Transportation Injustice

Why BART-to-San Jose cost overruns will devastate bus and rail service

March 6, 2003

Transportation and Land Use Coalition

TRANSPORTATION AND LAND USE COALITION

Working together for a sustainable and socially just Bay Area

The Transportation and Land Use Coalition (formerly BATLUC, the Bay Area Transportation and Land Use Coalition) is a groundbreaking partnership of more than 90 groups working to maintain our region's renowned high quality of life, achieve greater social equity, and protect our natural environment. Coalition members believe that current development patterns do not have to be our destiny. Instead, the region can refocus public investment to serve and revitalize existing developed areas; design livable communities where residents of all ages can walk, bike, or take public transit; provide effective transportation alternatives; and develop affordable, transit-oriented housing that contributes to vibrant and diverse communities.

Acknowledgments

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Introduction

In March 2000, Governor Gray Davis proposed $725 million for the BART-to-San Jose project, included as part of his transportation plan. Mayor Ron Gonzales of San Jose and the Valley Transportation Authority (VTA) then used the Governor's proposal to persuade voters to pass a $6 billion transportation sales tax. Measure A was passed in November 2000 by over 70% of Santa Clara County voters.

In order to get the tax approved, VTA, the County's transportation planning agency and also the operator of its bus and light rail system, promised voters transit projects and improvements throughout the county, including the most massive transit expansion ever in the Bay Area. However, VTA never had funding to fulfill its pledges, and, before the November 2000 election, top VTA managers speculated privately on which projects would ultimately not get built.

By November 2002, the economic nosedive combined with skyrocketing costs for the BART extension had combined to create $6 billion operating shortfall during VTA's 25 year planning horizon. VTA staff assumed they could just raise $6 billion in funding and become more efficient so that none of the planned programs, and BART in particular, would be cut.[1]

On November 8, 2002, a majority of VTA board members directed staff to develop a few balanced, or "live within your means," budgets. VTA staff responded the next month with three scenarios for balancing the agency's budget. Two of the three scenarios were *still* not balanced, with expenses exceeding revenues so greatly as to ultimately lead the agency to bankruptcy. The only long-term balanced scenario required cutting 70% of VTA's bus services and abandoning all planned expansions except two: BART to San Jose and East Valley Light Rail.[2] These would have received money for construction only, without funds to operate or maintain them once they were built.

VTA provides over 170,000 rides each day[3]—riders who need VTA to get them to work and to take care of their basic needs. These riders typically have significantly lower incomes than typical Santa Clara County residents, and are predominantly people of color. Providing service to these riders is a major part of VTA's mission.

In this report, the Transportation and Land Use Coalition, a collaboration of over 90 environmental and social justice groups, describes the fiscal and social consequences of the planned extension of BART to San Jose. The financial analysis is unmistakable. VTA does not have sufficient funding for both the BART to San Jose project and to fulfill the basic mission of it's *Valley Transportation Plan 2020,* "to provide transportation facilities and services that support and enhance the county's continued success by fostering: A high quality of life for Santa Clara County's residents and continued health of Santa Clara County's economy."

TALC calls on VTA staff to release significantly more information on the potential financial benefits of phasing BART to San Jose than has been provided to date. That will allow the VTA Board of Directors to decide whether to phase the BART project by bringing it to Milpitas (or to Berryessa) to meet with light rail, or to delay the project until substantial new funding sources are actually obtained. This information is desperately needed, as the State may no longer provide the funding once promised.

How did VTA get here?

On October 16, 2000, just three weeks before the vote, VTA upwardly revised their sales tax projections for Measure A by $575 million, to $6.5 billion.[4] The most recent revenue projection is likely to be closer to $5.2 billion.[5] This dramatic drop is clearly a large part of the long-term shortfall at VTA. The drop in revenues over the past two years has been responsible for the three rounds of bus and light rail cuts, as well as two fare increases, that have been approved since January 2001. It needs to be very clear that this report does not assert these cuts were caused by cost overruns in the BART extension.

However these seem to be just the tip of the iceberg for service cuts, fare hikes and layoffs. There is now discussion of an additional 21% service cut as early as Fall 2003 and significantly higher fare increases than anticipated. And in the long-term these cuts may need to be as deep as 70% if the capital expansion plan is not further pared back.

It's not just the economy: BART to SJ is already $1.8 billion over budget

How did VTA collapse so quickly? It wasn't just the economy, but the costs for BART to San Jose are $2 billion than had been anticipated just two years ago in VTA's long-range planning document *Valley Transportation Plan 2020* (VTP 2020), finalized in December 2000. This document set the financial foundation for the Measure A sales tax. Unfortunately, VTA did not account for a host of costs of the BART extension, even though some were extremely predictable.

The three major BART to San Jose costs were not accounted for in VTP 2020:

1. Bond financing
2. BART system "buy-in" fee

3. Capital cost overruns

Bond financing – a predictable cost

VTA and Mayor Gonzales want BART extended to San Jose as soon as possible, and the earliest possible opening of the extension is now projected to be in 2012. Measure A funds will not be available until 2006, so that VTA must issue bonds to finance the project. Yet throughout the Measure A campaign in 2000, VTA refused to include the cost of bond financing in its budgets. VTA even stonewalled the Board of Supervisors when they requested this information.

Before the Santa Clara County Board of Supervisors met on August 7, 2000 to vote on whether to include Measure A on the ballot, the County Executive asked VTA to estimate the cost of bond financing. In July 2000, VTA responded that it needed 60-90 days to provide the figures.[6] Bond interest calculation is a well-understood process and, normally, preparing such financing information requires at most two to three days, not months. To allow the supervisors to make an informed decision, county staff turned to consultants that have worked on BART extensions before. They reported that bond financing would add an additional $715 - $892 million.[7] Subsequently, the Board of Supervisors rejected putting Measure A on the ballot, and VTA placed a transit-only version on the ballot.[8]

Finally, in March 2002, after BART to San Jose had been included in the Metropolitan Transportation Commission's 2001 Regional Transportation Plan, the VTA Board of Directors got their first look at the bond financing expense for the BART extension and East Valley light rail, which combined was $901 million. Although VTA staff did not allocate the costs to the two projects, a reviewer for the Federal Transit Administration (FTA) estimated that $709.5 million of the bond financing costs were for the BART project.[9]

BART system "buy-in" fee – an inevitable new cost to come out of VTA operating funds.

BART did not initiate the proposal to build an extension to San Jose. The impetus came from VTA. However, VTA had never discussed paying a "buy-in" fee to join the BART system – even though the cost of the BART extension to the San Francisco International Airport included total payments of $325 million as a buy-in fee to BART.[10]

By 2000, BART's staff and Board of Directors knew that expansion projects like the extension to San Jose would strain a system already overloaded with passengers and badly in need of new equipment, and were determined to have any extension pay for the impacts to its core system.[11]

Negotiations between VTA and BART did not begin until early 2001. By then, Santa Clara County voters had approved Measure A, and VTA needed to reach an agreement with BART in order to have the extension included in MTC's 2001 Regional Transportation Plan. At the bargaining table VTA was in for a rude awakening. They had only budgeted for $24 million per year as an operating subsidy for BART. BART, with the stronger bargaining position, ultimately prevailed, and VTA conceded to a subsidy of $48 million per year, escalating with the increase in VTA's sales tax revenues.[12]

The higher initial subsidy, coupled with escalation that tracks the sales tax revenues (which are higher than inflation), dealt a brutal blow for VTA's long-term operating budget. What was anticipated at $24 million per year, will start at double that amount, and escalate to approximately $73 million per year by the end of Measure A[13]. To give a sense of the magnitude of this subsidy and its potential impact on the VTA bus and light rail system, $73 million is greater than a third of the budget for the direct costs of operating the VTA bus system in 2003.

How much more does this add up to through 2036, the timeframe of Measure A?

- VTA had predicted an operating subsidy of $612 million. The BART agreement raised the cost of operating BART to $1,483 million.
- Measure A ostensibly contained approximately $84 million for BART's operating cost, leaving an unfunded operating need of $528 million when Measure A passed in 2000, and $1,399 million since the agreement with BART.

Capital cost overruns

BART extensions have always been more expensive than planned, sometimes by a factor of two or more. The recent San Francisco Airport extension project began with an estimate of less than $700 million. The project was later approved for construction at $1.167 billion and will end up with a final price tag over of $1.5 billion.

With the colossal size of the San Jose extension, and the significant tunneling required, the potential for overruns is great. In 2000, VTA's cost estimate for the extension was $3.8 billion.[14] Just a year later, 11 years before the most optimistic opening date, the price rose by $500 million to $4.3 billion.[15]

Table 1: Costs as anticipated for BART to San Jose in 2000 vs. Current Cost Estimate

Item	Costs Anticipated in VTP 2020 *$ millions*	Current Costs *$ millions*
Projected Capital Cost	$3,834[16]	$4,344
Projected Operating Subsidy	$612[17]	$1,483[18]
Bond financing costs	$0	$709
Totals	**$4,446**	**$6,536**
BART Costs Above What VTA Projected in VTP 2020		**$2,090**
From VTA's operating funds, if assume that only $84 million from Measure A operating was intended for BART.		**$528**
Total Amount of additional funds needed if BART to San Jose was to pay its full way (i.e., not impact the VTA budget)		**$2,618**

NOTE: These costs are using the best and latest information available to TALC at the time of the analysis. The author will gladly accept any revisions put forth by VTA based on new information, or from using different baseline and escalation assumptions.

It should be noted that even this estimate of $2,518 million is generous because it assumes that all of the anticipated funding will be on time and on schedule. For example it assumes the Governor's Traffic Congestion Relief Plan, totaling $715 million, will be delivered on time, even though that program was de-funded in the proposed State budget. It also assumes that VTA gets all it is asking for in federal funds, and that funds for the Warm Springs portion of the extension are forthcoming on schedule. The likelihood of all of this funding happening on time and with the anticipated amounts in extraordinarily small.

How Are BART overruns eating away at VTA's budget?

How does VTA still have full funding for BART, even as the costs of the extension skyrockets. Why, if BART to San Jose is a large part of the problem, is BART untouchable as a baseline project? In the December 6, 2002 memo from VTA's CFO Scott Buhrer (see appendix C) the only one of three scenarios that produces a balanced budget on the back of bus riders; 70%

of VTA's bus service would have to be cut, plus freezing service levels of Caltrain and ACE, to eliminate the long-term operating shortfall?

While Measure A was often referred to as the "BART tax", VTA staff seem to have taken that literally and are planning to give BART significantly more than was previously anticipated or budgeted. Below are the four ways BART to San Jose has obtained additional funds.

- Cutting other Measure A capital projects
- Measure A's "reserve"
- VTA's general operating budget
- An increase in the request for federal funds.

Cutting other Measure A capital projects

The largest funding grab would use over $900 million of Measure A funds for bond financing to expedite BART and East Valley Light Rail. This means that $900 million of other projects, such as Caltrain electrification, purchase of zero-emissions buses, and bus rapid transit, would have their funding taken away. The best estimate for BART's share of these costs are $709 million. Exactly which Measure A projects VTA staff is considering unfunded at this time is unclear, as they have not released a revised transit-capital plan since the $6 billion shortfall was announced in *Obtaining Sustainable Financial Stability*.

In an internal FTA document, one recommendation is that "ramifications of not fully funding other Measure A projects should be explained."[19] Now would be the best time to produce the clarification, as there is clearly a massive VTA capital shortfall, as well as the operating shortfall that is the focus of the *Financial Stability* report.

Measure A reserve

Measure A initially had a "reserve" category worth $80 million. This was increased to $655 million, commensurate with the October 2000 upward revision of sales tax revenues.[20] As BART costs escalate it seems VTA expects to simply dig into the reserve. For example, when the BART capital cost increased in 2001, VTA staff assigned an additional $118 million out of the reserve for BART.[21]

Cost overruns for BART are nearly certain, and VTA has a worrisomely small contingency for the extension,[22] so VTA staff see this reserve as a BART overrun fund. In an e-mail from VTA's Chief Financial Officer Scott Buhrer about whether BART will experience a shortfall he responds that this (shortfall) "can be made up from the 2000 Measure A Contingency fund when and/or if needed as the project requires."[23]

It seems clear that VTA staff interpret Measure A in such a way as to give them maximum discretion in spending, or not spending, the funds on designated projects. It would be more appropriate for the VTA Board of Directors to decide whether, now that there are significantly lower Measure A revenue projections, the reserve should be reduced to nothing, or whether whatever remains should be moved from the BART extension to operations.

VTA's general operating budget

The third way BART has continued to siphon funds from other projects is through its operating subsidy. As described above the 2001 agreement with BART has sent the operating subsidy for the BART extension skyrocketing. Still, the BART to San Jose project is still assured to have all the money it needs, even as operations funding for bus and light rail are cut back. Proposals for cuts of 21% in the near-term, and up to 70% in the long-term, of the core bus and light rail system raise serious environmental justice concerns at an already worried .

An increase in the request for federal funds

Finally, BART increased its federal New Starts request to $834 million from $530 million to cover some of the price increases.[24] This money is yet to be obtained, and it would not *directly* come from other projects in the region. However, by extending the number of years it will take to bring in all of the funding it allocates, this may delay funding for other regional projects currently being applied for by Bay Area agencies like Muni.

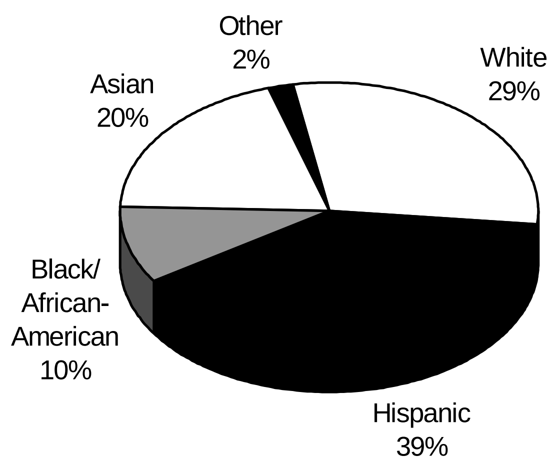
Table 2: Approximate funding sources for BART overruns in Table 1.

Funding Source	Amount *$millions*
From other Measure A projects (to pay for bond financing costs plus some capital cost overruns)	$817
From Measure A's "reserve" for capital overruns	$118
From VTA operating funds to pay for the increase based on the VTA/BART agreement.[25]	$871
Increase in request for federal new starts for capital.[26]	$304
Total Overruns	**$2,090**
From VTA's operating funds, if assume that only $84 million from Measure A operating was intended for BART.	**$528**
Total amount of additional funds needed if BART to San Jose was to pay its full way (i.e., not impact the VTA budget)	**$2,618**

Why can't VTA use flexible state and federal transportation dollars to fill these gaps instead of funding dedicated to public transit? In November 2002, the Silicon Valley Manufacturing Group spearheaded a successful ballot initiative to require state and federal dollars to be used only for roadway projects. So VTA no longer has the discretion to use flexible state and federal transportation dollars for transit projects. Thus, as BART costs continue to escalate, VTA has no choice but to cannibalize local transit operations to pay for BART. The Board of Directors' hands are more tied than ever.

BART to San Jose poses environmental justice risks

70% of VTA bus riders are predominantly people of color[27]

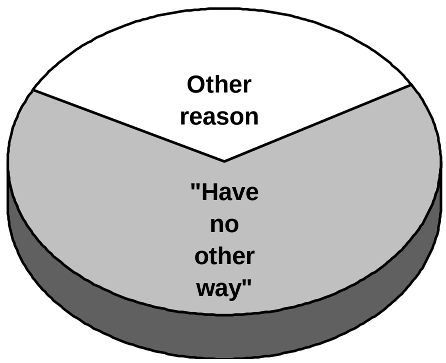


Since January 2001 VTA has cut bus service three times. First discontinuing service on 3 lines and reducing service on 27 lines, then cutting 5% of service, and finally reducing another 9% of service. This is already having devastating impacts on many people who depend on transit. VTA must prioritize "stemming the bleeding." Embarking on more capital expansion just magnifies the tremendous environmental justice risks.

Thousands of Santa Clara County adults do not have access to a vehicle, most of them low-income residents. Many more county residents cannot or do not want to drive because they are too young, too old, have disabilities, or never received a driver's license. For many, buses are a critical lifeline to jobs, education, health care, and a host of community activities. VTA buses carry 84% of all VTA riders.[28] Of VTA bus riders, 70% are people of color, and 59% make less than $35,000 per year.[29]

Reason for using transit?

66% of VTA bus riders "Have no other way" to make their trips[30]



Most of these riders are dependent on VTA's bus service. VTA's most recent ridership survey finds that VTA bus riders are highly dependent on transit: 82% use transit 4-7 days per week, and 49% ride three or more times per day.[31] Of VTA bus riders surveyed, 71% said that they did not have a car available to make the trip, and 66% said that their main reason for using transit in Santa Clara County was that they had no other way of making the trip.[32]

If FTA reviewed BART to SJ today it would not move forward

FTA ranks all projects along a host of measures. Among the most critically examined are financial plans for both operating and capital. The BART to San Jose project was first reviewed by FTA in the summer of 2002, this is when the operating deficit was still just $2.5 billion over 20 years. In an internal e-mail that accompanied the review an FTA official noted:

> *Please do not forward this to the grantee. The rating assigned to the project is 'medium' for Capital and "Low-Medium" for Operating, which would result in a 'Not Recommended' rating, which we could not approve into Preliminary Engineering. Thus, I recommend that we communicate the steps that the SCVTA needs to take to revise their financial plan and identify a new, proposed source of operating funds."*[33]

This is fair enough. Designating a rating is part art, part science. VTA did of course say they would pursue new funding sources. An FTA document said this would probably be a .25% sales tax, and indeed that future tax is being budgeted by VTA.

As the quote above demonstrates, the BART to San Jose evaluation first failed the extension internally and this was based on VTA's documents from summer 2002 outlining the $2.5 billion general operating shortfall. As of November, 2002 VTA's operating shortfall has increased to over $6 billion. With reduced capital funding as well (most of Measure A sales tax is for capital), it is incumbent on FTA to quickly re-evaluate the financial rating of this project.

With the commitment to pursue additional funds, on September 5, 2002, FTA transmitted a letter to VTA approving the request for BART to SJ to enter preliminary engineering. Overall the project received a "recommended" rating, just high enough to keep it moving along. Yet the letter also stated that "FTA has serious concerns regarding: 1) the travel demand model and resulting technical analysis used during the alternatives analysis, and 2) the operating financial plan and the ability of VTA to operate and maintain the existing bus and light rail transit system during the construction and operation of the proposed major capital investment."[34]

FTA should also require a much more rigorous and realistic ridership model before evaluating the benefits of this project. This would include a realistic growth, instead of Manhattanization, of downtown San Jose, and the inclusion of the Caltrain Baby bullet to a new Transbay Terminal, which will be 28 minutes faster than BART between San Jose and downtown San Francisco (see appendix A for more detail on the modeling issues).[35]

Measure A Funds can be used to save local transit

Measure A spells out in great specificity the projects to be funded. As shown above VTA is essentially canceling other projects in order to pay for BART's bond financing costs. That shifting of funds creates an important standard that there is flexibility in how Measure A funds are spent.

Yet VTA staff has said they cannot use Measure A funds that may have gone towards capital projects. In fact there are a number of ways they can. If you re-read Measure A (see appendix B and C) there is one item that has more robust language than the others, and that is in Measure A's section on operating funds.[36]

The will of the voters was to "ensure funding" through 2014, for a significant increase in bus service, as well as light rail and BART. Before Measure A the plan was to expand to 600 buses, and Measure A funds were promising an increase to 750 vehicles, or an additional 150 vehicles. Now that bus service has gone through 3 cycles of cuts, it is more imperative than ever to provide these additional buses promised in Measure A. There are a host of way that operating funds can be made available, if the desire is there. These are outlined in more details in the Recommendations sections.

Recommendations

Measure A states that projects would have operating funds through 2014, then, if the economy did not pick up, the new projects would have to find new revenue sources. But somewhere along the way, this idea got garbled. VTA is now interpreting Measure A to mean that BART would have all the money it needs, even as its operating, financings, and construction costs go through the roof.

Meanwhile, VTA’s bus service which primarily serves low-income riders in Santa Clara, is being cut to pay for all these overruns. To a lesser extent light rail service may also be curtailed, but it would be too embarrassing to stop running rail once built, and lines that received federal funds can’t be stopped, so light rail cuts will be less severe. And the risk of continued cuts is significant.

The recommendations listed below, taken together, would be able to avoid additional bus and light rail service cuts for at least 12 more years. It would also fund projects that had been slashed to help pay for BART, such as Caltrain electrification and a Zero Emission Bus fleet. paid for from Measure A. All in all, these projects and services will provide many more benefits to San Jose residents and employers, whose employees overwhelmingly live in Santa Clara County, than the current trend towards slashing it all to pay for BART to San Jose.

1. Only Build What You can Afford

The expectations of the VTP 2020 and Measure A capital programs need to be re-evaluated. In particular, VTA can not simply assume that BART to San Jose is the baseline project any longer. TALC is recommending that VTA phase the project to Milpitas or Berryessa. The remaining phase to San Jose/Santa Clara should wait until additional funds are raised to both construct and operate BART, as well as maintain the core system.

The other alternative is to redo the Fremont-South Bay Major Investment Study over, with BART as the lead agency to get more objective outcomes. Then VTA can decide on an alternative for the corridor with the new information.

2. Use More Measure A funding for Operations

Measure A was to fund a significant increase in bus service between 2006 and 2014, as well as operations funding for the new light rail lines. The recommendations below would help restore a healthy operating budget that would be able to absorb continued declines in revenue without service cuts.

Restore the 18% operating cut from November 2002

Of all the of the ways to restore funding, this is the easiest. In November, 2002 VTA staff made an outrageous move by reducing the Measure A contribution to operations by $200 million. The reason they gave? Given that the sales tax forecasts were down by 18.45% since Measure A was passed VTA staff announced "we have revised our anticipated operating assistance as well, keeping the level of operating assistance at the 18.45% proportionate amount originally identified in VTP 2020."[37]

Did BART go down by $369,000,000, or 18.45% of the 2,000,0000 they were allocated in Measure A? Of course not. Like BART, the operating funding could be kept whole and $200 million restored to the operating budget.

Fund Capital Projects that offset VTA Operating

The original Measure A budget had $250 million to purchase zero emission buses, targeted for distribution between 2007 and 2016.[38] This money helped improve the VTA operating budget by $250 million since this type of purchase is not an expansion but part of their capital improvement program that comes from VTA's discretionary sources.[39]

In VTA's March 1, 2002 budget, that funding had been pulled from the spreadsheet. Restoring it, even if the buses are purchased over a longer time span, would reduce the current operating shortfall by $250 million.

Use the Measure A "reserve" for operations

Since the accounting for Measure A funds is not frequently updated, it is unclear whether there is still a $655 million reserve for Measure A.[40] Whatever the reserve level is, it could be entirely dedicated to operating funds. Nothing in VTP 2020 says that the reserve is dedicated for capital, and a close reading of Measure A would make it appear that operating should actually be the priority for those funds. By phasing BART, the $118 million identified from these reserves for the BART extension could be freed up, leaving the entire reserve for operating.

Accelerate Operating funds through 2014

It is not simply the absolute amount, but also the timing of operations funding that is important. VTA could accelerate operating funds to early year in Measure A, 2006-2014. If these recommendation are taken the amount directed towards operating could more than double, to over $100 million per year. As made apparent from the 18% reduction in operating funds as of November, 2002, VTA staff has other priorities.

3. Use one-time bonding to bridge service until Measure A revenues begin

There are still three years until the Measure A funds start flowing. VTA can issue bonds against the existing 1976 ½ cent transit sales tax to avoid excessive service cuts during this time. In their submission to FTA, VTA had stated they would issue $88.5 million in bonds for FY 2003 and FY 2004.[41]

While bonding would not make sense if it would just leave a greater debt after three years. But it does make sense to bond for operations if it is acting as a bridge to a time when other revenues commence. There have already been three straight years of dramatic bus cuts. Both for social justice and for keeping the faith of the voters who may need to approve a measure in 2004, the 9% cuts that will soon go into effect should be the last.

4. Provide Better information on Cost Savings and Ridership

The VTA Board needs better information on cost savings that would be realized from phasing BART. This report does not provide them because they are entirely dependant on construction timing, financing horizons, the final terminus, and a new agreement with BART based on a pro-ration of the existing agreement. The capital savings alone, however, could exceed $2 billion based on the June 2000 BART study.

The Board should also be given new modeling data. Consultants on the project have said that a BART to Milpitas scenario could generate approximately 70% of the ridership of the full extension. If the extension went to Berryessa and was met with free express shuttle transfers to downtown and the civic center, the ridership would likely come very close to that of the extension to San Jose/Santa Clara.

5. FTA should re-evaluate the project based on the latest information

Re-evaluation should not wait until FTA's annual review process, which would re-assign a rating by Fall 2004. Internal FTA e-mails show major concern, even alarm, following the receipt of the November 8, 2002 meltdown report. These e-mails transmit a sense that the project would not have been recommended if the project had been rated with the Novemberm 2002 financial information. Since November, 2002, the decline has continued.

6. Fund Caltrain early in Measure A

There is no more cost-effective way to move people between San Jose and San Francisco than a massively upgraded Caltrain. With Caltrain electrification and a planned extension to a brand new Transbay Terminal in SF, Caltrain will beat BART by 28 minutes to downtown (45 minutes vs. 1 hour 13 minutes).

Withholding funds from Caltrain can have a domino effect, since Caltrain relies on contributions from three counties. Caltrain upgrades are good for air quality, and ensure that voters in the north and south part of the County get some benefit from Measure A.

7. Move Forward With a New Baseline

TALC had agreed with VTA, in December, 2001, to work cooperatively to identify new funding so that all of the Measure A projects, including BART to San Jose, could move forward. This commitment remains strong and true.

But we must move forward together with a different understanding of the baseline projects. Existing funds must prioritize maintaining service for bus and light rail service that serves transit-dependant riders. BART to San Jose, both operating and increased capital costs, must come from new funding sources. Until additional project funding is found, the project should be contemplated in phases only, with the first phase ending in Milpitas or Berryessa.

Assuming this is the new baseline, TALC and its member organizations stand ready to support measures that would increase funding for all of the projects in Measure A.

Endnotes

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[1] Obtaining Sustainable Financial Stability, November 2002, VTA. This document just assumed new funding would come in from a new 1/4cent sales tax, plus a host of other sources.

[2] Memo from Scott Buhrer, VTA's CFO, to VTA Board of Directors, December 6, 2002.

[3] Joe Rodriguez, "Buses get second-rate standing to light rail", San Jose Mercury News December, 21, 2002

[4] Memo from Scott Buhrer to VTA's POC and Board, October 16, 2000.

[5] Based on February, 27, 2003 Memo from Dick Swanson, consultant to VTA. Using 1.25% escalation in sales tax revenue over base year of FY 2010 and 3.5% inflation during the entire period.

[6] Memo to Board of Supervisors from Jane Decker, Deputy County Executive, entitled "Potential Costs Related to Bonding against Sales Tax Revenue," July 31, 2000.

[7] VTA staff later rebutted the County Executive's figures, but did not come out with an estimate of their own. Memorandum from Peter Cipolla, VTA General Manager, to Santa Clara County Supervisors on August 7, 2000.

[8] Throughout 2001, as it pushed to get the BART extension included in the Metropolitan Transportation Commission's (MTC's) *Regional Transportation Plan* (RTP), VTA continued to conceal the bond financing costs. MTC's process requires transit agencies to submit a balanced budget for capital and operating costs over a 25-year horizon as a precondition for including projects in any RTP. So in an effort to get the BART to San Jose project included in the 2001 RTP without revealing its budget-busting reality, VTA hid the costs of bond financing. The response from MTC's Director of Planning to these concerns was that bond costs were generally not included in RTPs. This may be a sensible policy for small projects, but not when bond financing alone tops $700 million – an amount that is on par with the *total cost* of the region's biggest transit projects.

[9] In the FY 2004 New Starts Financial Assessment Draft September 4, 2002

[10] Memo from Peter Cipolla to VTA Board Standing Committees on March 8, 2001 re: VTA policy goals for BART/Santa Clara County extension. This detail can be found in the section entitled "Summary: Samtrans-BART Comprehensive Agreement for the San Francisco Airport Extension Project",

[11] That year BART announced that its long-term maintenance and renovation needs were worse than expected, totaling $6.83 billion over 30 years.

[12] Memo from Pete Cipolla to the VTA Board of Directors. November 9, 2001. Re: Comprehensive Agreement with the San Francisco Bay Area Rapid Transit District. The rationale for a subsidy that did not fluctuate was that if ridership were low it would serve as an operating subsidy, and if ridership were high it would help defray the costs of improvements to the core BART system in order to handle the new riders.

[13] This $73 million is stated in current ($2002) dollars.

[14] Parsins Brinkerhoff, BART extension Study From Fremont to Milpitas, San Jose and Santa Clara, July 27 2000.

[15] MTC's Regional Transit Expansion Policy, December 19, 2001, had the total cost for the extension at $634 for Fremont to Warm Springs and $3,710 from Warm Springs to San Jose. Really the total cost increase was $600 million but VTA dropped the $90+ million that had been budgeted for keeping commuter rail open during construction (commuter rail was de-railed altogether).

[16] VTP 2020, December, 2000 cost was $3.8 million, which included $97 million for keeping commuter rail operations during BART construction. To have a fair comparison with the current capital costs of the extension the $3.8 billion should be escalated by FY 01 inflation rates. Since the incremental increase was so close to the $97 million that was removed from the project with the removal of commuter rail operations, the author kept the price at $3.8 billion and did not escalate. This gives the truest sense of the cost increase.

[17] $24 million per year, starting with .5 of FY 2011, then remaining at $24 million through FY 2036. This had been the amount anticipated in VTP 2020. This was the estimate VTA chosen even though it requires the massive ridership of their impossibly dense "TOD scenario."

[18] $48 million per year escalating at 4.75% rate beginning in FY 2003. Costs include 0.5 of a year in FY 13 then extending through life of Measure A (FY 2036). In the final year 2036, VTA must pay BART $72.3 million in current dollars. Total operating subsidy for the BART extension thus rises to $1,483 million in current dollars.

[19] FY 2004 New Starts Financial Assessment: Project: Silicon Valley Rapid Transit Project, September 4, 2002. Draft for internal discussion

[20] Memo from Scott Buhrer, through Pete Cipolla, Subject: Report on VTP 2020 Transit Revenues and Expenditures, January 14, 2002. In the chart titled 2000 Measure A – Revised VTP 2020 plan.

[21] Ibid.

[22] The FY 2004 New Starts Financial Assessment Draft September 4, 2002 states that the "ability to absorb funding shortfalls or cost increases is very limited." Noting that the contingencies and unallocated reserves totaled "about 16.7% of the sum of the net project cost and financing cost ($4,695.3 million)."

[23] E-mail from Scott Buhrer to James Lightbody, November 26, 2001, RE: Silicon Valley Rapid Transit Corridor Escalation of Costs and Time. "listing the project costs in constant FY 2001 dollars will mask the underperformance of the TCRP and FTA full funding grant revenues which will not escalate…both of which can be made up from the 2000 Measure A Contingency fund when and/or if needed as the project requires."

[24] Memo from Michael Evanhoe to VTA Board of Directors, May 24, 2001 has initial estimates. The New funding estimates. VTA's request will actually be higher than $834 million, is to deal with price escalations. From FTA's Silicon Valley Rapid Transit Corridor report, November, 2000:

[25] As can be seen from VTA's spreadsheets (and as is customary with other transit operators), all of their discretionary operating revenues are placed into one large account. Thus it is not feasible to identify whether the additional funding BART is getting is specifically from Measure A, or, for example pro-rated from all the sources.

[26] MTC December 12, 2002 Memo from Executive Director to POC estimates new start increase from $530 million to $834 million.

[27] From 2000 VTA On-board Survey: Final Report, Volume 1 Summary, March 2000, Statistics reported are based on 14,230 surveys collected from passengers on weekday bus trips.

[28] Average ridership for April 2000. Data is from *Operating Statistics Report*, as provided from correspondence with Joonie Tolosa, Management Analyst, VTA Service and Operations Planning, June 20, 2000.

[29] Ibid.

[30] Ibid.

[31] Ibid.

[32] Ibid.

[33] E-mail from Dwayne Weeks, FTA to four FTA staff. Friday, July 26, 2002, Subject: Financial Assessment for SCVTA BART to San Jose.

[34] From Leslie Rogers (FTA Regional Administrator) to Pet Cipolla, September 5, 2002.

[35] It does not appear that the baby bullet and Caltrain downtown extension were not in the original modeling. This is legitimate as they had not been in the Regional Transportation Plan until December, 2001. The BART time to downtown will be approximately 1 hour 13 minutes, while the baby bullet may be as fast as 45 minutes once Caltrain is electrified and goes to downtown.

[36] " Fund operating and maintenance costs for increased bus, rail, and paratransit service.

Provide revenue to ensure funding, to at least 2014, and possibly longer, of the following: the new Tasman East, Capitol and Vasona Light Rail lines, the commuter rail connection to BART, expanded paratransit services, expanded bus fleet of 750 vehicles, the Downtown/East Valley Light Rail operations, which can commence in 2008, and the BART extension to San Jose which can commence by 2010.."

[37] In "Obtaining Sustainable Financial Stability, November 8, 2002, VTA.

[38] October 16, 2000 Revised VTA 2020 operating plan.

[39] Ibid. This line is listed as "new measure capital funds", and essentially provides a reimbursement for funds that are taken out of VTA's discretionary sources such as the 1976 permanent ½ cent sales tax.

[40] Last seen by the author in a memo from Scott Buhrer, through Pete Cipolla, to the VTA Board, Subject: Report on VTP 2020 Transit Revenues and Expenditures, January 14, 2002. In the chart titled 2000 Measure A – Revised VTP 2020 plan.

[41] Additionally, in "Obtaining Sustainable Financial Stability, November 8, 2002, VTA budgeted for a $52 million bond issuance to avoid large cuts.