

August 18, 2018

To: VTA Ad Hoc Financial Stability Committee and Staff

From: Ratna Amin, SPUR Transportation Policy Director

Re: August 18, 2018 Agenda Item 7: Proposed mitigation measures.

We appreciate the work staff and committee members have done to propose choices which would enable VTA to balance its budget in the immediate years..

SPUR supports the proposed budget measures. We have the following additional questions, comments and proposals:

1. **Rationale:** We would like to see the reasons these measures are proposed while others were not proposed at this time, and a mention of what the long run consequences could be of each of these proposals (such as reduced ridership, decreased professional capacity). We would also like to see a way to phase in the measure, if the full amount of cuts are not needed this year.
2. **Service reductions:** We would like to know what process will be used to decide upon specific bus and light rail service reductions. SPUR strongly supported the Next Network process and results, because it was strategic and a collaborative process. It is unclear which pieces of that bus network strategy will be retained and how it relates to VTA's future strategy as a transit service. We would also like to know how what the priorities are for the light rail service and what the longer term strategy is for the light rail system.
3. **Operating Costs and Strategies:** VTA's unit operating costs are consistently higher than peer agencies and are not decreasing. This proposal does not include any strategies to lower those costs or improve operations. The cost reduction measures proposed affect customers, we would like to see some proposals which address operational efficiency so VTA can offer more value for the same costs. Unless the cost and operational side of the equation is addressed, VTA risks a worsening downward spiral of increasing costs, decreasing service and declining ridership.
4. **Fares:** We support indexing fares. We suggest VTA also consider a more nuanced formula for calculating fares. (For example, in Singapore, the fare adjustment formula— which is reexamined every five years — takes into account average wages, inflation, energy prices and operator earnings: public transportation operators are required to share part of their productivity gains (but not pass on their productivity losses) with riders.)

The following are critical topics for further discussion and strategy development at this committee.

1. Business Model: A strategy to avoid the accelerating downward spiral is needed. What should VTA's transit business model be going forward? There is no doubt that the current scheme of transit services, revenue sources, cost, etc. is not sustainable and isn't giving the public as many benefits as it possibly could. We suggest developing a service framework that incorporates both how to serve demand and what customers want, plus how to serve as the safety net for people without options. We recommend completing a service equity strategy (SFMTA did one recently), so we know what level of subsidy is needed in the long run to meet this need.
2. Network expansion/infrastructure. What is the future of VTA's network expansion? Capital projects and their associated costs and benefits need to be looked at strategically, and with an eye to a thriving agency in 5 years, 10 years, and beyond, and consideration of changes to technology, land use, etc. on the horizon.
3. Partnerships: While staff suggest revisiting partnership agreements (Caltrain, BART, etc), VTA should also be looking to see how VTA can work with partners to deliver value to customers; VTA shares customers with other agencies and every agency is facing similar budget and business model challenges and.
4. Revenue measures: What are the ways that existing revenue measures can be revisited to align with a sound long term strategy for VTA? What should the strategy be for future revenue measures, and what are the spending priorities that match with a sound long term strategy?