

*Revisions to
Draft Transportation 2035 Plan*



CHANGE IN MOTION

**MTC Commission
March 25, 2009**

Transportation 2035 Plan Adoption Schedule

Date	Activity
March 25 thru 4 pm on April 8	Request Commission approval to set Public Comment Period on Revisions to Draft Transportation 2035 Plan
April 10	Request Planning Committee Approval and Referral to Commission: <ul style="list-style-type: none">▪ Approval of Final Air Quality Conformity Analysis▪ Certification of Final Environmental Impact Report▪ Adoption of Final Transportation 2035 Plan
April 22	Request Commission Approval: <ul style="list-style-type: none">▪ Approval of Final Air Quality Conformity Analysis▪ Certification of Final Environmental Impact Report▪ Adoption of Final Transportation 2035 Plan

Environmental and Transportation Conformity Assessments

- Proposed Final EIR and Conformity Analysis have been prepared in response to comments
- Proposed revisions to Draft Plan do not introduce new significant information nor involve substantial changes to the program of projects that was analyzed in either the environmental or conformity assessments
- There are no new significant environmental impacts or transportation conformity impacts that would alter the analysis, conclusions and findings in the Final EIR and Conformity Analysis

Revisions to Draft Plan: Non-Financial

■ **Performance Objectives**

- To support Security and Emergency Management Goal, add new performance objectives to improve emergency preparedness and reduce vulnerability to transportation security threats

■ **Building Momentum for Change**

- Add new narrative to the Building Momentum chapter that highlights advocacy opportunities to pursue new revenue, pricing and focused growth policy initiatives as well as technological advances

■ **Technical Project-Specific Changes**

Key Issue: Financial Constraint

- Regional Transportation Plan required to be financially constrained to “reasonably available revenue” under both federal and state law
- Economic downturn generally; and specific, recent information from Santa Clara County on revised sales tax projections and cost increases in the BART to Silicon Valley project requires reassessment of financial constraint
- Bottom line: Overall 25-year financial envelope of available revenue for T-2035 revised downward from \$226 billion to \$218 billion

Revenue Changes

- Technical Revisions
- High Speed Rail Revenue Addition
- Sales Tax Projections
 - Economic downturn has resulted in some sales tax counties reassessing revenue forecasts
 - Santa Clara released revised 25-year sales forecast for Measure A in February
- Transit Operating Revenue
 - Similar economic factors motivate re-evaluation of regional forecasts of Transportation Development Act (TDA) revenue
 - Recently adopted State budget changes legislative basis for State Transit Assistance (STA) assumptions

Cost Changes

- BART to Silicon Valley Extension
 - VTA released information of \$379 million cost increase (in constant 2008 dollars)
 - Cost increase in *year of expenditure* dollars for purposes of Transportation 2035 is \$1.5 billion (\$6.1 billion in Draft Plan /\$7.6 billion revised cost)

Recommendation 1

- Make Technical Revisions to Revenue Forecasts
 - AC Transit Measure VV Addition (+\$280 million)
 - Santa Clara VTA Joint Development Revenue (+\$1 billion)
 - Impact: \$1.3 billion revenue addition
 - Other minor changes to project descriptions and financial information in Appendix 1; no net financial constraint impacts

Recommendation 2

- Add High Speed Rail Revenues
(No project additions)
 - California Proposition 1A Share* (\$1.5 billion)
 - Federal American Recovery and Reinvestment Act Share** (\$1.5 billion)
 - Revenue Impact: \$3 billion addition

** Bay Area share of \$9 billion total based on route-miles*

*** Bay Area share of ARRA \$8 billion discretionary program based on advocacy assessment*

Recommendation 3

- **Update Santa Clara County sales tax forecasts and BART to Silicon Valley Extension costs**
- Measure A Transit Program Impact : \$2.0 billion shortfall
 - Measure A Cost = \$1.5 billion increase
 - Measure A Revenues = \$0.5 billion decrease
- Permanent Transit Sales Tax: \$1.7 billion decrease
- Measure B Sales Tax: \$0.5 billion decrease
- *Combined Sales Tax = \$2.7 billion decrease*
- Response:
 - VTA request for HOT revenue to fill Measure A gap
 - Permanent transit sales tax decrease will need to be addressed with other strategies

Recommendation 3 (cont.)

- Proposed Conditions on HOT Revenue inclusion
 - Santa Clara must endorse regional HOT network legislative framework for AB 744 (Torricco)
 - Final Commission action contingent on VTA Board approval
- HOT lane revenues equaling \$2.0 billion will be assigned to fill net deficit of \$2.0 billion in Measure A program
- Balance of \$4.1 billion regional net HOT revenues to remain as regional “lump sum” reserve

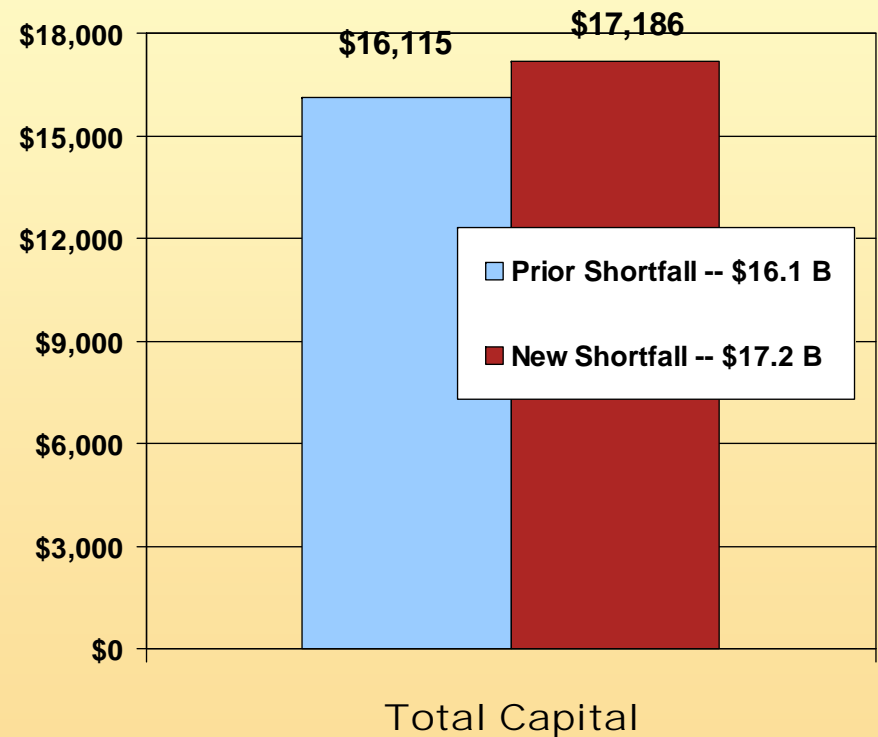
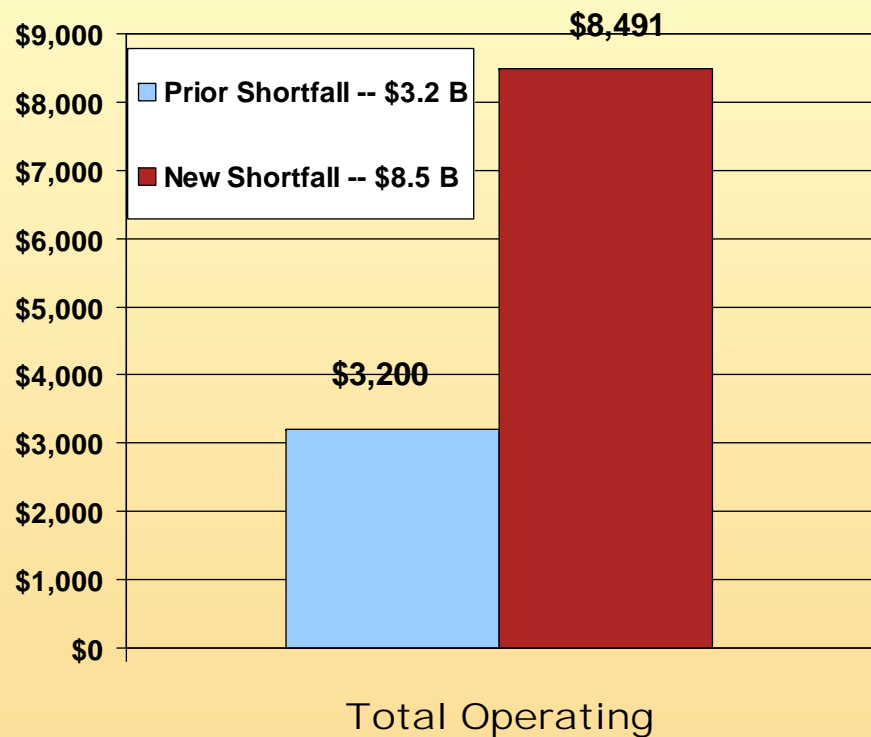
Recommendation 4

- Review Other County Sales Tax Forecasts
 - Impact:
 - Several counties re-assessing near-term budget revenue forecasts
 - Only VTA and Contra Costa Transportation Authority have extended analyses to cover 25-year planning period
 - Contra Costa only anticipates program adjustments in the first 5-year period; affects project timing/sequencing, not overall program of projects
 - Response:
 - Do not alter Contra Costa forecast
 - No action warranted for other county forecasts at this time

Recommendation 5

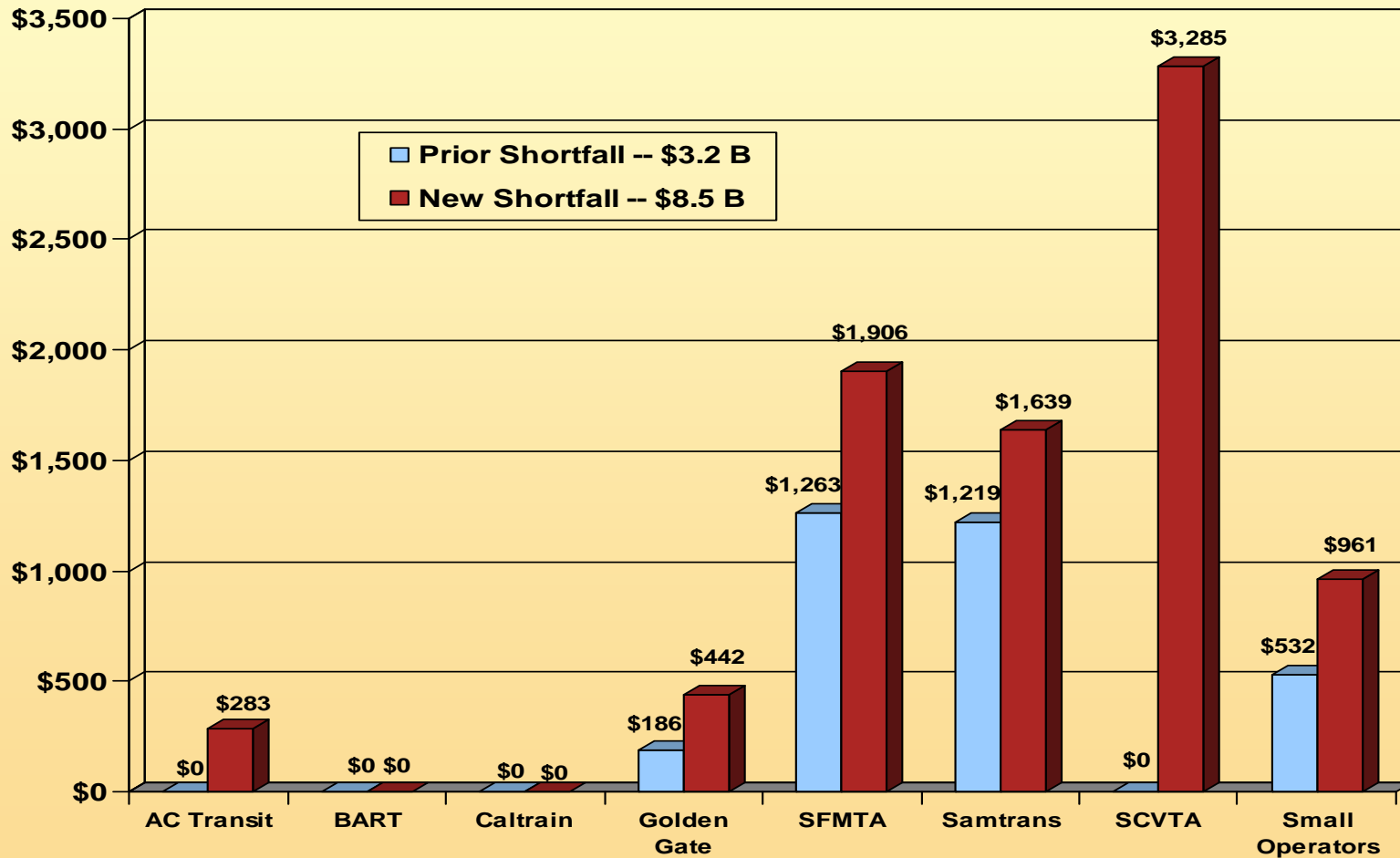
- Update Transit Related Revenue Forecasts
 - TDA: \$4.5 billion reduction (25-Years)
 - Revise regional estimate to match county sales tax growth rates forecast by sales tax authorities (apply average growth rate to Napa and Solano counties)
 - STA (Includes spillover): \$1.2 billion reduction
 - State legislature has suspended the STA program and spillover revenue for mass transit through FY 2013
 - Projection assumes reinstatement of STA program and spillover revenue in FY 2014
 - Impact:
 - \$8.5 billion revised total projected operating shortfall; 9% of Total Operating Cost
 - \$17.2 billion revised total projected capital shortfall; 42% of Total Capital Cost

Transit Revenue Adjustment Impact: Operating and Capital (In Millions)

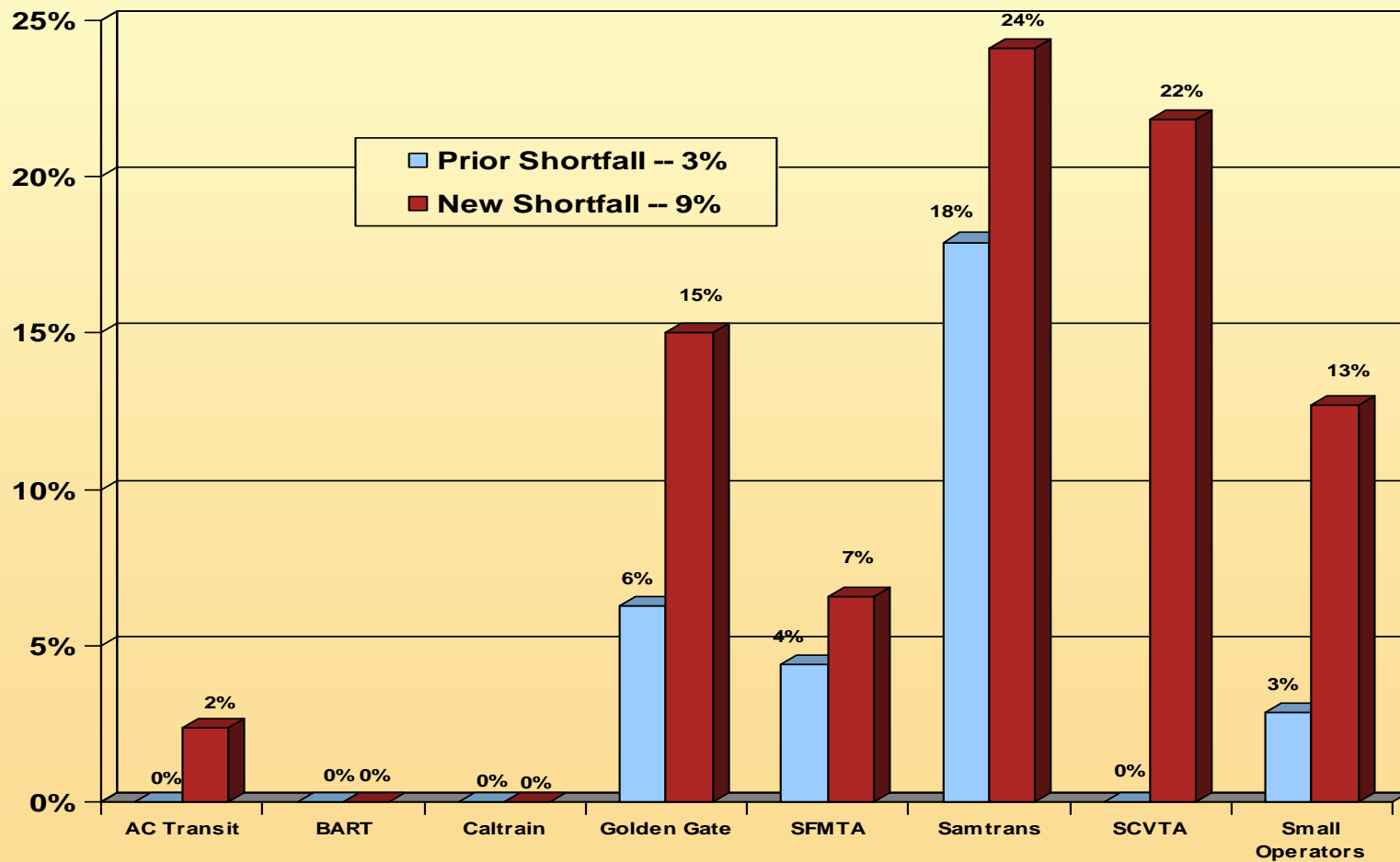


Transit Operating Revenue Adjustment Impact

(In Millions)



Transit Operating Revenue Adjustment Impact - Deficit As % of 25-Year Operating Expense



Addressing Transit Sustainability

- T-2035 confirms that the current transit system is not sustainable for many operators.
- As a 25-year plan, T-2035 is not an appropriate place to solve the operating shortfall.
- Transit agencies must achieve a balanced budget on an annual basis, so we need a near-term solution.

Addressing Transit Operating Sustainability

- Three basic responses to transit operating shortfalls (which should follow this priority order):
 1. Increase productivity, squeeze more out of existing system
 2. Find new revenue, including higher fares
 3. Cut service

Addressing Transit Sustainability

- First step, Productivity, requires consideration of both costs and revenues
 - Modifying T-2035 trends suggest substantial gains could be achieved in reducing \$9 billion shortfall
 - Change fare growth assumptions to at least match CPI (\$1.6 billion)
 - Hold cost assumptions to maximum of CPI - 3% annual growth (\$4.2 billion)

Potential Impact of Fare and Cost Adjustments on Transit Operating Shortfalls (In Millions)

Operator	Existing Shortfall	Fare Adjustment	Cost Adjustment	Potential Revised Shortfall*
AC Transit	\$ (283)	\$ -	\$ 309	\$ 26
BART	\$ -	\$ 975	\$ -	\$ 975
Caltrain	\$ -	\$ -	\$ -	\$ -
Golden Gate	\$ (442)	\$ 206	\$ -	\$ (236)
SamTrans	\$ (1,639)	\$ -	\$ 1,519	\$ (121)
SFMTA	\$ (1,906)	\$ -	\$ -	\$ (1,906)
SCVTA	\$ (3,285)	\$ 26	\$ 1,540	\$ (1,719)
Small Operators	\$ (936)	\$ 436	\$ 837	\$ 337
Total	\$ (8,491)	\$ 1,643	\$ 4,204	\$ (2,644)

**Any additional surpluses would be available to reduce capital rehabilitation shortfalls*

Addressing Transit Sustainability

- Recent practice has been for operators to skip Step 1 (Productivity) and after limited success with Step 2 (New Revenue), to cut service. This is not an acceptable result, and does not ensure long term stability.
- We need to undertake a fundamental reassessment of the region's transit system to identify ways to improve its productivity.
- Similar approach taken with the Freeway Performance Initiative: What are the operations and management improvements that will yield more from the region's existing investment in transit services?

Addressing Transit Sustainability

- Need to tackle the tough questions
 - **Overlapping services**
 - **Multiple services complicate customer access**
 - **Inconsistent service policies**

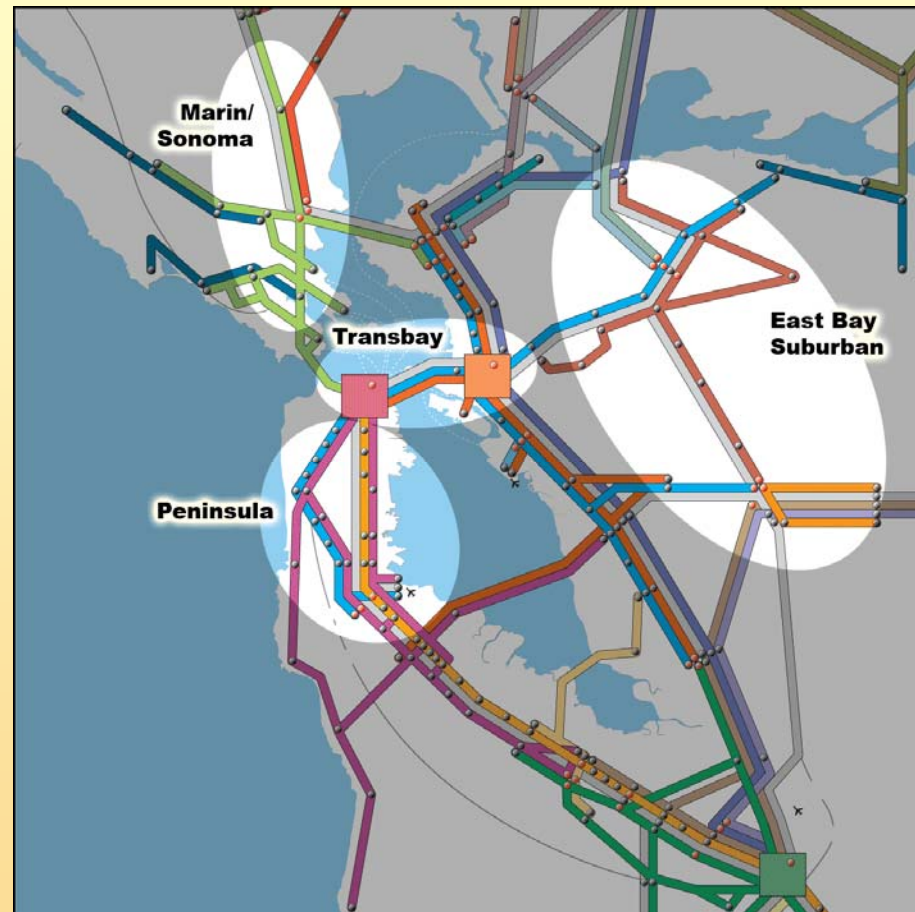
Addressing Transit Sustainability

Overlapping Routes and Services

- Can we continue to afford to serve the same markets with multiple services?

Examples:

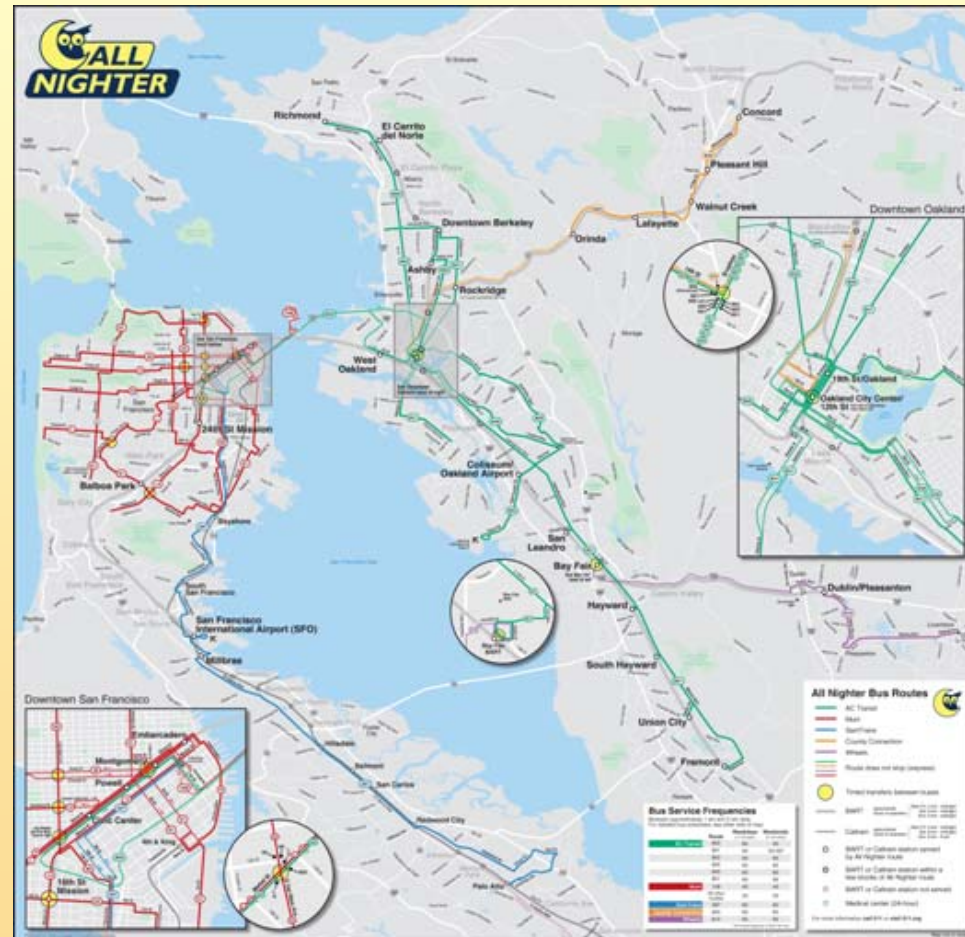
- **Transbay** (AC, BART, ferries)
- **Peninsula** (BART, Caltrain, SamTrans)
- **East Bay Suburban**
- **Marin/Sonoma**



Addressing Transit Sustainability

Night Owl Transit Service

- Can we continue to afford to support multiple operations, especially when the result is so complicated that it discourages ridership (e.g., Night Owl Service)?



Addressing Transit Sustainability

Bay Area Discount Fare Policies

- Can we continue to afford to accommodate inconsistent service policies when simple policy agreements are possible (e.g., discount fare eligibility)?

Transit Operator	Senior/ Disabled	Youth	Child
AC Transit	50%	50% (5-17 yrs.)	4 and under free (limit 2)
BART	63%	63% (5-12 yrs.)	4 and under free
Caltrain	50%	50% (5-17 yrs.)	4 and under free (limit 1)
County Connection	66%	Same as adult	Under 6 free
Golden Gate Transit	50%	50% (6-18 yrs.)	5 and under free (limit 2)
SamTrans	58%	43% (5-17 yrs.)	4 and under free (limit 1)
San Francisco Muni	66%	66% (5-17 yrs.)	Under 5 free
Santa Clara VTA	58%	15% (5-17 yrs.)	Under 5 free
WestCAT	58%	Same as adult	Under 6 free (limit 2)

Addressing Transit Sustainability: What is the Alternative?

At least two recent efforts by individual transit agencies to promote long-term financial stability:

2007: Santa Clara VTA Comprehensive Operation Analysis

2008: SF MTA Transit Effectiveness Project

Common Objectives

1. Identify changes in market demand
2. Develop cost-effective changes in how service is delivered
3. Improve service reliability and convenience to attract new riders
4. Create effective multi-year transition to move riders into more productive services



Recommendation 6: Regional Transit Sustainability Analysis

1. Analyze the transit system as a single network, ignore jurisdictional lines.
2. Evaluate travel markets and best options for meeting demand.
3. Identify overlapping services - does the region supply too much service in some corridors?
4. Identify cost-effective alternatives to unproductive services with limited demand and higher subsidies.
5. Identify infrastructure improvements to reduce travel times and increase service reliability on high volume routes.
6. Address duplication of basic customer service functions that can be delivered more cost-effectively through consolidation.
7. Simplify fare policies and service information to encourage transit use.

Recommendation 7: Raise New Operating Revenues

Even with increased productivity, new revenue sources need to be secured. Options include:

- Restore State Transit Assistance
- Redirect Regional Measure 2 operating funds, if warranted
- Secure voter approval of a regional gas tax
- Seek legislative authority to increase TDA
- Dedicate HOT Network revenue

HOWEVER, there should be conditions tied to reforms:

- Establish a new transit baseline, based on results of the Sustainability Analysis, to which to apply these new revenues.
- Avoid perpetuating unsustainable system; break the cycle.

Next Steps for Recommendations 6 and 7

1. Insert specific commitment into T-2035 to proceed with the regional transit sustainability analysis.
2. Complete analysis and adopt reforms prior to the allocation of any new regional revenues for transit operations.
3. Pursue strategies to secure new transit operating revenues in parallel with sustainability effort.