District’s Fiscal Outlook

September 26, 2011

Outline of Presentation

• Recap of District’s fiscal status since 2006
• Recent actions taken by District:
  – Caltrain budget negotiations
  – Labor negotiations
• District’s fiscal status resulting from recent actions
• Strategies and actions going forward
• Dedicated funding source
Fiscal Status since 2006

- District has been facing a continuing structural deficit
- Federal, State and local sources have dwindled
- District staff has been working with the Strategic Plan/Financial Capacity Ad Hoc Committee since 2006 to develop measures to address the structural deficit

Fiscal Status in August 2006

Assumption:
- Annual sales tax growth rate @ 3.7%
Actions Taken by District

District addressed structural deficit with a number of measures:

- Refinanced debt in 2009
- Negotiated BART settlement
- Put in place hiring and salary freezes
- Implemented service reductions and fare increases
- Reduced subsidy to Caltrain
- Completed labor negotiations for the represented employees

Deficit Reduction Efforts:
FY2009 - FY2012

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.5% Service Reduction (includes represented layoffs)</td>
<td>-</td>
<td>$3.3 million</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administrative Layoffs</td>
<td>-</td>
<td>$500,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hiring and Salary Freezes</td>
<td>$325,000</td>
<td>$1.0 million</td>
<td>$800,000</td>
<td>-</td>
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<tr>
<td>Furlough Days</td>
<td>$200,000</td>
<td>$350,000</td>
<td>$350,000</td>
<td>$350,000</td>
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<tr>
<td>Fare Increases</td>
<td>$625,000</td>
<td>$1.3 million</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reduction in District’s Sales Tax to Caltrain</td>
<td>-</td>
<td>-</td>
<td>$5.9 million</td>
<td>$11.8 million*</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$1.2 million</td>
<td>$6.5 million</td>
<td>$7.1 million</td>
<td>$12.15 million</td>
</tr>
</tbody>
</table>

* The reduction to Caltrain is $11.8 million as compared to the FY2010 sales tax amount the District contributed in years past.
Recent actions taken by the District

Preliminary Caltrain FY2013 Budget-balancing Plan

Outline of the balancing plan tentatively reached by the JPB members:

• VTA and SFMTA to reimburse District $5.2 million and $1.8 million, respectively, in right of way payments
• District to use the $7 million as San Mateo County’s share in the FY2013 Caltrain operating budget
• Caltrain will increase its share of District’s administrative overhead by $2.5 million consistent with District’s ICAP study
• JPB members to include changes to operating cost sharing formulas and Gilroy costs in FY2014’s budget deliberations
Caltrain’s FY2013 Preliminary Budget Plan

**FY2013 Projected Deficit** ($28.8 million)

- Parking Increase 7/1/12 (from $4 to $5/day) 0.5 million
- Preventative Maintenance Funding (FY2011) 1.0 million
- New Preventative Maintenance Funding 5.0 million
- Operator Contract Efficiencies 0.5 million
- SamTrans – Fund Swap 2.1 million
- VTA 2.0 million
- Muni 0.9 million
- SamTrans – Right of Way 7.0 million
- VTA 6.8 million
- Muni 3.0 million

**FY2013 Revised Deficit** $0

SamTrans reached agreement with ATU Operations and Maintenance Unit:

- Wage freeze in FY2012 and FY2013, with a possible 2.5% increase in FY2014
- Employee contributions to health care and pension plans
  - Employees contribute 3% in FY2012, another 3% in FY2013 and additional 4% in FY2014, for a total of 10% over 3 years
  - Employees contribute 2% towards PERS retirement in FY2012, another 2% in FY2013 and additional 1% in FY2014, for a total of 5% over 3 years
Impact of ATU Agreement for other employees

For the ATU Customer Service and non-represented employees:

- To ensure equity for these employees, Board approved a 2.75% wage increase to take effect 9/14/11 (salaries were frozen for past three years)
- Non-represented employees will also contribute to health care and pension plans, similar to the ATU agreement

District’s Fiscal Status resulting from these actions
District’s Fiscal Status
(consistent w/ FY2012 Adopted Budget)

Assumptions:
• Reduced Caltrain contribution to $10.6 million in FY2012, $11.0 million in FY2013 and capped at $4.9 million starting in FY2014
• Annual sales tax growth rate @ 1.5% - 2.0%
• Assumes full repayment of right of way from the JPB partners, full repayment by FY2021
• Includes approved changes to pension and benefit contributions from employees

District’s Fiscal Status
(w/ Proposed Changes to Caltrain ROW Payments & Terms of Labor Negotiations)

Assumptions:
• Reduced Caltrain contribution to $10.6 million in FY2012, $11.0 million in FY2013 and capped at $4.9 million starting in FY2014
• Annual sales tax growth rate @ 1.5% - 2.0%
• Assumes full repayment of right of way from the JPB partners, full repayment by FY2021
• Includes approved changes to pension and benefit contributions from employees
District’s actions and strategies going forward

Next Steps – Near Term

• Seek operational efficiencies by continuing to work on the SamTrans Service Plan
• Explore cost containment strategies for delivery of paratransit services
• Work with the JPB members and MTC to implement agreements reached on the Caltrain budget for FY2013
• Continue to engage the Board on monitoring the financial condition of the District
Next Steps – Longer Term

• Continue to develop bus service responding to new and strengthening markets to increase service productivity and attract new riders
• Continue discussions with JPB member agencies on Caltrain funding options for FY2014 and beyond
• Continue to work with stakeholders, including the Silicon Valley Leadership Group and MTC’s Transit Sustainability Project, to develop strategies for new revenue sources including a dedicated, permanent funding source

Dedicated Funding
Dedicated Funding Source

Top priority among key opinion leaders:

- SamTrans Board
- Caltrain Board
- Friends of Caltrain
- Silicon Valley Leadership Group

Dedicated Funding Source

Broad outreach effort this year

- Four Caltrain community budget hearings
- JPB budget hearings, meetings
- More than 5,000 written public comments
- Two regional community summits
- SVLG city-by-city forums
- SVLG coalition meetings
- SVLG public opinion survey
Initial SVLG Poll Findings
- Sales tax - most politically viable new revenue option
- 1/8-cent in three-county area = $70 million per year
- Voter threshold = 2/3
- One measure, three counties had most voter support
- Authorization for three-county measure requires legislation
- November 2012 ballot is most desirable

Initial Efforts Unsuccessful
Legislation drafted authorizing three-county approach
- Outreach to legislators
- Equity concerns
- Precluded by legislative deadlines

Statewide legislation authorizing gasoline surcharge (SB 791)
- Potential for Caltrain operations funding
- 50% voter threshold
- Precluded by legislative deadlines - two-year bill
Dedicated Funding Source

Additional Options/Next Steps

- MTC regional gas tax
- SVLG polling data
- Explore SMC-only measure
- Continue to build community support for SamTrans/Caltrain
  - Director Tissier’s San Mateo County Mayor’s Group

Questions?