VTA's General Manager recently presented a financial forecast in regards to the operating and maintenance cost of the BART extension to San Jose. The memo is dated August 4, 2008 with the subject: BART Operating Subsidy. A careful analysis finds VTA's presentation and estimate to be an incomplete representation of the costs. If we apply the terms of the Comprehensive Agreement between BART and VTA in 2001, and otherwise use staff's numbers, not only would VTA use up its reserves, it would have a deficit even with the proposed 1/8-cent tax.

According to the Comprehensive Agreement, VTA is required to pay a percentage of its sales tax quarterly to BART:

Section IV.E.1.a:

VTA will advance to BART for SVRT Extension operating, maintenance and capital costs as described in Sections IV.C. and D. of this Agreement a subsidy in the amount of $12 million per quarter ($48 million annually) in Fiscal Year 01/02 dollars. Such amount The "Subsidy") will be adjusted quarterly from December 31, 2001 at a rate equal to the growth rate of all taxable sales in Santa Clara County for the most recent quarter for which taxable sales data is available versus the same quarter of the prior year.

$12 million quarterly payment / $38.5 million in ½ cent sales tax revenue in FY2002 Q2[1] = approximately 31% of the ½ cent sales tax revenue

Obviously, a 1/8 cent sales tax would only provide a 25% of the revenue compared to a ½ cent sales tax. As such, the 1/8 cent sales tax proposal would only cover slightly less than 81% of the mandatory payment to BART.

The mandatory payment from VTA, plus passenger fares on the BART extension, will be used to pay the direct operating and maintenance cost, allocated overhead costs, as well as the capital reserve. Contrary to the VTA memo, VTA's maximum contribution to the capital reserve is 30% of the direct operating and maintenance cost plus the allocated overhead. The 5% capital contribution on the first year and 20% contribution after 15 years represent the <u>minimum</u> required capital contribution.

Section IV.F.2:

The balance of revenues for the fiscal year, over and above revenue used to cover operations and maintenance costs, will be allocated to an interest bearing, segregated capital reserve fund. Starting with the first year of operation, the minimum capital reserve fund allocation will be 5% of the operating and maintenance costs, as determined in accordance with Section IV.F.1.above. The minimum capital reserve fund allocation will increase annually by an amount equal to 1% of the operating and maintenance cost to a level, not to exceed 20% of the operating and maintenance cost as shown in Exhibit C, attached hereto and incorporated by reference as if fully set forth herein. The maximum capital reserve fund allocation in any year will be 30% with the exception of circumstances as described in Section IV.F.5 below.

If the mandatory payment and passenger fares are not enough to cover the operating cost and the minimum capital reserve contribution, BART will invoice VTA for the difference. BART will only remit funds back to VTA if the mandatory payment and passengers can completely cover the operating cost plus the 30% maximum capital reserve contribution. For the first 15 years, BART can keep the excess revenue beyond the maximum 30% capital contribution unless both parties agree that VTA has contributed enough to support BART's infrastructure. In simple terms, there cannot be surpluses for VTA resulting from the proposed 1/8 cent sales tax.

This analysis assumes the other data provided by the VTA memo, but any reduction in tax and/or fare revenue, or increases in costs could further increase VTA's deficit.

BART Extension Subsidy Calculation								
BART extension - Millions of YOE$	2017	2018	2019	2020	2021	2022	2023	2024
ANNUAL SUBSIDY								
BART extension Direct O&M Costs	-$102.00	-$106.70	-$113.00	-$117.80	-$123.40	-$130.10	-$135.00	-$140.30
BART extension Allocation of Fixed Overhead O&M Costs	-$11.90	-$12.30	-$12.90	-$13.20	-$13.70	-$14.30	-$14.70	-$15.10
Subtotal – BART extension O&M Costs	-$113.80	-$119.00	-$125.90	-$131.10	-$137.20	-$144.30	-$149.70	-$155.50
BART extension Incrmental Fare Revenue	$65.00	$69.20	$74.20	$78.50	$83.40	$88.80	$93.70	$98.60
Total BART extension O&M Cost Net of Fare Revenue	-$48.80	-$49.80	-$51.60	-$52.60	-$53.80	-$55.50	-$56.00	-$56.90
Farebox recovery	57.12%	58.15%	58.94%	59.88%	60.79%	61.54%	62.59%	63.41%
ANNUAL TAX REVENUE								
1/8 cent Sales Tax Revenue	$61.10	$63.30	$66.60	$68.80	$71.50	$74.70	$76.50	$78.40
½ Cent Sales Tax Revene	$244.40	$253.20	$266.40	$275.20	$286.00	$298.80	$306.00	$313.60
CASH BALANCE								
Mandated BART payment	-$76.18	-$78.92	-$83.04	-$85.78	-$89.15	-$93.14	-$95.38	-$97.75
Minimum BART subsidy with minimum capital contribution	-$54.49	-$56.94	-$60.51	-$63.09	-$66.15	-$69.93	-$72.47	-$75.56
Maximum BART subsidy with 30% capital contribution	-$82.94	-$85.50	-$89.47	-$91.93	-$94.96	-$98.79	-$100.91	-$103.55
Deficit between 1/8 cent sales tax and mandatory payment	-$15.08	-$15.62	-$16.44	-$16.98	-$17.65	-$18.44	-$18.88	-$19.35
Cumulative deficit		-$30.70	-$47.14	-$64.12	-$81.76	-$100.20	-$119.08	-$138.43

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	SUM
-$147.60	-$153.10	-$160.30	-$167.80	-$174.90	-$181.40	-$190.10	-$197.00	-$205.10	-$214.10	-$218.60	-$226.00	-$3,204.40
-$15.80	-$16.20	-$16.70	-$17.30	-$17.90	-$18.40	-$19.00	-$19.50	-$20.10	-$20.80	-$21.00	-$21.50	-$332.30
-$163.30	-$169.20	-$177.00	-$185.20	-$192.80	-$199.80	-$209.10	-$216.60	-$225.30	-$234.90	-$239.60	-$247.50	-$3,536.70
$104.70	$109.70	$115.70	$122.10	$128.50	$134.40	$141.60	$147.70	$154.70	$162.00	$166.70	$173.40	$2,312.50
-$58.60	-$59.50	-$61.30	-$63.10	-$64.40	-$65.40	-$67.60	-$68.80	-$70.60	-$72.90	-$72.90	-$74.10	-$1,224.20
64.12%	64.83%	65.37%	65.93%	66.65%	67.27%	67.72%	68.19%	68.66%	68.97%	69.57%	70.06%	65.39%
$81.60	$83.60	$86.40	$89.50	$92.10	$94.20	$97.70	$100.40	$103.80	$107.70	$108.70	$111.80	$1,938.50
$326.40	$334.40	$345.60	$358.00	$368.40	$376.80	$390.80	$401.60	$415.20	$430.80	$434.80	$447.20	$7,754.00
-$101.74	-$104.23	-$107.72	-$111.59	-$114.83	-$117.45	-$121.81	-$125.18	-$129.42	-$134.28	-$135.53	-$139.39	-$2,142.50
-$79.83	-$83.19	-$87.85	-$92.73	-$97.08	-$101.36	-$107.23	-$112.22	-$115.66	-$119.88	-$120.82	-$123.60	-$1,760.58
-$107.59	-$110.26	-$114.40	-$118.66	-$122.14	-$125.34	-$130.23	-$133.88	-$138.19	-$143.37	-$144.78	-$148.35	-$2,285.24
-$20.14	-$20.63	-$21.32	-$22.09	-$22.73	-$23.25	-$24.11	-$24.78	-$25.62	-$26.58	-$26.83	-$27.59	
-$158.57	-$179.20	-$200.53	-$222.61	-$245.34	-$268.59	-$292.70	-$317.48	-$343.10	-$369.68	-$396.51	-$424.10	

1. Measure B Transportation Improvement program FY2003 expenditure plan, page 13, http://www.sccgov.org/SCC/docs%2FMeasure%20B%20Transportation%20Improvement%20Program%20%28PRG%29%2Fattachments%2F131621REplan_FY2003.pdf