December 6, 2018

Board of Directors
Santa Clara Valley Transportation Authority (VTA)
3331 N. 1st Street
San Jose, CA 95134

Re: Item 5.5.X – Ad Hoc Financial Stability Committee Recommendations

We appreciate the work VTA staff and the Ad-hoc Fiscal Stability Committee members, which SPUR was part of, have done to propose options that would enable VTA to balance its budget in the immediate years.

Today, SPUR recommends VTA’s Board of Directors:
   (1) Adopt, with additions, the mitigation plan proposed.
   (2) Commit to exploring additional measures and actions to balance its budget, serve the population, and sustain its fiscal stability in the long run.

(1) SPUR supports the proposed budget mitigation measures – referenced in the “Specific Action” of the committee memo. We ask VTA’s Board to consider the following additions:

a. **We recommend the agency develop and evaluate several scenarios for implementing Next Network with a ridership-to-coverage ratio of 90/10 with consideration of potential ridership and how each scenario will play in the long run.** We believe increasing service hours will truly benefit the community when transit will be given the priority over cars with traffic signals and dedicated transit-only traffic lanes. SPUR strongly supported the Next Network process and results, because it was strategic and a collaborative process. As a first step towards its full implementation, focusing bus service on a reduced number of highly frequented routes – *10% of the network for 90% of the ridership served* – can improve the frequency and reliability of the service and attract more riders on board.

b. **We recommend the agency reconsider its fare policy.** 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 part of their productivity losses) with riders.

Additionally, SPUR believes that fares should be reasonable and rational. The agency should consider the risks of increasing its fares price (decrease of ridership and transit competitiveness with other modes) without reviewing the entire structure of its fare policy. Possible steps to achieve good fare policy include moving toward a regional fare structure, reducing or eliminating transfer penalties, offering bulk discounts and improving the Clipper fare payment system.
c. **We recommend the agency look at the future of its workforce.** We support the implementation of a Voluntary Early Retirement Incentive as a short-term solution to reduce staff expenses. We also support the long-term examination of the contracting opportunities recommended as it could give the agency some flexibility. We don’t know exactly how technology and land-use will evolve, but VTA needs to be futureproof. Therefore, we urge the agency to look strategically at the future scenarios for its network in 5 years, 10 years and beyond with an eye to ensuring thriving services. As part of this, VTA should anticipate each scenarios’ implications on its workforce.

While we support the short-term mitigation measures that are submitted to the Board’s approval, we think VTA must look at long-term strategies for a balanced budget, strong services and stable financial situation.

(2) In addition to the committee’s recommended policy areas of discussion and further examination as put forth in the memo, we have the following proposals:

a. **VTA should develop a long-term Business Plan by May 2020.** The plan would include a visioning process for future service levels and product types, the development of a business model, the development of strategies to improve operations and reduce their costs, a strategic plan for VTA’s network expansion (that considers costs, benefits and workforce implications), take a fresh look at VTA’s partnerships with other agencies (Caltrain, BART, etc.) and VTA’s planned capital projects, with the goal to deliver better value service to their shared customers and finally, explore new revenue sources.

b. **VTA should reevaluate the long term benefits of its existing capital projects.** Many of the agency’s capital expansion projects have been planned years ago (bus, rail, highway, etc.) but VTA should not build and thus, commit to operate, projects that don’t have much long term value anymore. Therefore, the agency must answer: Is the project replicating (an) existing regional transit service(s)? Does the technology still make sense? Can lower investments provide the same benefits? Is the project set for success under future conditions (increasing traffic, growing population, etc.)? Etc.

c. **VTA should explore policies that gives the agency some land use authority.** The spread-out San Jose land use pattern is not well-suited for transportation modes other than the car. Pursuing Joint Development opportunities around VTA's service nodes is one way to target development at the right place but it is not enough since it only applies to VTA’s owned land. VTA needs to be a stronger voice in allowing the right uses and density to be developed around its network, beyond its own parcels.

We looking forward to working to ensure successful public transportation in Santa Clara County. Please do not hesitate to reach out to Nicole Soultanov, nsoultanov@spur.org, with any questions or concerns.

Sincerely,

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