016 Measure B			

²⁴ End of FY20, source: VTA staff

D.4. Cost Control and Transparency for Capital Projects

Comparing cost estimates and completion dates for capital projects in various budget documents show significant cost increases and delays especially regarding the VTP highway program.

than doubled since 2016 and the project has been delayed by 3.5 years. **It is notoriously about two million dollar short and 24 months away from completion.** None of these delays or cost increases are made transparent in the budget documents.

For example, and as shown below, the costs for the **I-680 sound wall project** have more

I-680 Soundwalls	Total cost in million \$	Cost increase in million \$	Anticipated completion date
FY 16/17 budget	4.5		December 2019
FY 18/19 budget	5.5	1.0	November 2019
FY 20/21 budget	7.0	1.5	August 2021
FY 22/23 budget	9.5	2.5	June 2023

Public Comment

Other selected VTP projects that have recently seen significant increases are:

101/Trimble/De La Cruz:

- In 2020, total cost was estimated to be **\$60M** and completion in 2023.
- The FY22/23 shows costs of **\$76.45M** and completion delayed till 2024.

101/Zanker/4th:

- In 2016, total cost was estimated to be **\$125M** and completion in 2021.
- The FY22/23 shows costs of **\$240M** and completion delayed till 2027.²⁵

101/SR 85 Express Lanes Phase 4:

- In 2016, total cost was estimated to be **\$11.4M** and completion in 2019.
- In 2020, total cost was estimated at **\$34.0M** and completion in 2022.
- The FY22/23 shows costs of **\$55M** and completion delayed till 2023.

280/Winchester Blvd:

- In 2020, total cost was estimated to be **\$90M** and completion in 2025.
- The FY22/23 shows costs of **\$151.44M** and completion delayed till 2027.²⁶

The budget provides not only no transparency regarding the cost increases but also no explanation (e.g., is it based on a change in scope, construction bids coming in overestimates).

A systematic analysis of cost developments in the VTP program is difficult as projects are not continuously included in the budget, but only in budget cycles where they receive appropriations. It is also not always clear if cost estimates refer to a whole project or only the current project phase.

The VTA Transit Capital budget suffers from a similar transparency issue. Due to the number of projects and seemingly changing project names, tracking these projects is even more difficult, but for example, the **“Chaboya Yard Well Removal”** was in 2020 estimated to cost \$0.395M and to be completed in June 2021. **According to the new proposal, costs have ballooned by 267%** to \$1.445M. Also, the completion of the project has been delayed by about two years. The difference in cost will need to be covered from funds originating with the VTA transit operating budget.

²⁵ Based on FY22/23 booklet presented in April 2021. May 2021 booklet does not include the project. Specifically, the booklet presented at the April 16 board workshop item III.1.a

²⁶ As with the 101/Zanker/4th estimates, these numbers were only available in an early draft of the budget booklet.

2016 Measure B highway interchange program

Transparency is especially needed in the 2016 Measure B highway interchange program, whose FY22/23 allocation will be coming to the Board later this year.

The ballot defined 24 project areas often encompassing several distinct projects, e.g., *“SR 237 Corridor Improvements in the cities of San Jose, Santa Clara and Milpitas to address mainline congestion and regional connectivity by addition of SR 237 westbound/eastbound auxiliary lanes between Zanker Road and North First Street, improvements at the SR 237/Great America Parkway westbound off-ramp, and replacement/widening of the Calaveras Boulevard structures over the UPRR tracks.”*

Due to the involvement of numerous jurisdictions and varying project leads, it is difficult to gather sound cost estimates for a number of these projects. Also, often cost estimates are given only for the next project phase but not the total project cost until final completion.

But even with these limitations, it is certain that **funding needs of all projects combined widely outstrip the available funding of \$750M.** Based on the latest available cost estimates in VTA budget and 2016 Measure B documents as well considering that \$200M have already been allocated to various projects such as the 880/Charcot overcrossing, the 101/Trimble/de la Cruz Interchange, 101/Blossom Hill interchange, and 101/Mathilda, only about \$550M dollars remain to be allocated to the remaining project costs of \$1.3B.

Public Comment

Projects according to ballot (abbreviated)	Latest Available Cost Estimate (in \$M)	Current Cost Allocation
US 101/San Antonio Road, US 101/Rengstorff/Charleston Road and US 101/Shoreline Boulevard interchanges.	40.0	2.00
SR 85/SR 237 connector, SR 85/El Camino Real interchange, and the SR 237/El Camino/Grant Road interchange.	70.0	
SR 237/US 101/Mathilda Avenue Area Improvements	47.0	22.00
Addition of SR 237 westbound/eastbound auxiliary lanes between Zanker Road and North First Street, improvements at the SR 237/Great America Parkway westbound off-ramp, and replacement/widening of the Calaveras Boulevard structures over the UPRR tracks.	33.0	2.30
West County Improvements along I-280 with mainline and interchange improvements from Magdalena Avenue to the San Mateo County line.		
I-280 braided ramp between SR 85 and Foothill Boulevard	5.5	3.50
US 101/Trimble Road/De La Cruz Boulevard interchange improvements, southbound US 101/SB 87 connector improvements, and a new US 101/Zanker Road interchange.	319.5	59.00
US 101/Old Oakland Road Improvements	25.0	0.00
US 101/Mabury Road	95.0	3.00
I-680/Alum Rock Avenue and I-680/McKee Road interchange	40.0	
I-280/Lawrence Expressway/Stevens Creek Road Interchange	120.0	
I-280/Saratoga Avenue Interchange	60.0	
I-280/Winchester Boulevard Area	151.4	9.00
SR 87 Corridor Technology-based improvements/expressway bypass	40.0	2.70
Upgrade Highway 17/9; deploy advanced transportation technology to reduce freeway cut through traffic in Los Gatos	101.7	5.40
SR 17 Southbound/Hamilton Avenue Off-ramp Widening Improvements	1.0	1.00
SR 17/San Tomas Expressway Improvements	1.0	1.00
US 101/Blossom Hill Boulevard	40.5	35.00
US 101/Buena Vista Avenue interchange and US 101/SR 152 10th Street ramp and intersection improvements.	17.5	1.00
SR 152 Corridor Improvements in Gilroy including US 101/SR 25 interchange improvements	129.5	10.00
I-280/Wolfe Road Interchange Improvements	86.0	7.50
I-880/Charcot Avenue Overcrossing in San Jose	50.0	27.50
Noise Abatement Projects in Santa Clara County	50.0	4.00
Intelligent Transportation Systems (ITS) Projects in Santa Clara County		3.00
TOTAL	1523.6	198.9**

*does not include administrative cost (0.4) and allocation to 237/Middlefield Rd (6.3)

D.5. Congestion Management Member Agency fee

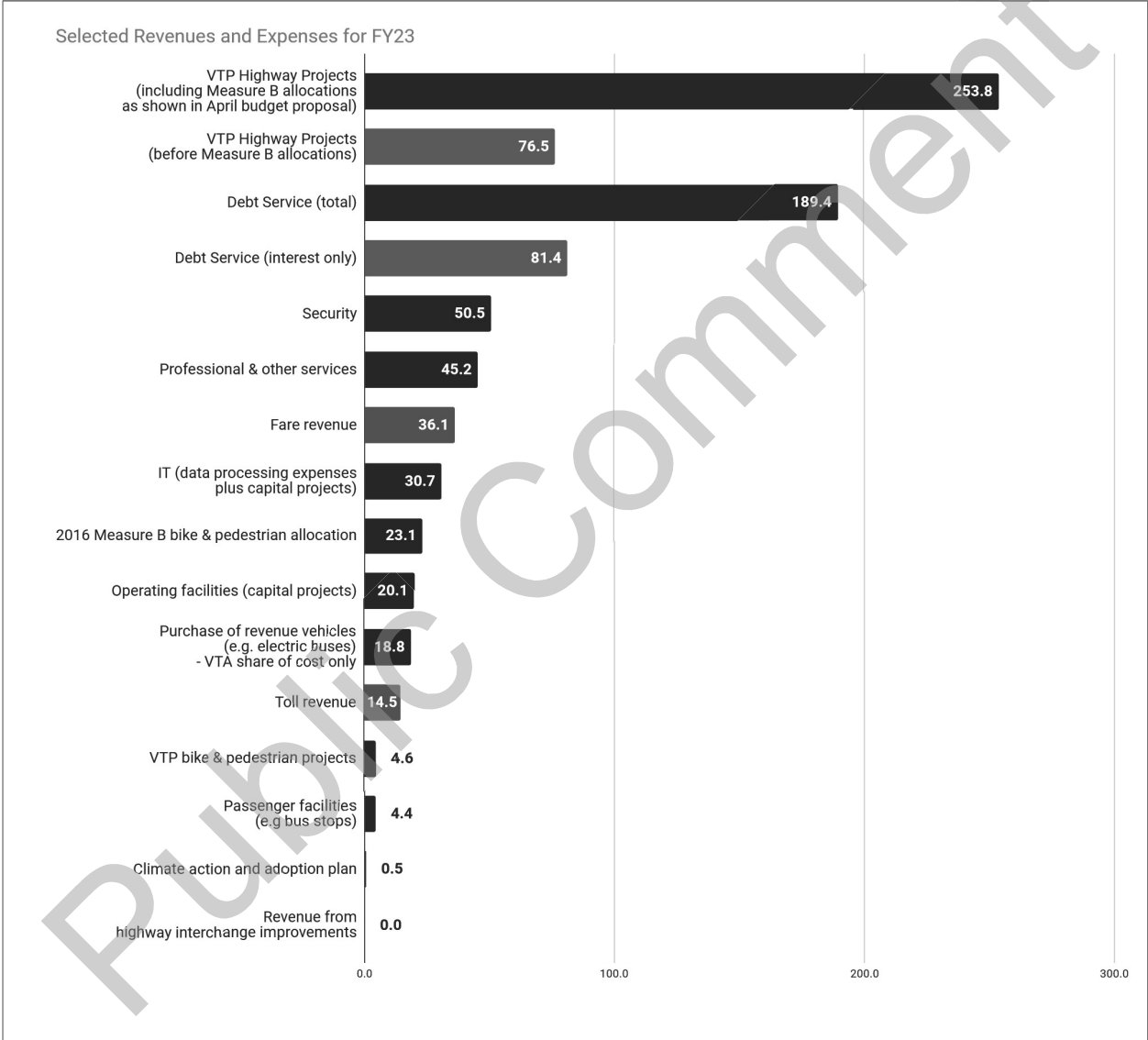
According to the FY22/23 budget proposal “Member Agency Fees are based on the fee schedule adopted by the Board in June 2005, which specifies annual increases of 3.5%. The Proposed Budget reflects this increase for both FY 2022 and FY 2023.”

In past years, VTA has applied this policy inconsistently. If member fees had increased steadily at 3.5%, the CMP fund would have received an additional \$11M between 2007 and 2023.

(in '000)	Member Agency Fees (acc. to budget)	Change in %	Agency fees if 3.5% increase had been applied	Difference (absolute)
2006	2,326			0
2007	2,489	7.0%	2,407	82
2008	2,410	-3.2%	2,492	-82
2009	2,495	3.5%	2,579	-83
2010	2,495	0.0%	2,669	-174
2011	2,582	3.5%	2,763	-181
2012	2,407	-6.8%	2,859	-452
2013	2,407	0.0%	2,959	-552
2014	2,407	0.0%	3,063	-656
2015	2,407	0.0%	3,170	-763
2016	2,407	0.0%	3,281	-874
2017	2,407	0.0%	3,396	-989
2018	2,528	5.0%	3,515	-987
2019	2,654	5.0%	3,638	-984
2020	2,747	3.5%	3,765	-1,018
2021	2,843	3.5%	3,897	-1,054
2022	2,943	3.5%	4,033	-1,090
2023	3,046	3.5%	4,174	-1,128
Total	46,000		59,986	(10,986)

D.6. Comparison of Selected Revenues and Expenses for FY23

The chart below compares selected expenses from across all VTA funds and categories. Not shown is, for example, BART Silicon Valley Extension Phase 2, which will receive \$387M from 2000 Measure A and more than four times as much (\$1,715M) from other sources, mostly federal and state grants. It is noteworthy to contrast that with the VTP highway program that is scheduled to attract less than \$10M of state and federal funding.



E. Conclusions and Solutions

Part of the purpose of this document is simply to highlight the complexity and interconnectedness of the budget. If debt service for Measure A were not as high, more revenue could go towards VTA transit operations which could be used to make it more attractive to riders, which would lead to increased fare revenue, which reduces the need to use supplemental express lane revenue, which instead could be used to accelerate the express lane program and with that, address congestion.

We are optimistic. While there are financial issues that need to be addressed, a detailed analysis of the budget projections for transit operations shows that projected deficits are likely overstated or only the result of operations support other programs of VTA. Labor costs, which are a significant cost factor have risen less slowly than sales tax revenue. Also, there are significant reserve funds that allow VTA to bridge any short-term revenue short falls - especially from lower fare revenues.

The current FY22/23 budget would have us keep the stimulus funding in the bank as, in essence, a rainy-day fund. We believe that is not an effective allocation of the money—there are other rainy-day funds available, and there is every possibility that the projected operations deficit will evaporate once our projections improve anyway.

At the same time, Santa Clara County residents have very immediate needs for transportation that the stimulus funding can address. There are a variety of ways that this could be used, but we would urge VTA to put much of its focus into drawing ridership back to (or ideally above) pre-pandemic levels. In addition to allowing VTA to better serve more people, this will help to stabilize VTA's financial health by providing a solid ridership base for future fare revenues and address VTA's climate goals.

Among possible uses of the available resources including relief funding are:

- Targeted and limited reduced fares such as those piloted by BART and SMART
- Accelerating transit speed projects with a local competitive grant program
- Accelerating improvements to passenger facilities such as bus stops

Some of these are focused on short-term effects (e.g., free or reduced fares for a short time to get people back onto buses, which would then be followed by a return to normal fare collection), whereas others are less immediate but will help to keep ridership in the long-term (e.g., bus stop improvements).

As stated at the outset, we look forward to collaborating with VTA staff and the Board of Directors at the appropriate time to support VTA's effort to build back stronger, and we thank you for the opportunity to be part of this important discussion.



June 4, 2021

The Honorable Anna G. Eshoo
272 Cannon House Office Building
Washington, DC 20515

Dear Congresswoman Eshoo:

As the new Acting Executive Director of the Peninsula Corridor Joint Powers Board (Caltrain), I write to thank you for your steadfast support for federal investments to improve and expand rail service for the region.

The past year has been difficult for transit agencies across the country, and specifically for Caltrain. Only with your support was Caltrain able to survive over the last year and maintain our essential service for those who needed it most. As Congress begins to consider a surface transportation reauthorization bill, we encourage you to consider the critical Caltrain improvements and priorities that will build upon the ongoing investment in Caltrain Electrification.

Electrification of the railroad lays the groundwork for increased service, more frequent trains, and increased capacity among other benefits. In 2019, the Board adopted Caltrain's Long Range Service Vision (fact sheet attached) – the culmination of a multi-year planning process known as the Caltrain Business Plan. When fully achieved in 2040, the Service Vision will provide electrified rail service from Downtown San Francisco to Gilroy, improve regional and statewide connectivity, reduce travel times, and support ridership of 180,000 Caltrain passengers every weekday – the equivalent of adding 5.5 new freeway lanes worth of capacity to US 101.

The Service Vision will also deliver tremendous environmental benefits, reducing 110 metric tons of GHG emissions every day and taking nearly a million vehicle miles off of Bay Area roads. As part of the Caltrain Business Plan, the agency also adopted an Equity, Connectivity, Recovery & Growth Policy, which outlined steps the agency can take to grow and ensure historically-underserved communities have equal access to the system.

Delivery of Caltrain's Long Range Service Vision requires the advancement of multiple intermodal stations and rail improvements throughout our corridor. We are strongly supportive of sustained federal funding that will advance the development and delivery of projects including;

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ACTING EXECUTIVE DIRECTOR

- The expansion of electrified Caltrain service with modernized systems, improved stations and additional fleet and support facilities consistent with Plan Bay Area 2050
- The Downtown Extension to the Salesforce Transit Center in San Francisco
- The rebuilding of Diridon Station in San Jose
- The development of significant intermodal stations at Millbrae and Redwood City
- The introduction of the California High Speed Rail into the Bay Area in a manner that provides for the extension of electrified regional rail service between Gilroy and San Jose and supports a robust blended regional and state system from San Jose and north to San Francisco.

Additionally, investments in grade crossing improvements and grade separations are an essential priority for the communities we serve and are a critical safety improvement for the railroad. The Caltrain Business Plan identified an overall need for grade separation in the corridor of more than \$9 billion. Federal funding to support the design and delivery of these projects is dearly needed.

In the coming weeks, I hope to be able to arrange a meeting with you to introduce myself and discuss ways we can work together on the key priorities outlined above. Please do not hesitate to contact me at bouchardm@samtrans.com or 650-288-9870.

Sincerely,

A handwritten signature in black ink, appearing to read 'MB', with a long horizontal flourish extending to the right.

Michelle Bouchard
Acting Executive Director

Cc: Peninsula Corridor Joint Powers Board of Directors



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MICHELLE BOUCHARD
ACTING EXECUTIVE DIRECTOR

June 4, 2021

The Honorable Zoe Lofgren
1401 Longworth House Office Building
Washington, DC 20515

Dear Congresswoman Lofgren:

As the new Acting Executive Director of the Peninsula Corridor Joint Powers Board (Caltrain), I write to thank you for your steadfast support for federal investments to improve and expand rail service for the region.

This last year has been difficult for transit agencies across the country, and specifically for Caltrain. Only with your support for transit was Caltrain able to survive over the last year and maintain our essential service for those who needed it most. As Congress begins to consider a surface transportation reauthorization measure, we encourage you to consider the critical Caltrain improvements and priorities that will build upon the ongoing investment in Caltrain Electrification.

Electrification of the railroad lays the groundwork for increased service, more frequent trains, and increased capacity among other benefits. In 2019, the Board adopted Caltrain's Long Range Service Vision (fact sheet attached) – the culmination of a multi-year planning process known as the Caltrain Business Plan. When fully achieved in 2040, the Service Vision will provide electrified rail service from Downtown San Francisco to Gilroy, improve regional and statewide connectivity, reduce travel times, and support ridership of 180,000 Caltrain passengers every weekday – the equivalent of adding 5.5 new freeway lanes worth of capacity to US 101.

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MICHELLE BOUCHARD
ACTING EXECUTIVE DIRECTOR

June 4, 2021

The Honorable Jackie Speier
2465 Rayburn House Office Building
Washington, DC 20515

Dear Congresswoman Speier:

I write to personally thank you for taking time out of your schedule to meet with me and my staff. It was a pleasure to meet you and I look forward to working with you and your office in the coming years. I also want to again take the opportunity to thank you for your steadfast support for federal investments to improve and expand rail service for the region.

The past year has been difficult for transit agencies across the country, and specifically for Caltrain. Only with your support was Caltrain able to survive over the last year and maintain our essential service for those who needed it most. As Congress begins to consider a surface transportation reauthorization bill, we encourage you to consider the critical Caltrain improvements and priorities that will build upon the ongoing investment in Caltrain Electrification.

As we discussed during our meeting, electrification of the railroad lays the groundwork for increased service, more frequent trains, and increased capacity among other benefits. In 2019, the Board adopted Caltrain's Long Range Service Vision (fact sheet attached) – the culmination of a multi-year planning process known as the Caltrain Business Plan. When fully achieved in 2040, the Service Vision will provide electrified rail service from Downtown San Francisco to Gilroy, improve regional and statewide connectivity, reduce travel times, and support ridership of 180,000 Caltrain passengers every weekday – the equivalent of adding 5.5 new freeway lanes worth of capacity to US 101.

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I look forward to working closely with you on the numerous federal efforts that are currently happening regarding transportation, infrastructure, and economic recovery. Please do not hesitate to contact me at bouchardm@samtrans.com or 650-288-9870.

Sincerely,



Michelle Bouchard
Acting Executive Director

Cc: Peninsula Corridor Joint Powers Board of Directors