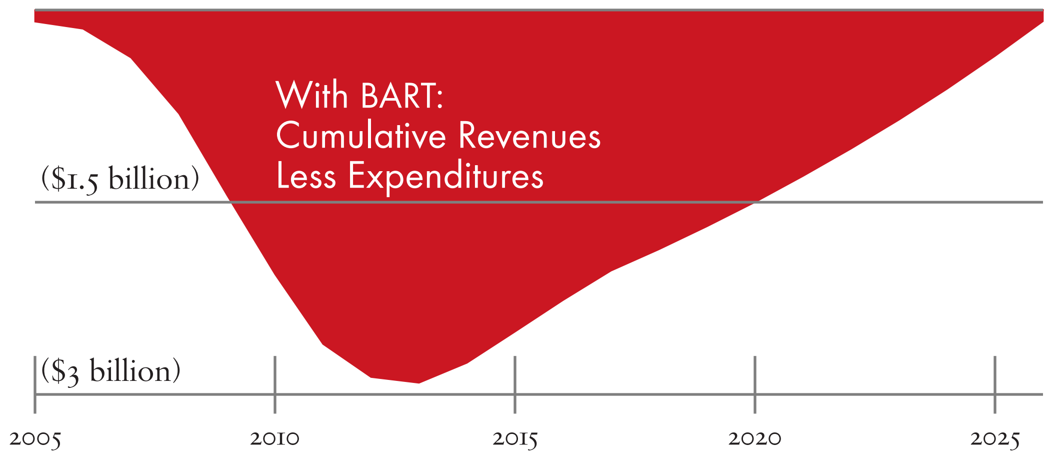
# Measure A
## Stewardship and Public Funds
### *Expenditures Dwarf Revenues*

Will the VTA's priorities result in 30 years of red ink?

The chart to the right is based on a spreadsheet distributed by staff to the VTA's Ad Hoc committee on September 10, 2003. For the first 22 years of the 30 years of Measure A, the only color needed to portray the situation is red.

This particular outcome will not happen, of course—contractors need to be paid. One way to cover the annual shortfalls would be for the VTA to borrow and repay the debt when cash flows turn positive. In such a scenario, with a 5% interest rate, up to $3.5 billion would be borrowed, and Measure A would not have a positive ending balance (cumulative revenues less expenditures) until just before it sunsets in 2036. Instead of building many projects, Measure A funds would be used to pay about $3.4 billion in interest and to retire the debt. Not surprisingly, the VTA's management has given an indication that debt-financing is not a viable solution to this cash flow problem. This may be because the customary limits on bonding capacity for municipal borrowers could be breached early in the Measure's life.

What causes the red ink and an unsolvable problem? The principal factor is BART to San Jose and its very large cash requirements.

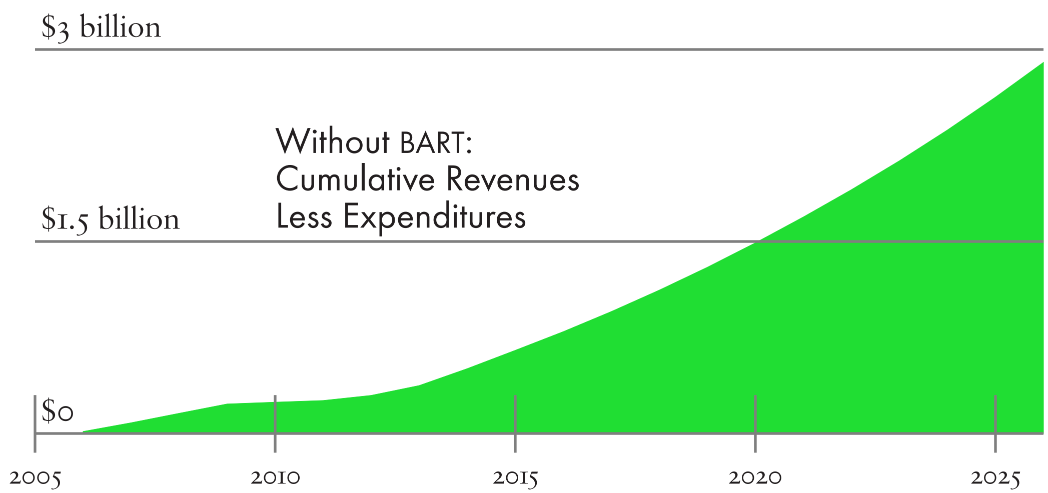



Funding for many projects is available only without BART.

The green chart to the right is also based on the same VTA spreadsheet. Note the following additional or restated assumptions:

1) no new taxes, such as another sales tax, are collected;
2) DTEV is delayed 5 years, with the costs inflated by 4.75% a year;
3) the BART to San Jose project, with both its costs and its anticipated revenues from grants, is stricken from the project list; and
4) bonds are issued as assumed by the VTA in 2003, even without going forward with the BART project.

As noted above, the BART project has been dropped because it cannot be built with funds available to the VTA. Even with another half cent sales tax, the annual cash shortfalls cannot be overcome without borrowing about $2 billion.





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