EOS Report on Spending of Measure A Taxes: Implications for the Measure B Tax Proposal

September 6, 2016

An Eye on Sacramento Report

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EYE ON SACRAMENTO

KEEPING WATCH ON LOCAL GOVERNMENT FOR SACRAMENTO'S FUTURE

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Summary of Findings

How Measure A Funds Have Been Spent Should Inform Voters' Decision on Measure B

Sacramento County voters will make an important choice on November 8th on Measure B, a ballot proposal which would double the current Measure A one-half percent county-wide transportation sales tax to a full 1 percent. To help voters make an informed choice, EOS has examined how those local governments, which would see their transportation sales tax revenues doubled by Measure B, have been spending their Measure A funds. Have they been prudent and responsible? Or have they been wasteful and pursuing the wrong priorities?

Alarming Escalation of Capital Spending; STA's Wasteful Borrowing Practices

<u>Alarming Escalation of Capital Spending</u>. We have determined, however, that the Sacramento Transportation Authority, which administers Measure A funds, is engaged in an alarmingly rapid escalation of credit-fueled spending on capital projects, with its outstanding bond debt increasing from $180 million in 2009 to an expected level of over $450 million in 2017 - a 243 percent anticipated increase in debt.

<u>Misuse of Interest-Only Bonds</u>. Further, STA has chosen to finance most of its huge recent increase in bond debt through the issuance of very expensive interest-only bonds, which drive up total interest costs to taxpayers by an estimated 23 percent by postponing for 14 years any amortization (reduction) of bond principal, while creating future financial time bombs when the very large principal payments on such bonds start coming due in 2029.

<u>Interest-Only Bonds Will Waste at Least $52 Million of Taxpayer Funds</u>. If STA continues its current imprudent practice and pace of issuing interest-only bonds, the total sum of taxpayer funds that STA will waste on unnecessary additional interest costs over the next 23 years will likely increase from a currently estimated $52 million to over $100 million.

<u>Bond Service Costs Are Diverting Maintenance Dollars</u>. This rapid escalation in STA's bond service payments is also increasing diverting Measure A funds away from surface road maintenance programs and Regional Transit's operations and maintenance. Since STA intends to issue another $80 million in bonds over the next two years, the diversion of funds from maintenance and operations will grow. *The diversion of Measure A funds to pay interest on STA*

bond debt is projected to divert over $350 million of Measure A taxes from spending on surface road maintenance, RT's transit operations and capital expenditures on both roads and transit over the next 23 years.

Use of Interest-Only STA Bonds is a "Red Flag." The use of interest-only bonds is a "red flag" that the issuing entity is borrowing more money that it is capable of paying back on standard commercial terms (i.e. through fully amortizing standard muni bonds). Otherwise, the issuing entity would use standard bonds to avoid the higher interest costs that interest-only bonds entail. We urge Sacramento County to retain an independent financial advisor to assess the sustainability of the current pace of STA's capital spending, its portfolio of outstanding bonds, and its borrowing practices, and to recommend prudent changes in STA's borrowing practices and in the pace of its future capital spending.

Regional Transit Issues

Federal, State and Local Funding for RT Are *Not* "Drying Up." Contrary to public statements made by some RT officials, federal, state and local sources of funds for RT's operations and maintenance have not been "drying up." While funds available for capital projects have always been, and will continue to be, highly variable year-to-year, federal, state and local funds for RT operations and maintenance, including Measure A funds, have been less volatile and growing at an average rate greater than the inflation rate in recent years and are expected to continue to do so for the foreseeable future. Federal, state and local funds for RT operations and maintenance have grown less rapidly than RT had predicted which has been a factor in RT's overspending.

Controllable Causes of RT's Distress. RT's financial distress is real and has a number of causes, many of which were fully within RT's control, including wage and salary increases of 4 to 5 percent per year (more than double increases in the cost of living) which reduce funds available for maintenance; the wasteful spending of $42 million of Measure A funds on an unneeded 1.1 mile track from Downtown to Richards Blvd. (the Green Line); and the unnecessary borrowing of $86.7 million in Farebox Revenue Bonds to fund the local match on the premature expansion of the Blue Line from Meadowview to Cosumnes River College, which added a $5 to $6 million annual cost burden on RT. RT also faces the looming threat of having to cover operating losses on the proposed Downtown streetcar project which EOS projects could add from $6 to $8 million annually to RT's operating costs. RT also faces major increases in its pension costs and health care costs.

STA is Not Monitoring Availability of Matching Funds. STA is not keeping its 2004 promise to Measure A voters that local funds spent on capital projects would be matched with funds from the federal and state governments. Had this promise been kept by STA, RT would not have been permitted to spend $42 million of Measure A funds to build the 1.1- mile track to Richards Blvd. without either federal or state matching funds. By misspending such funds on the Richards Blvd. stub, such funds were not available to help fund the local match on the extension of the Blue Line to Cosumnes River College, which led RT to raise the local match through the issuance of pricey bonds instead.

Overtime Pay for RT Drivers While on Vacation. Unreasonable work rules, including a prohibition on RT's use of part-time drivers, negotiated into RT labor contracts have been driving up RT's costs substantially for years. One stunning instance of waste in its labor contracts concerns the payment of overtime pay to bus and train operators *while the operators are on vacation.* If their regular work assignment involves overtime pay, then RT continues to pay operators overtime pay while they are on vacation. Additionally, a replacement operator who fills in for a vacating operator receives the overtime pay a second time. So, RT ends up paying overtime twice to two different employees for the same bus or light rail run.

The Promising Start of RT's Henry Li. RT's new general manager, Henry Li, is instilling a new culture of openness and transparency at RT. He has also taken smart and decisive early actions, including rejecting a staff proposal to cut RT service levels (which would have made ridership losses from RT's recent 10% fare hike worse) and a decision to eliminate a number of administrative staff positions. The open question is: will the RT board, comprised of 15 elected politicians, support Li when he pushes them to approve the kind of major reforms RT must adopt, but which require political courage to stand up to expected opposition, including resistance from RT's unions?

Measure B's Bias in Favor of Building Light Rail to the Airport. While Measure B contains a "fix it first" provision that purports to limit capital spending in the first five years of the measure's 30-year existence, such a provision can be waived at any time by STA board action. Further, Measure B calls on RT to build the Green Line to the Sacramento International Airport, a $1 billion project that would be a misuse of resources given inadequate population density along the route. Measure B also places a higher funding priority on the Green Line to the airport than extending the Blue Line from Meadowview the last few miles to population-heavy Elk Grove, another case of misplaced priorities.

Measure B Could *Not* Fund an Extension of Light Rail to the Airport. We note that proponents of Measure B have been deceptively representing to voters that the measure's passage would result in completion of the Green Line to the airport. Even with federal matching grants, Measure B provides insufficient funds to fund an extension of light rail to the Sacramento International Airport or anywhere close to it. *In fact, EOS estimates that, even if Measure B is approved by voters, it would, at best and with all available federal matching grants, only fund construction of light rail one-half of the way to the airport.*

Giving More Money to RT Without Reforms at RT is Unwise. There is nothing in Measure B that will impel RT to adopt the critical reforms it must embrace to solve its chronic financial problems: reforming its overly politicized board governance, reining in wage, salary and fringe benefit costs, and jettisoning extremely expensive work rules under RT's labor contracts, etc. Without such reforms, RT will likely use the additional money it is promised in Measure B in a manner that will make matters worse.

A Mirage of Taxpayer Oversight. Measure B promises "taxpayer accountability measures" that are virtually identical to the "taxpayer accountability measures" in Measure A. Unfortunately, the "Independent Taxpayer Oversight Committee" called for in both Measure A and B is not independent, includes not a single taxpayer or taxpayer representative and has failed to provide effective oversight of Measure A spending. The ITOC issues no written reports and has failed to commission performance audits of Measure A spending as it is required to do under applicable law.

EOS's Vision for Transit Development in the Sacramento Region

We Really Do Mean "Fix it First." That is, fix it before any additional stream of funds is provided to Regional Transit. To help bring RT back to solvency and sustainability, RT should freeze all wage and salary hikes for two years and limit raises thereafter to cost of living increases, as well as renegotiate labor contracts to eliminate burdensome work rules, wasteful overtime policies, and explore all opportunities for reducing cost via outsourcing and managed competition.

Redeploy Streetcar Funding. RT and other proponents should terminate the costly and useless streetcar project and redeploy streetcar construction capital ($200 million) to replace our aging stock of light rail trains with modern low-floor rail cars, and to help fund minor alterations to existing Blue and Gold line routes to serve important new unserved destinations like CSUS and West Sacramento, which would greatly enhance the usefulness of the existing system. Redesign light rail routes in Downtown to serve Midtown residents.

Governance Reforms. The RT board cannot escape responsibility for RT's poor strategic decision-making and STA's excessive use of debt and its reckless use of interest-only bonds which drive up interest costs and increasingly divert Measure A fund from road maintenance and RT operations. RT and STA board members, most of whom serve on 10 to 12 other government boards, lack the time to provide effective oversight of the entities. We urge the adoption of governance reforms that remove elected officials from these boards and replace them with well-screened experienced directors and managers experienced with large complex organizations, as well as with community representatives.

Public Conversation on Future Funding. Once RT's financial problems are resolved, begin a broad public assessment and conversation on the potential need for increasing resources for transit to: restore free passes between light rail and buses, plan for a system of trunk bus routes running every 15 minutes on major roads and to build out the light rail route changes noted above.

Long-Term Transit Investments. For the long-term, Sacramento should implement a system of fast regional trunk line bus services that interconnect major destinations, with local bus routes reorganized around stops on the regional system, and deploy autonomous collector vehicles to replace lightly used bus service.

The complete EOS report may be viewed at www.eyeonsacramento.org. Inquiries regarding this report may be directed to:

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EYE ON SACRAMENTO

KEEPING WATCH ON LOCAL GOVERNMENT FOR SACRAMENTO'S FUTURE

To the Voters and Residents of Sacramento County:

In its work as a local government watchdog, Eye on Sacramento is quite selective in the matters it chooses to review or investigate. We tend to focus on civic matters which are of high public importance, but which are not receiving adequate scrutiny by media, government or other concerned citizens. We try to fill such vacuums by shedding light on what are often dimly lit corners of local government. We are strong believers in the sage advice of Justice Louis D. Brandeis who asserted that "sunlight is said to be the best of disinfectants."

In January of this year, we issued our first report on the Sacramento Regional Transit District: “EOS’s Recommendations on RT’s Fiscal Crisis” which was a critique of an RT staff proposal to increase fares by 20 percent, which would have put RT in a tie with New York City for the highest transit fares in the nation (the RT board ended up approving a 10% fare hike). We also issued a statement earlier this year on the qualities that the RT board should look for in its search for a new general manager, as well as a statement critiquing an RT staff proposal to reduce RT service levels, a proposal which was subsequently (and sensibly) withdrawn by RT’s new General Manager, Henry Li.

This is our first year of reporting on RT and other local transportation issues. Consequently, we’ve sought to rapidly familiarize ourselves with not only RT’s finances, operations and issues, but also with county-wide transportation issues and spending by the Sacramento Transportation Authority (STA) and the various local jurisdictions which have been spending our Measure A taxes.

We have been greatly aided in this effort by Professor Greg L. Thompson, who chairs EOS’s Transportation Committee and recently retired from the faculty of the Department of Urban and Regional Planning at Florida State University. Professor Thompson is a nationally recognized expert in transit issues and is the immediate past chair of the Committee on Light Rail Transit of the Transportation Research Board. Professor Thompson is the principal author of this report.

The process of acquiring, compiling, cataloguing and analyzing data on the spending of nearly $700 million of Measure A taxes collected since 2009, involving 13 local jurisdictions, has been a major endeavor. It has been the most data intensive project that EOS has undertaken to date. It would not have been possible without the determined efforts of our report’s co-author, Ms. Debra Desrosiers, who serves as EOS’s Vice President - Government Oversight.

We also want to express our sincere gratitude to RT General Manager Henry Li and STA Executive Director Jeffrey Spencer, both of whom are quite new in their positions. Messrs. Li and Spencer demonstrated a commitment to openness, transparency and cooperation in all of their dealings with us and our myriad questions. We also want to thank the many clerks, assistants, analysts and other local government staffers who responded promptly, courteously and professionally to our numerous records requests and other inquiries.

This report on the spending of our Measure A taxes comes in the heat of a serious public debate over Measure B, a ballot measure which would double the existing county-wide Measure A one-half percent transportation sales tax to a full one percent. We believe that voters deserve to know how their Measure A taxes are being spent before deciding whether a doubling of the tax is warranted.

Anyone who would like to discuss our report or its findings should not hesitate to contact Professor Thompson, Ms. Desrosiers or me.

Sincerely,

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Part I: The 'New' Measure A

Introduction

Since 2009, Sacramento County taxpayers have paid over $669,506,000 in transportation sales taxes under 'New' Measure A. While 'New' Measure A tax revenues increased, on average, 4.9 percent each year since 2007, real median household incomes in Sacramento County fell a precipitous 12 percent from 2007 through 2014.

People are paying more in taxes and making less. With the Measure B proposal to increase our transportations sales tax an additional one-half percent, Measure A spending to date must be evaluated. Looking at the current state of our local roadways, reliability and service issues with public transit and capital projects under construction, one must wonder, where is all that money going? This analysis takes a look at the history of Measure A, capital project spending, spending on road maintenance and other specific programs within local jurisdictions, as well as a worrisome acceleration of Measure A-related bond issuances and the use of non-amortizing Measure A bonds that are spiking interest costs and increasing diverting Measure A funds away from road maintenance and Regional Transit operations.

What Are the Origins of New Measure A?

In 2004, Sacramento County voters elected to extend a one-half percent transportation sales tax on retail sales that was first imposed by county voters in 1988. The purpose of the 1988 sales tax was to fund public road improvements (35%), public road maintenance (28%), public transit functions (35%) and assist with elderly and handicapped transportation functions (2%). According to the formula, prior to these distributions the following was to be deducted off the top: Administration (1%), Mitigation of Motor Vehicle Emissions (1.5%) and Folsom, Galt and Isleton would receive the portion of the sales tax collected within their municipal boundaries.

Among the promises made to voters in 1988 were reduced traffic congestion by widening and improving area highways, improved air quality, expanded commuter and public transit systems (including light rail extensions and purchase of new and additional buses), expanded transportation services to senior citizens and handicapped people, construction, repair and widening of bridges, construction and repair of existing highways, local streets and roads and a mandate to collect separate developer fees or taxes for new construction which impacts streets and roads.[1]

The 'New' Measure A passed with 75 percent of voters supporting the extension for an additional 30 years.[2] Although the vote passed in 2004, the 'New' Measure A, Ordinance No. STA 04-01 did not go into effect until 2009.[3] The 'New' Measure A had a new Transportation Expenditure Plan (TEP) promising voters to reduce traffic congestion, improved air quality, to

[1] STA Ordinance STA 88-0002 http://eyeonsacramento.com/wp-content/uploads/2016/08/Ordinance-STA-88-0002.pdf Pg. 3

[2] Sacramento Registrar of Voters http://www.elections.saccounty.net/ElectionInformation/Documents/sac_004995.pdf Pg. 17

[3] STA Ordinance STA 04-01 http://www.sacta.org/pdf/new_measureA/FinalNewMeasureAOrdinance.pdf Pg. 3

maintain and strengthen the county's road and transportation systems, enhance Sacramento County's ability to secure state and federal funding for transportation by providing local matching funds, to preserve unique, natural amenities, to preserve agricultural land and to serve all residents of Sacramento County. Promises were also made to voters of an Independent Taxpayer Oversight Committee (ITOC) to supervise fiscal and performance audits regarding the use of all sales tax funds and to provide for independent review to ensure that all funds were spent in accordance with the provisions of the TEP, as approved by voters.

Since the inception of the New Measure A, over $669,500,000 has been collected from Sacramento County taxpayers.[4]

Fiscal Year	Measure A Taxes Collected	
2009/10	$	**82,079,968**
2010/11	$	**85,782,437**
2011/12	$	**91,473,309**
2012/13	$	**95,817,000**
2013/14	$	**100,369,646**
2014/15	$	**104,849,638**
2015/16	$	**109,134,682**
7 Year Total	**$**	**669,506,680**

Part II: Leading Sacramento Regional Transit Out of the Wilderness: Mishandling of Measure A Funds; Will Measure B Help?

Introduction: A Sudden Crisis

RT adopted an operating budget in June 2015 showing that fares and federal, state, and local subsidies would continue to support RT's bus and light rail operations over the coming fiscal year. Suddenly, at the end of the calendar year, RT staff informed the public that the transit district was facing a severe financial crisis. Annual operating and maintenance expenses exceeded income by about $4 million. Management would once again have to dip into its rapidly dwindling operations reserve to make ends meet. Moody's had downgraded RT's credit rating. Management attributed the shortfall to reductions in federal, state, and local funding, but it was unclear why management could not have predicted the shortfall at least a year before it happened.

Understanding RT's financial problems, and why they suddenly broke upon the public, helps in assessing whether Measure B should be supported as a means of leading RT out of the financial wilderness. EOS believes that RT has not been forthright in talking with the public about the reasons for its financial distress, and so it undertook the tedious task of learning about the sources of RT's problems. The EOS analysis follows.

[4] New Measure A Distributions http://www.sacta.org/p_measurea.html August 2009 through June 2016

Federal, State, and Local Sources of Funds Have *Not* Been Drying Up

Regional Transit's Comprehensive Annual Operations Report, as well as reports from the Sacramento Transportation Authority on the use of Measure A funds, provide details of RT's operating subsidies in addition to fare revenues. Table 1 below summarizes these RT revenue sources.

RT states that its operating budget crisis stems in part from a diminishment of federal, state, and local subsidies for operations. What this statement actually means is that the growth in funding has been less than what the Sacramento Association of Governments (SACOG) had forecast, based on projections of growth in the regional economy following the Great Recession. Table 1 shows that operating subsidies did decline with the recession of 2008-2009, but have grown every year since Fiscal Year 2011. *RT's current fiscal crisis stems* <u>*not*</u> *from a decline of revenues, but from its operating expenses growing faster than revenues.* Its financial crisis is further exacerbated by sharp increases in RT's fixed charges for debt service, as shown in Table 1.

Table 1. Funds that RT Uses to Subsidize its Operating and Maintenance Expenses

Table __. Sacramento Regional Transit Revenues and Expenses									
							Debt Service		
Fiscal Year	Fare Revenue	Subsidies That Can Be Used Against Operating Expense	% Increase on Year Earlier	Total Operating Revenue	Operating Expense	Net Revenue	Principal	Interest
2006	$25,071,791	$104,658,444		$129,730,235	$133,217,834	($3,487,599)	$9,400,000	$699,146
2007	$27,101,261	$118,470,621	13.2%	$145,571,882	$134,356,800	$11,215,082	$1,425,000	$640,008
2008	$29,865,810	$115,572,834	-2.4%	$145,438,644	$149,029,101	($3,590,457)	$1,470,000	$611,508
2009	$32,571,459	$108,754,008	-5.9%	$141,325,467	$139,829,027	$1,496,440	$1,530,000	$549,033
2010	$30,863,701	$96,360,868	-11.4%	$127,224,569	$131,552,128	($4,327,559)	$1,605,000	$472,533
2011	$28,967,228	$89,726,163	-6.9%	$118,693,391	$120,627,827	($1,934,436)	$1,690,000	$392,282
2012	$28,964,148	$101,258,250	12.9%	$130,222,398	$124,598,383	$5,624,015	$1,770,000	$307,783
2013	$29,578,679	$109,004,025	7.6%	$138,582,704	$136,103,794	$2,478,910	$5,740,000	$2,347,098
2014	$29,156,920	$115,299,629	5.8%	$144,456,549	$144,777,141	($320,592)	$2,710,000	$4,123,100
2015	$28,396,102	$119,886,619	4.0%	$148,282,721	$148,304,911	($22,190)	$2,795,000	$4,041,800
Source: Sacramento Regional Transit. Comprehensive Annual Financial Report, FY 2015, p. 89.									

When one looks at the revenue that RT receives from all sources, shown in Tables 2 and 3 below, one cannot help but notice the large variations from year-to-year. When one looks more carefully at these figures, however, it becomes apparent that most of the annual fluctuation is in RT's capital expenditures. The funds that used primarily to support RT's operations and maintenance are much less volatile from year-to-year.

Table 2 presents all sources of federal funding for RT over the past 10 years. Two categories are discretionary and are used for major capital projects. These are Section 5309 New Starts funding and Federal Highway Discretionary funds. The federal government provided RT with capital grants in both of these categories for construction of the Blue Line extension to Cosumnes River College. We are not certain of the use put to the Federal Highway Discretionary Funds, but assume that they were used to construct grade separations where the extensions cross major highways. The remaining categories are for maintenance primarily for rail facilities, but some of the funding categories allow for maintenance of buses. These funds are allocated, by formula, to each region in the U.S., and Table 2 shows the amount that the Sacramento region received each year. These funds are grouped into the operating subsidy category in Table 1.

Table 2. 10 Years of Federal Funding for RT

Table ___. 10 Years of RT Federal Funding

	Federal Transit Funds					Other Federal Funds Used for Transit in Sacramento					
Fiscal Year	Section 5307	Section 5309 Fixed Guideway	Section 5309 Bus	Section 5309 New Starts	Section 5316/5317 JARC/NF	Federal Highway Discretionary Funds	Section 5339 Bus and Facilities	Section 5337 State of Good Repair	ARRA	Other	Total Federal
2006	$14,840,853	$3,452,070	$870,000	$0	$430,000	$3,602,000	$0	$0	$0	$0	$23,194,923
2007	$14,250,000	$4,217,137	$401,280	$0	$425,047	$1,363,000	$0	$0	$0	$0	$20,656,464
2008	$17,177,791	$4,562,242	$434,720	$4,410,000	$200,000	$7,100,000	$0	$0	$0	$0	$33,884,753
2009	$17,981,339	$4,797,633	$451,440	$6,930,000	$483,148	$1,363,000	$0	$0	$16,240,000	$0	$48,246,560
2010	$19,028,000	$4,638,430	$0	$38,000,000	$28,898	$2,300,000	$0	$0	$15,057,612	$0	$79,052,940
2011	$17,880,540	$5,582,436	$0	$0	$285,313	$0	$0	$0	$0	$0	$23,748,289
2012	$18,676,000	$6,003,331	$5,000,000	$0	$615,000	$0	$0	$0	$0	$384,912	$30,679,243
2013	$19,907,689	$0	$0	$40,000,000	$525,000	$3,229,327	$524,211	$8,872,128	$0	$93,287	$73,151,642
2014	$19,877,317	$0	$0	$45,660,000	$318,239	$21,071,200	$794,629	$10,024,225	$0	$247,500	$97,993,110
2015	$19,679,867	$0	$0	$0	$0	$0	$1,093,451	$10,011,827	$0	$29,029	$30,814,174
2016											

Source: RT CAFR for FY2015, p. 94.

Table 3 presents the various state and local funds that RT received over the past 10 years. The three categories of local funds can be used for either capital or for support of operations and maintenance. The most lucrative are Measure A and the Local Transportation Fund (TDA-LTF). While both are derived from sales taxes, the process of their distribution differs. The Transportation Expenditure Plan (TEP) for Measure A provides RT with 35 percent of all Measure A revenues annually derived from its one-half percent sales tax applied to taxable sales in Sacramento County – after Measure A-related bond payments and administrative expenses are taken off the top. RT uses these funds to support its operations and maintenance.

In addition, the TEP provides RT with periodic capital infusions which have totaled about $118 million since the inception of Measure A. *Measure A led voters to falsely believe that the taxes raised by the measure would be used to directly fund both capital expenditures and maintenance of roads and transit.* In fact, Measure A funds are only directly used to fund maintenance expenditures. Capital expenditures are funded entirely from the proceeds of bonds issued by the Sacramento Transit Authority, which are repaid in the future, with interest, from Measure A tax receipts.

To date, RT has received approximately $51 million in capital from this source. Table 3 shows the Measure A operations and maintenance funds and capital funds mixed together. Table 4 breaks down New Measure A funds allocated to RT between those going to support operations and maintenance, and those earmarked for capital projects. Table 4 shows that RT used most of its Measure A capital for construction of the Green Line to Township 9.

STA's fateful policy decision to fund capital expenditures for roads and transit out of bond borrowings instead of directly expending Measure A funds for such purposes - as voters had been lead to believe would occur - will have an increasingly serious negative impact on county-wide road maintenance and transit operations, as discussed below under the section entitled "STA's Borrowings Are Taking Funds From Transit Operations and Road Repairs."

The LTF comes from a one-quarter of 1 percent sales tax applied to taxable sales in Sacramento County, whose magnitude fluctuates with the economy. RT receives most of the LTF funds flowing into Sacramento County, but smaller transit operators in the county receive some of the funds. Generally, the LTF has been growing since FY2010, and Table 3 shows the amounts that RT has received.

Table 3. 10 Years of State and Local Funding for RT

10 Years of State and Local Transit Expenditures in Sacramento

	State Funds		Local Funds				
Fiscal Year	State Transportation Improvement Program	Other	Measure A	Local Transportation Fund	State Transit Assistance	Other	Total
2006	$44,368,000	$0	$41,846,466	$37,861,087	$5,818,675	$0	$129,894,228
2007	$0	$70,000	$43,775,228	$39,400,100	$15,758,692	$0	$99,004,020
2008	$10,125,000	$19,512,000	$48,105,515	$32,459,480	$8,541,278	$0	$118,743,273
2009	$0	$1,558,699	$35,372,161	$33,056,759	$4,908,090	$0	$74,895,709
2010	$0	$7,979,439	$79,836,086	$24,698,724	$5,151,088	$0	$117,665,337
2011	$10,128,000	$3,650,232	$29,075,732	$27,382,646	$5,304,891	$0	$75,541,501
2012	$0	$25,984,490	$31,045,187	$34,671,997	$9,596,963	$0	$101,298,637
2013	$0	$36,576,736	$32,368,073	$30,043,310	$10,019,397	$0	$109,007,516
2014	$0	$2,718,257	$33,972,533	$34,608,246	$9,520,611	$50,000	$80,869,647
2015	$0	$10,702,271	$36,131,514	$36,098,557	$8,869,049	$1,506,854	$93,308,245
2016							

Source: RT CAFR for FY2015, p. 95.

A less lucrative source of RT funding is the State Transit Assistance fund (TDA-STA), whose source of revenue is a tax on diesel fuel. This revenue has been declining. SACOG channels funds from this source to several transit operators in Sacramento County based on an application that each operator submits to SACOG for use of the funds. Table 3 shows what RT has received.

The State Transportation Improvement Program is for specified capital programs. It appears that RT used the funds received in FY 2006 and 2008 as partial funding for extension of the Gold Line to Folsom, as well as to the Sacramento Valley Station. The $10.1 million allocated in FY 2011 could have been used as partial funding for the Green Line construction to Township 9, added to the $43 million of Measure A funds that RT used for that purpose as shown in Table 4, although we are not certain of this point.

The "Other" category in Table 3 includes Traffic Congestion Relief Program (TCRP) grants for three capital projects specified in the legislation, but while the state promised RT these funds, it has yet to deliver on them. The promised funds include $70 million as a partial local match for the Cosumnes River College extension of the Blue Line. The "Other" category also includes Proposition 1B funds for smaller capital projects, including planning and engineering work for the proposed Downtown Circulator Streetcar.

It is unclear whether Table 3 includes Proposition 116 funding, passed statewide in 2000. Prop 116 provided RT with a $100 million capital grant to fund construction of new light rail lines.[5]

Table 4. Summary of RT New Measure A Revenues from its Inception in FY2010 Through Fy2015

Table. Summary of RT New Measure A Revenues							
Fiscal Year	For O&M Support			Capital Support			Total
	Amount	% Change from Year Earlier		For Green Line	For CRC Extension to Blue Line		
2010	$27,678,086						$27,678,086
2011	$28,942,154	4.57%		$18,965,532	$996,910		$48,904,596
2012	$30,885,085	6.71%		$15,350,316	$2,462,543		$48,697,944
2013	$32,368,073	4.80%		$26,789	$8,884,718		$41,279,580
2014	$33,922,401	4.80%		$8,714,879	($5,144,173)		$37,493,107
2015	$35,451,925	4.51%		$178,451	$516,457		$36,146,833
Total	$189,247,724			$43,235,967	$7,716,455		
source: RT PRA requests, Measure A Operating Expenses; RT PRA requests, Measure A Capital Project Expenses, 10POF Billing Summary found in 2010 folder.							

In general, the wide fluctuations in funding that RT receives from year-to-year, which is apparent in Tables 2, 3, and 4, stems from the sporadic nature of capital projects. RT initiates capital projects from time-to-time, or sporadic state legislation earmarks grants for specified capital projects. There is no regularity to either process, and there's really no need for regularity. However, when one looks at only at funds available to RT for operating and maintenance support, the flow is much more regular and has steadily increased from year-to-year since FY 2012, as shown in Table 1.

What, Then, Is the Cause of RT's Financial Distress?

In a report released in March 2016, EOS attributed the apparently sudden RT financial crisis to several problems that RT had not identified. One problem was annual wage and salary increases of 4 to 5 percent, exceeding increases in the cost of living by a factor of two to three. Such large wage and salary increases are causing RT to have an operating expense per vehicle mile of service that is approximately 30 percent higher than the average for its transit agency

[5] Sacramento Regional Transit, Comprehensive Annual Financial Report for FY 2015, p. 95.

peer group. At the same time, the number of passengers that make use of each vehicle mile of service that RT operates is steadily decreasing, while passengers per vehicle service mile are modestly increasing for RT's peer group.

Another problem we identified was RT's borrowing $86.7 million in November 2012 against fare revenues to provide part of a local match for a federal grant to extend the Blue Line to Cosumnes River College. Suddenly RT had to pay roughly $6 million annually to service the 30-year bonds, and this amount came out of fare revenues that previously had been an important part of funds use to support operations and maintenance of the bus and rail system. (See also Table 1.)

A third problem was the unplanned extension of light rail to Township 9, at the behest of developers, resulting in increased operating expenses of about $500,000 annually for a rail service that attracts only about 300 passengers per day to and from Township 9. (RT subsequently reported that their out-of-pocket cost for operating this service is about $333,000 annually.)

A fourth problem was the opening of the Cosumnes River College light rail extension in August 2015. The opening increased light rail operating expenses by $5 to $6 million per year. Planning for this extension had been underway for years; it is unclear why RT did not anticipate the major impact it would have upon its system-wide operating budget.

EOS also identified a looming threat that would add as much as $8 million annually to the cost of operating the system: the Downtown circulating streetcar being promoted by the City of Sacramento and SACOG. While not yet approved, the streetcar could land in RT's lap and become a heavy unsupportable financial burden to the already financially-crippled transit system.[6]

Overview of RT's Problems

There are number of recurring themes that underlie most of RT's deeply entrenched problems. These themes can be largely summarized as follows:

- RT prioritizes capital spending ahead of operations and maintenance
- RT prioritizes the expansion of light rail routes ahead of the rehabilitation/restoration of its basic transit service
- RT has failed to adopt a back-to-basics approach toward RT infrastructure (i.e. by failing to set aside adequate funds to replace its aging fleet of light rail cars)
- RT willingly sacrifices funds needed for basic system infrastructure in order to fund projects sought by special interests (i.e. the $6 million refurbishing of Downtown light rail stations to appease arena owners, drawing the funds from bond proceeds and Paratransit vehicle replacement reserves; the 1.1-mile Green Line track to Richards Blvd.)

[6] Eye on Sacramento. *EOS's Recommendations on RT's Fiscal Crisis: Avoiding Both Bankruptcy and a Transit Death Spiral,"* 14 March 2016. http://eyeonsacramento.com/reports/

- RT fails to understand that its failure to maintain or restore 15-minute headways on its routes has seriously diminished total ridership.
- RT fails to understand that a relaxation of RT fare hikes is essential to restoring lost ridership.
- STA's rapid and substantial increase in bond issuances in order to accelerate capital spending is a fool's errand that is sacrificing Sacramento's long-term transportation capital and maintenance needs for the sake of dubious short-term gains.
- STA imprudent practice of issuing high-cost, minimally amortizing bonds is diverting Measure A funds from RT's operations and maintenance needs, as well as road repairs.
- STA and RT both utterly fail to appreciate the major prudential value of setting aside funds in sinking funds to cover future capital expenditures vs. their current policy of engaging in accelerated binge borrowing to "build as much as possible now."
- STA's and RT's rigid focus on a fixed 30-year "Transportation Expenditure Plan" is a failed relic of the 20th Century that's destined to fail in the face of rapidly changing 21st Century technologies and evolving public needs that cry out for flexibility.
- RT has been chronically ignoring its serious fiscal problems by failing to timely deal with its growing unfunded pension liabilities and health care costs, while continuing to hire administrative personnel.

A point of clarification: when we use the term RT in the above contexts we aren't referring to the numerous highly qualified and high performing staff professionals which RT employs. We are, instead, referring primarily to the RT board which is directly, through board action, or derivatively, through its failure to exercise sound oversight of RT, responsible for each of the misguided policies, actions and inactions we have identified above.

STA's Borrowings Are Taking Funds From Transit and Road Repairs

Another problem facing RT is the decline in the rate of growth of maintenance and operating funds – and likely future absolute reduction in such funds - available from 'New' Measure A due to the Sacramento Transportation Authority's galloping increases in bond interest costs and future escalating bond payments. To date, RT has enjoyed steadily increasing operating and maintenance funds from Measure A, as shown in Table 4, but that is likely to change due to STA's accelerating borrowing binge in the past seven years, with its total outstanding bond debt rising from $185 million in 2009 to over $371 million as of June 30, 20015. The remaining payments on these currently outstanding bonds amount to over $625 million. STA has expressed its intent to issue a further $80 million of bonds over the next two years, which would bring its outstanding bond debt to over $450 million, a 243 percent increase over 2009.

So far, the STA has sold four bond series to fund some of the capital projects promised in Measure A. Its three largest bonds each require payment of interest-only for the first 14 years of the bond, with zero principal payments for 14 years from the date of the sale of the bonds. As principal repayments kick in the final 10 years of the bonds (from 2029 thru 2039), annual bond service payments will balloon and the bond principal and interest payments will be vacuumed off the top of annual Measure A sales tax revenues before STA distributes remaining Measure A revenues for road maintenance and transit operating funds. Total debt service on STA's bonds is expected to jump from $17.7 million annually from 2016 thru 2028 to $33.7 million in 2029 and rising to $35 million in 2031 thru 2039 (not counting payments on the $80 million of bonds STA plans to issue in the next two years).

In FY2015, for example, bond payments were $10.6 million, which is about 10 percent of the annual sales tax revenue that Measure A returned to Sacramento County in FY 2015. In FY 2016, bond servicing was forecast to increase to $14.3 million and then to $17.7 million in FY 2017; around 16 percent of total revenue. Servicing remains at that level until 2029, when it almost doubles and then increases to over $35 million annually until the end of Measure A. Each instance of a sudden large stair-step increase in bond service payments will reduce operating and maintenance funds that RT and the other jurisdictions will receive. This diversion of Measure A funds from maintenance use will increase further with the issuance of additional STA bonds.[7]

STA's Interest-Only Bonds Will Waste $52 Million in Extra Interest

In order to borrow and spend as much as possible as rapidly as possible on capital expenditures, STA has unwisely structured its major bond issuances as interest-only financings for over one-half of the term of its bonds (12 of 24 years). This has the effect of significantly driving up its interest costs since interest-only bonds receive none of the interest-reduction benefits that come from principal reductions in the early years as occurs with a standard, fully amortizing bond. EOS estimates that STA will waste $52 million of taxpayer funds in unnecessary interest costs over the course of its currently outstanding bonds. EOS projects that STA's (taxpayers') total interest costs will be 23 percent higher as a consequence of issuing interest-only bonds instead of fully amortizing standard bonds.

Given the accelerating pace of its bond issuances, STA apparently intends to issue several hundred million dollars more of Measure A bonds over the 23 years remaining life of Measure A.

If STA continues its current imprudent practice and pace of issuing interest-only bonds, the total sum of taxpayer funds that STA will unnecessarily waste on bloated and unnecessary interest costs over the next 23 years will likely increase from the currently estimated $52 million of waste to well over $100 million, every dollar of which will be drained from spending on road maintenance, transit operations and real capital expenditures.

Who's Monitoring the Matching Funds For Capital Projects?

Some of the financial mess in which RT is enmeshed is of its own doing. In the 'New' Measure A ballot measure in 2004, STA promised voters that RT would use capital funds raised by the measure to partially match a federal capital grant to extend the Blue Line to Cosumnes River College. It also promised that RT would use a small amount of capital grants from New

[7] Sacramento Transportation Authority. $106,100,000 Sacramento Transportation Authority, Measure A Sales Tax Revenue Refunding Bonds, Series 2015 A (Limited Tax Bonds), pp. 23 and 50. Interview with STA Director Jeff Spencer and staff by Debra Desrosiers and Greg Thompson in STA offices, 6 July 2016.

Measure A to conduct planning and engineering studies for the Downtown Natomas-Airport Line (DNA Line, aka the Green Line).[8]

STA did not keep its 2004 Measure A promise to the voters. STA and RT diverted Measure A funds that should have been used as a local match to leverage federal money for the Meadowview extension of the Blue line, to build, instead, a project that was not disclosed to the voters. $43.2 million of Measure A funds were spent on a project to build 1.1 miles of track from Downtown Sacramento to Township 9 (See Table 4).

In addition, the City of Sacramento diverted part of a $30 million state grant, for low-income housing and transit-oriented development (Prop 1C funds), for the construction of the Township 9 station.[9] While a Township 9 developer claims that he donated $4 million of his own money to the construction of the Township 9 station, RT's chief legal counsel, Tim Spangler, stated in response to a formal public records request that RT has no record of any private money being used for the Green Line construction to Township 9.[10] There also was no federal grant for this line, so the $43.2 million of Measure A funds spent on the 1.1-mile line failed to leverage federal money as had been promised to the voters.

RT Misused Measure A Funds to Build a $45 Million "Train to Nowhere"

There was no federal match, in part, because such a short segment makes no sense from the perspective of serving the public. The Federal Transit Administration (FTA) will not consider providing capital grants for anything less than what it identifies as the "Minimal Operating Segment" (MOS-1) of a line, which the FTA identifies as the minimal length of a line that has "independent functional utility."[11] For the Green Line, the Minimal Operating

[8] Sacramento Transportation Authority. Ordinance No. STA 04-01: An Ordinance Providing for the Continuation of a One-Half of One Percent Retail Transactions and Use Tax by the Sacramento Transportation Authority for Local Transportation Purposes. Enacted 29 July 2004. Exhibit A, Summary Table p. 13.

[9] The following report from the 08 August 2013 Sacramento City Council meeting indicates that the Township 9 lightrail station was funded entirely with Prop 1C money:

> The Township 9 project received $30 million in previous Proposition 1C rounds, which was used to create public streets, parks, the light-rail station and a parking garage for the 180-unit affordable, rental housing project which is currently under construction. Township 9 has met all the requirements of the previous funding and is in good standing with the City and HCD on the project.
>
> Township 9 is a mixed-use, TOD infill project located within the River District that is planned for 2,350 housing units, 840,000 square feet of office and 150,000 square feet of retail. It is immediately adjacent to the Richards Boulevard/Township 9 light-rail station.

Sacramento City Council Agenda Report, Meeting Date: 8/8/2013, Report Type: Consent, Report ID: 2013-00604, Title: Township 9 Proposition 1C Applications, Location: District 3.

[10] RT response to 2nd Request, Public Records Act Request EOS PRA 20160608-1, Green Line Funding. RT Chief Counsel Tim Spangler wrote EOS's Debra Desrosiers:

Dear Debra, I cannot find anything indicating that we have used developer fees for the Green Line. . ."

[11] See section 1.3.2 in https://www.transit.dot.gov/funding/procurement/bbpm-purpose-and-scope, downloaded by Greg Thompson, 07 July 2016.

Segment- 1 was from Downtown to central Natomas. RT defined the stub from Downtown to Township 9, however, as "MOS-1," presumably indicating that the stub was the first phase of the Minimal Operating Segment. As such, it had no "independent functional utility."[12]

MOS-1 promised little new ridership for RT; a promise that became reality after the stub opened in 2012 with very low ridership. While costing more than $45 million to build (possibly $55 million, if the $10.1 million State Transportation Improvement Program grant for FY 2011 shown in Table 3 was used for the Township 9 stub), including the cost of the Township 9 station and $330,000 annually to operate, the Green Line Stub to Township 9 attracts only about 300 passengers per day to and from the Township 9 station. This is the only station on the line. RT decided to build the sub-par Green Stub to Township 9 without federal funds, and to do so it used up its New Measure A capital that was promised to match federal funds for the Blue Line extension to Meadowview.

RT's Spending of Measure A Funds on "Train to Nowhere" Led to RT Bond Issuance

In the meantime, RT was offered a federal FTA grant of $135 million for the Blue Line extension to Cosumnes River College, which was projected to cost $270 million in total. RT needed to provide a local match of $135 million.[13]Apparently, about $30 million of that came from Prop. 1B money provided by the state,[14] and part was to come from New Measure A as promised to the voters in 2004. As discussed, however, most of the New Measure A capital was committed to Township 9 developers and only about $7.8 million was left for the Cosumnes River College extension.

Because of this, RT turned to the state with the hope that it would provide additional funding for the local match. The additional grant would have come from a program called the Transportation Congestion Relief Program (TCRP). As shown in Table 3, this Act earmarked $70 million for RT to use as a partial local match for the Cosumnes River College extension, and it earmarked $25 million for improvements of the I-80 northeast light rail line, as well as another $20 million for extension of the Gold Line from Sunrise to Hazel.

Unfortunately, the state held up disbursement of funds to RT.[15] So, RT decided to borrow funds for the local match, and it did so in November 2012 by issuing $87 million of Fare

[12] Regional Transit, "New Measure A Status Report, Quarter Ending March 31, 2016." Jeffrey P. Damon, Director of Long-Range Planning, 04 April 2016, p. 6.

[13]Railway Technology.com, "The Blue Line to Cosumnes River College (CRC) Light Rail Extension," downloaded from http://www.railway-technology.com/projects/the-blue-line-to-cosumnes-river-college-crc-light-rail-extension/ on 25 June 2016 by Greg Thompson.

[14]In November 2006 voters endorsed the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. This apparently was Prop. 1B and provided for the sale of $19.925 billion state general obligation bonds. $4 billion was set aside for the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). From this account, RT received $11,597,606 for FY 2014 and $19,393,309 for FY 2015, which coincides with the construction of the Cosumnes River College extension. Amounts for other years are not shown. See Sacramento Regional Transit, Comprehensive Annual Financial Plan, FY 2016, p. 71.

[15]The Traffic Congestion Relief Act of 2000 (AB 2928 and SB 1662) created the TCRP; the Traffic Congestion Relief Fund (TCRF); and committed $4.909 billion to 141 specific projects designated in law. Chapter 4.5, Article 1

Revenue Bonds (bonds secured by a pledge of RT's bus and light rail fare box revenues). RT used most of the bond proceeds, about $60 million, to top off the local match for the Cosumnes River extension. It used some of the remaining funds as a local match for new buses. It did not use the rest immediately, however. It recently used bond proceeds to refurbish stations in the vicinity of the Golden 1 Arena at the behest of Downtown business interests and developers.[16] In the meantime, RT is obligated to pay the approximately $6 million annual debt service on the Fare Revenue Bonds from its annual fare revenue, seriously degrading the condition of its general fund.

Whether RT finally did get a TCRP grant from the state for any of the three RT projects earmarked in the act is not known to EOS as of this writing. However, a TCRP grant now is in the offing. In an introductory meeting between new RT General Manager Henry Li, his staff and EOS senior staff, Mr. Li stated that RT was about to receive a $50 million TCRP grant. RT is expected to use part of that money to retire some of the outstanding Fare Revenue Bonds, and use the rest of it to begin rebuilding its depleted operations reserve. Substantial debt service would remain for many years to come, and this will continue to come out of fare revenues.[17]

Downtown Developers' Interests Trump Interests of RT's Customers

Over the past year, RT has taken additional positions that promise to drive away more passengers while increasing its operating expenses. Most of these are related to the opening of the new Downtown arena. Downtown business interests want to use the K Street Mall for the financially disastrous streetcar adventure already discussed. To do so, they want to evict light rail from the K Street Mall and move it north four blocks to H Street. This requires a new capital expenditure of $40 to $100 million in order to make passengers walk an additional 1000 feet to destinations that they wish to reach, almost all of which are *south* of the K Street Mall.

This move would have a very negative impact on the system by chasing away even more passengers while wasting capital resources. Under the direction of General Manager Mike Wiley, RT enthusiastically endorsed this destructive development. The same can be said of demands of Downtown interests who have sought the closure of the light rail station best situated to serve the arena (7th St. and K St.), forcing passengers to walk an additional two blocks to the next nearest station.

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provided RT with $70 million for the Cosumnes River extension, $25 million for double tracking the northeast Route 80 light rail corridor, and $20 million for extending the Folsom light rail line to the Southern Pacific station in Downtown Sacramento. AB 438 (Statutes of 2001) delayed the five-year schedule for the TIF transfers by two years, from the original 2001-02 through 2005-06, to 2003-04 through 2007-08. AB 438 also authorized a series of loans to the state's General Fund, including a $482 million loan from the TCRF. The Governor proposed to repay the loan with tribal gaming revenues. Downloaded from web at http://www.catc.ca.gov/programs/tcrp.htm on 26 June 2016 by Greg Thompson.

[16] Downloaded from https://www.moodys.com/research/Moodys-downgrades-Sacramento-Regional-Transit-District-CAs-Farebox-Revenue-Bonds--PR_329746 on 05 July 2016 by Greg Thompson. See also Sacramento Regional Transit District, *Comprehensive Annual Financial Report*, pp. 42-43.

[17] Meeting between Henry Li, Tim Spangler, Laura Ham and Alane Masui of RT management with Craig Powell, Erik Smitt, Debra Desrosiers, and Greg Thompson of EOS at RT administrative offices, 28 June 2016.

RT's Opportunity to Substantially Cut Costs Through Outsourcing

One of the most important tools at RT management's disposal to control operating costs is its opportunity to outsource a range of services and functions currently performed "in-house" by RT employees. We understand that past RT management had been of the mistaken view that Section 13(c) of the Federal Transit Act ("Act") prohibits RT from outsourcing services and functions that were not already being contracted out when RT first started receiving financial assistance from the federal government when RT was first formed. This view is incorrect. The Department of Labor ("DOL"), which administers Section 13 matters under the Act, "has determined that Section 13(c) is not an impediment to the contracting out of transit services."[18]

Additionally, a 2013 General Accounting Office report stated that DOL officials, "following a search of their records and to the best of their knowledge," reported "that there has never been an instance where a transit agency has been unable to contract out public transit operations and other services because doing so would jeopardize Section 13(c) certification from the DOL."[19]

While it may have been politically easier for prior RT management to adopt a posture that outsourcing RT services and functions was prohibited by federal law, it is simply not the case that federal law bars RT outsourcing. Yes, contracting out selected RT functions may involve potentially contentious renegotiation of existing RT labor contracts. But given RT's rapidly increasing pension and health care costs, its wasteful and, frankly, abusive overtime policies and its very costly work rule that prohibits the employment of part-time drivers, RT has the potential to unlock tremendous savings if it commits itself to thoroughly exploring outsourcing opportunities in every element of its operations.

The mere existence of viable RT options to reduce costs via outsourcing will help RT rein in labor costs at the bargaining table. Its unions will quickly recognize that they no longer enjoy their past monopoly over staffing RT services – a monopoly which now allows them to extract much higher pay and benefit and impose far more burdensome work rules than they could if RT had real alternatives for securing services.

RT currently uses its own in-house human relations personnel and attorneys to negotiate its labor contracts. RT would be far better served if it were to engage a highly experienced outside law firm with proven expertise and success in negotiating labor contracts with RT's transit unions. Such a firm would be free of the clear conflicts of interest that RT employees/labor negotiators currently have in negotiating pay and benefits that could very well become the benchmarks for their own future pay and benefits. In addition, an outside law firm can take a more assertive posture in labor negotiations while preserving RT management's day-to-day working relationship with its bargaining units.

RT management and, most importantly, the RT board must never lose sight of who it is to whom they owe their primary duty and allegiance: RT customers and the taxpayers of Sacramento County who underwrite its operations.

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[18] Transit Cooperative Research Program, Legal Research Digest, "Transit Labor Protection – a Guide to Section 13(c) Federal Transit Act," June 1995, Issue #4, pp. 21-22

[19] GAO, "Transit Agencies' Use of Contracting Out to Provide Service," Report GAO-13-782, Sept. 2013, pp. 4-519[2])

Regional Transit's Pension Liabilities

EOS has continued to look into RT's finances, and found additional problems. The largest concern is RT's unfunded pension liabilities, which now total about $82 million.[20] It is unclear how RT will resolve this issue. Currently, RT addresses the problem by paying from its operating subsidies' substantially growing sums each year to contribute to the pension fund, as well as to pay for pensions of retiring and retired employees. We are unsure how these funds are shown in RT's accounts, but it appears to us that they are incorporated into the operating expense column shown in Table 1. In FY 2012, RT's pension-related payments amounted to $12.5 million, increasing to $14.5 million in FY2013 and to $16.3 million in FY 2014. In other words, RT's pension-related expenses increased by more than 60 percent over a three-year period, a rate of growth that will likely continue into the foreseeable future given low portfolio returns and longer than anticipated life expectancies of RT employees, both current and retired.

RT is also burdened by unfunded health care liabilities for both wage and salaried employees. RT made healthcare payments, for its employees, amounting to $2.3 million in FY 2013, $2.6 million in FY 2014, and $2.7 million in FY 2015.[21] These payments also came out of funds that support the operation and maintenance of the system, and we assume they are a component of the operating and maintenance column of Table 1. If this assumption is correct, the heavily escalating pension and health care expenses are "paid for" in part by RT deferring other needed expenses, perhaps in the area of maintenance.

Do You Get Overtime While You Are On Vacation?

Unreasonable work rules, which have been negotiated into labor contracts, also drive up costs greatly and create an inequitable distribution of income when compared to the circumstances of most RT riders. Transit service is, by its nature, labor intensive and it is no surprise that labor costs are the main category of operating expenditures for RT; as they are for all transit systems. Everyone understands that California is an expensive place to live and support a family, and that costs may be higher here than elsewhere, but the rules governing how RT bus and train operators are paid also make transit service unnecessarily expensive to provide. For example, if their regular work assignment involves overtime pay, then RT continues to pay bus and train operators overtime pay *while they are on vacation*.

How can this be? How can a transit agency that is running out of money pay bus drivers overtime to sit on a beach? A bit of an explanation of how work assignments are made on transit systems will be helpful to understand how this happens.

The hours of service of all bus and rail lines, planned and scheduled by RT, are divided into functionally operable work assignment packages called "runs". The runs have specific hours of pay associated with them, based largely on RT's agreement with the Amalgamated Transit Union (ATU) Local 256. These are selected by operators on the basis of their seniority. Runs

[20] Sacramento Regional Transit District. *Comprehensive Annual Financial Report*, FY 2015, https://www.sacrt.com/budget.stm p. 12.
[21] Sacramento Regional Transit District. *Comprehensive Annual Financial Report*, FY 2015, https://www.sacrt.com/budget.stm p. 65.

may include scheduled overtime for a couple of reasons; either the run requires more than eight hours of work in a day, or the time between going on duty in the morning and finishing work in the evening exceeds a certain threshold. At RT, that threshold is apparently ten hours and thirty minutes.

Because transit systems have to be running by the time the earliest commuters are traveling, and must continue to provide service for riders that work late shifts, any transit system's work day is, by its nature, going to exceed eight hours. We understand that RT, like all transit systems, tries to meet this requirement as economically as possible within the constraints of its labor agreements. We recognize that it may, in fact, often be cheaper to pay regular scheduled overtime than to hire additional operators, with their associated costs, in order to cover a long work day. It is obvious that when a transit operator works for more than eight hours on an assigned "run", he or she will earn overtime (time and one-half) for the hours worked in excess of eight hours. This is common practice required by law, and is expected in all industries and businesses where workers are paid hourly wages rather than an annual or monthly salary. We agree that there is nothing inherently wrong with scheduled overtime where hours worked in a day exceed eight.

Overtime that result from a run that exceeds a spread of ten and one half hours may be more questionable, but it can be understood. If an operator has a work day that is made up of two shorter shifts, for example 6-10AM and 3-6PM, in order to cover both rush hours, with five hours' time off between 10AM and 3PM, he or she may only work eight hours, but, since the time spread between the beginning of the first shift and the end of the second is 12 hours (6am to 6pm), they will be paid time and a half for the 1.5 hours in excess of 10.5 hours, even though they only actually work eight hours. This so-called "spread time' is also written into runs.

However, RT's work rules provide that when operators go on a week's vacation, they are not paid 40 hours at the regular straight wage rate like everyone else in the region. Instead, they enjoy a remarkable perk, apparently unique among all wage workers, of <u>continuing to earn the overtime included in their regular run when they are on vacation</u>. This is not required by any external law or regulation, but is a function of RT's collective bargaining agreement with ATU Local 256.

When an operator is on vacation, the service isn't cancelled. It still has to be provided. Therefore, the vacationing operator's run is taken by another operator who earns the overtime again; due to exceeding 8 hours of actual work or having a run with a spread that exceeds 10.5 hours. Thus, RT pays overtime <u>twice</u> for these runs; once for the operator actually performing the work and once for the operator who is on vacation. It is practices like these which, in the aggregate, make provision of service much more expensive than it should be.[22] Unfortunately, it

[22] On 30 June 2016 I sent the following letter to RT's incoming general manager Henry Li:

> "Dear Mr. Li:
>
> I and an associate have been reviewing Regional Transit's labor agreements, and would like to request some clarification about a provision of the current (2014-2017) contract with ATU Local 256.
>
> Under Article 19, Section 6, dealing with vacations, it is stated in the document:
>
> "Vacation pay for full-time employees will be paid at the straight time hourly wage rate, or run pay, whichever is greater."

is unlikely that most of RT's passengers get any paid vacation at all, let alone vacation paid at time and a half.

Write Your Own Pension Package

Then there is the issue of former RT general manager Mike Wiley's pension. Wiley had worked in RT's administrative office for almost his entire career, finally being elevated to general manager in 2007. His appointment came just as RT was reaching its peak patronage after nearly two decades of steady growth. Wiley announced his retirement at age 62 in 2015. His tenure as general manager spanned RT's decline. Despite the dire straits in which Wiley was leaving RT, the board provided him an annual retirement of $285,612. Under federal law the maximum annual pension that Wiley could take from the pension fund was $210,612. The RT board thought he was entitled to $75,000 more, so they diverted these annual funds to Wiley's retirement from RT's exhausted operations and maintenance budget. This announcement came days after 20 employees were let go from the administrative office, to help make ends meet for the troubled system. Wiley's retirement was set to be effective on December 31, 2016, but he was to remain on staff, with a personal services contract capped at $50,000, until November 2017.

Fabrizio Sasso, executive director of the Sacramento Central Labor Council, called Wiley's personal services contract "insane." Numerous others criticized the contract as well. Because of such criticism, the board cut Wiley's retirement back to $279,000, and the part of his retirement taken out of the operating budget was reduced to $68,270 annually. His retirement also was moved up to August 2016, and a new general manager, Henry Li, was to take the reins

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1. Are we to understand here that RT operators who go on vacation are not paid at the straight wage rate per hour, but are actually paid overtime while they are on vacation?
2. As most runs presumably involve built-in overtime, this must mean that virtually all operators earn overtime when they are on vacation. Is that correct?
3. When an operator is on vacation and his or her run is filled by an Extra Board or Vacation Relief operator, the overtime involved in the run is also paid to them, is that correct? In other words, the run pay overtime is paid twice - once to the operator covering the work, and also secondarily to the operator who is on vacation; is this correct?
4. Does RT have enough operators to cover vacation work either from the Extra Board or by Vacation Relief operators? Is it ever necessary to resort to Regular Day Off operators to cover the runs of operators who are on vacation? If this should occur, what is the rate at which operators working their Regular Day Off are paid to cover runs involving overtime for a vacationing employee?

Thank you for your response to these questions."

I received the following answer from RT's Chief Operating Officer Mark Lonergan:

"Mr. Li asked that I respond to your question concerning our labor agreement with the ATU, the labor union representing RT's bus and rail operators. Your interpretation is correct. Operators on bid runs are paid their run pay while on vacation. Run pay can include overtime that is built into the run, although not all runs have overtime, some are just 8 hours. You are also correct in your assumption that the operator working a run for an operator on vacation will typically receive run pay for the work that includes any overtime built into that run. Like many transit systems, we have vacation relief operators that pick the work of operators on vacation. These are the operators that would receive run pay for operators on vacation."

on July 1, 2016. The maximum for Wiley's personal services contract was also reduced to $25,000. Sasso observed, "The public should be outraged that [extra] money is coming out of RT's operations budget. They had to steal money from the operations budget. Does he need that? That is the kind of recklessness this agency has taken for a long time."[23]

RT Reform?

New RT general manager Henry Li hit the pavement running. In the weeks following his assuming control of the RT system, the author rode light rail several times. Professional ticket inspectors asked to see the author's proof of payment on each ride. Before that, the author had not seen a roving ticket inspector for at least six months. Trains and stations were cleaner. Passengers seemed to have higher morale. Li also trimmed RT's bloated administrative staff, a distasteful but much needed step.

EOS representatives have held multiple meetings with Mr. Li and his senior staff, and engaged in extensive and candid discussions with them about the problems facing RT and potential solutions. EOS is hopeful. Real and sustained progress, however, depends upon RT getting its operating costs under control, which will require the commitment of the RT board to aggressive cost reduction, a commitment it has yet to demonstrate. Getting operating costs under control cannot possibly happen before the November 8th vote on Measure B, and a "yes" vote on Measure B would remove a major incentive to bring RT costs under control.

Will Measure B Help RT?

Sacramento Transportation Authority Ordinance 16-01 establishes Measure B, which asks voters to approve an additional one-half percent sales tax to raise revenue for transportation projects in addition to sums raised by Measure A. Measure B is projected to raise $3.6 billion over 30 years, while Measure A is expected to raise more than $3 billion in its remaining 23 years. Tax revenue raised by both measures (if Measure B passes) would run concurrently through the end of the Measure A tax, which expires in 2039, with Measure B continuing until 2047. The Transportation Expenditure Plan (TEP) for Measure B stipulates that Regional Transit would receive 26.35 percent of the revenues, roughly 12 percent less than what RT receives from Measure A.

The TEP says that RT must reform itself to some degree before it receives funds for building the Green Line through Natomas to the airport, installing sidings on the Folsom extension to allow for express service, or extending the Blue Line further south to Elk Grove. These reforms, defined in Measure B, include devoting 75 percent of Measure B funds, over the first five years, to raise RT's fare box recovery rate to or above the minimum set forth in the Transit Development Act, reversing the decline in transit patronage, and replenishing its depleted operations reserve. However, the requirement is not binding. At any time, RT's board could override the requirement with an 80 percent vote and divert its Measure B funding to building, for example, the Green Line in the direction of the airport.

[23] Tony Bizjak. "RT Chief's Retirement Deal Gets Chopped, But Anger Remains." Sacramento *Bee*, 24 June 2016. On line.

Even with a federal match, Measure B provides insufficient funds to get anywhere near the airport. In fact, EOS estimates that even if Measure B is approved by voters, it would, at best and with matching federal grants, only fund construction of the Green Line one-half of the way to the airport. We note that proponents of Measure B have been deceptively representing to voters that the measure's passage would result in completion of the line to the airport.

Escalating Salaries And Benefits Are Eating Up Maintenance Funds

The RT reforms sought in Measure B would not address one of the major issues facing RT, which are its labor costs, including fringe benefits, which are rising at a much faster rate than inflation. The TEP shows that over 40 percent of Measure B funds earmarked for RT are to subsidize operations and maintenance, increase security, and replace vehicles. However, this provision is silent on how much of this revenue is spent on each of these widely divergent categories. TEP language implies that the vast majority would go to vehicle replacement. However, the actual language allows all of it to go to wage increases, if the RT board and management so desire.

RT's light rail fleet needs replacement almost entirely; it is unclear whether the amount set forth in Measure B comes anywhere close to the amount needed for this purpose, particularly if the majority of funds are diverted to subsidize operations and maintenance. Thus, there is no guarantee that RT's rapidly growing, inequitable, and ultimately unsustainable wage, salary, and fringe benefit increases can be trimmed to fit the rate of inflation. This reform, above all others, is required to restore Regional Transit to health and allow its expansion into a more useful transportation service for the Sacramento region.

Build Light Rail Extensions Only if Population Densities Justify It

Measure B's TEP also places undue emphasis on extension of the Green Line in the direction of the airport. As we have reported, a large part of RT's current financial meltdown is due to their sudden and reckless construction of the Green Line to Township 9 with Measure A funds. These funds were programmed to be a partial match, with Federal funds, for the Southward extension of the Blue Line to Cosumnes River College. The decision to abandon that directive and use them, sans federal match, instead for the Green Line extension, forced RT to borrow $87 million to obtain much of the local match for the Blue Line extension. The resulting debt service of $6 million annually is a big reason for the financial plight facing RT today and would have been avoided had RT been less solicitous of pleasing Downtown developers and more dedicated to serving its passengers.

Measure B's TEP perpetuates favoritism for the questionable Green Line extension over other capital projects. For example, the TEP states that funds can be used for extending the Blue Line *only if doing so* does not use up funding, including federal funding, that might otherwise go to the Green Line extension. An extension of the Green Line, which would cost over $1 billion to build and wouldn't be adequately funded even if Measure B were to pass, should be deferred until population densities along the proposed route justify such an extension.

Green Line Extension Would Further Erode Road/Transit Maintenance Spending

Spending over $1 billion prematurely on such an extension before area densities justify it would produce only anemic ridership gains, at best, at the cost of a tremendous increase in STA's interest costs. Why? *Because STA borrows via bond issuances every dollar it disburses for local capital projects,* a fact unknown to voters. Given STA's adoption of the financially reckless practice of issuing bonds that provide for zero amortization of bond principal for 10 years or more, the higher interest costs associated with an extension of the Green Line to the airport would magnify the current diversion of Measure A (or even Measure B) dollars that would otherwise flow to road maintenance and RT operations and maintenance.

Every dollar that STA borrows to finance a capital project must, of course, be repaid with interest. And each dollar STA spends on bond repayments and interest is a dollar that is scooped off the top of Measure A revenues and diverted from road maintenance and RT's operations and maintenance.

Regional Transit is Essentially Insolvent

On June 22, 2016, just eight short days before the June 30th end of Regional Transit's 2015/2016 fiscal year, RT management delivered to a the RT Board of Directors a budget request that read as follows:

> *In accordance with Board Adopted Reserve Policy, staff seeks advance approval [from the RT Board]* ***to utilize up to the full amount of the available reserve balance****, which is $4,504, 578, to cover the final F[iscal] Y[ear] Operating loss. Authorizing the reserve requires a 2/3rd vote of the board* [bolding added for emphasis].

This extraordinary management request asked the RT board to approve spending every last penny that RT has in its bank account to cover current year losses in its general fund, with the request coming in just eight days before the end of RT's fiscal year. The remaining cash RT had in reserves on June 22nd - $4.5 million - amounted to just 2.8 percent of RT's annual operating budget, enough cash on hand *to pay for less than one week* of RT's operating costs.

We are receiving reports that RT is currently relying on a bank line of credit as a fiscal life line, drawing down on it to pay its bills, and that relations with its bank lender are "stormy." RT's previous bank reportedly told RT that they no longer wanted RT as a customer, which necessitated the move to its current banker. We are also receiving reports that some RT creditors invoices are remaining unpaid for as much as 90 days.

In the same June 22nd budget request, RT management announced that it had taken a number of emergency actions to staunch the flow of red ink: a system-wide hiring freeze, cancellation of overtime pay, and cancelation of training, travel and entertainment. The budget request also informs the board that the general manager had ordered that "*expenditures across the board – such as equipment, supplies, office furniture and computes that are not operationally critical – must be held to absolutely essential operating and safety needs.*"

The RT Board approved management's request to authorize the spending of the last of RT's cash.

RT is effectively out of cash and is apparently unable to pay its bills as they come due, the very definition of insolvency.[24] Yet in the face of these stark and startling facts, that same evening RT management proposed - *and the RT Board approved* - a massive $102 million capital expenditure budget! The logic was that the capital budget was being funded overwhelmingly by others: an STA capital grant, a federal grant, a state grant, etc. But almost every capital project results down the road to higher operating costs, as countless other local governments have come to learn the hard way.

The cost of constructing RT's light rail expansion of the Blue Line to Cosumnes Community College, while funded by a variety of grants and loans, caused nearly $6 million in higher operating expenses for RT, for which it had failed to plan, which has caused a great deal of RT's current fiscal crisis. Yet RT management and the RT Board are on the same misguided path to repeat the mistakes it apparently failed to learn in its tragic experience with the Blue Line extension.

Measure B will not solve these problems. Passage of Measure B would provide no more than short term, palliative fiscal relief to RT relief without addressing the serious, intractable policy and governance problems that are destroying RT. Why should taxpayers bail out RT when RT's leadership insists on pursuing policies that fail to control costs and keep it on a path towards continued financial crisis?

Major, fundamental changes in STA/RT policies and governance *are the only actions* that will solve these problems. Measure B would enable RT to continue on the same destructive path for a few more years, at most, until the inherent unsustainability of its current course brings it to a halt.

Governance Reform

There is extensive overlap in the membership of the RT board and the membership of the STA board. All are elected city councilmembers or county supervisors. Few have executive or business experience in managing large, complex organizations. Most of them serve on as many as 10 or 12 other agencies and joint power authorities, in addition to their service on the RT board and their own jurisdictions' governing body. Given how overburdened they are with the excessive number of boards on which they serve, it is unreasonable to expect any of them to give the time and attention required to act as fully informed, effective and responsible fiduciaries and overseers of either RT or STA. Almost all of them also have to earn a living to support their families on top of their public service roles.

[24] RT imposed a 25-cent general fare hike on July 1st. The hike is expected to give RT little financial breathing room because: (a) fares cover only about one-fifth of the cost of each RT ride; and (b) the fare hike is causing a further loss of RT riders. RT ridership over the next two years is expected to fall by 7% as a consequence of the fare hike, according to most predictive models.

Overworked and harried elected officials almost inevitably become overly reliant on the managers of the public bodies on whose boards they serve. Further, elected officials too often inject inappropriate political calculations into RT and STA policy decisions, particularly on decisions over whether to initiate capital projects and what routes to select for such projects. Millions of dollars are at stake in such decisions and elected officials are not immune from pressures from large contributors who often have a major financial stake in the decisions of STA and RT.

It is long past time to acknowledge these irrefutable realities and to reform how both the RT and STA boards are governed. Elected officials should be removed from the boards and replaced by carefully screened professional board members and experienced executives, preferably with an array of subject matter expertise to allow the Boards to exercise robust oversight of both the RT and STA boards, as well as community representatives (including an RT rider rep). But there is one political truism that stands firmly in the way of the adoption of such clearly needed reform: incumbent politicians are loath to give up political power. Consequently, governance reform is likely to come in only one or two ways: a citizens' ballot initiative mandating such change or governance reform forced upon RT in the context of a Chapter 9 municipal bankruptcy.

Mentioning the Unmentionable: RT's Bankruptcy Option.

RT is not alone among transit agencies in the U.S. that are facing severe financial problems. The Washington DC Metro transit system faces many the same ills as RT: high wages and escalating benefit costs, soaring pension liabilities, declining ridership, burdensome and costly work rules, heavy reliance on bank lines of credit, pricey bond debt, a dysfunctional governance structure, and premature system expansions that have driven up operating costs.

Earlier this year, DC Metro engaged Jones, Day, the global law firm of which Kevyn Orr is a senior partner. Orr is one of the nation's preeminent bankruptcy lawyers. He recently finished a two-year stint as the state-appointed, full-time "emergency manager" of the City of Detroit. Orr also served as an advisor to financially struggling Atlantic City and helped with Chrysler's huge bankruptcy reorganization. Orr will be serving as a special advisor to DC Metro as it seeks to navigate its way through its troubled finances.

RT is going to need some leverage to successfully work its way through its financial problems. Bankruptcy or even the specter of bankruptcy can provide RT with significant leverage in dealing with its creditors, bondholders, unions and other stakeholders. Chapter 9 bankruptcy proceedings are expensive, fraught with unpredictability and an option of last resort. Nevertheless, the very specter of bankruptcy (i.e. which DC Metro created by the hiring of Kevyn Orr) puts a municipality in a much stronger bargaining position in reaching a collaborative work-out of its financial problems outside of a formal Chapter 9 proceeding.

Some recent court decisions, including one in the City of Stockton federal bankruptcy proceeding[25] and another handed down by a California appellate court,[26] recognize, really for the

[25] *In re City of Stockton*, 2015 Bankr. LEXIS 360 (Bankr. E.D. Cal. Feb. 4, 2015) http://www.lexology.com/library/detail.aspx?g=f064aca0-1f2a-4a20-ad20-444102ab0766

first time, the right of California municipalities to implement some modifications of their existing pension obligations, particularly with respect to benefits that accrue from the future services of their employees. These decisions provide RT with a legal foundation for reining in its escalating retirement costs.

Measure B Contains No Vision for Transit Development

Measure B says nothing about transit organization, including issues surrounding the provision of transit to the region and operational issues such as the need to rein in wage, salary, and fringe benefit costs.

Regional Transit foolishly used Measure A funds to get itself into the mess that it now finds itself by funneling taxpayer money into projects demanded by real estate developers which have turned out to be worse than useless to RT riders and tragic for RT's finances. This is because the projects have caused bloat in RT's bureaucracy while taking away from RT's subsidies for operating bus and rail services. The result: downgradings of RT's credit rating, the highest transit fares in California, service cutbacks, and a major loss of riders. Without reform, RT will use the additional money it is promised in Measure B to make matters even worse. Regional Transit should first reform itself with a new decision-making structure that places the interests of riders and taxpayers above those of real estate developers and speculators.

EOS's Vision for Transit Development in the Sacramento Region

We really do believe in Fix it First. That is, we believe in, "Fix it BEFORE we give any additional sources of funds to transit in the region." To do otherwise would be to divert taxpayer dollars into the pockets of transit employees and special interests rather than into service improvements. Set forth below are EOS's recommendations on what RT should accomplish before receiving additional tax revenues:

- Freeze administrative salaries for the next two years, and then limit raises thereafter to increases in the cost to living;
- Renegotiate salary raises under RT's labor contracts to hold them to zero for two years, and limit them thereafter to increases in the cost of living;
- Renegotiate administrative and labor contracts to require employees to pay one-half of the annual "normal" costs of pension benefits;
- Renegotiate RT's labor contracts to eliminate the most burdensome and expensive work rules and waste, including removing the prohibition on part-time operators and eliminating the requirement to pay overtime to operators on vacation;
- Retain a law firm experienced in negotiating labor contracts on behalf of transit agencies to negotiate all RT labor contracts and modifications;
- Examine every opportunity to reduce RT's operating costs thru outsourcing or management competition ;

[26] Marin Assoc of Public Employees v. Marin County Employee's Retirement Assoc., Cal App, 1st Dist., Div. 2, Case #A139610, Aug. 17, 2016 http://www.courts.ca.gov/opinions/documents/A139610.PDF

- Kill the circulator streetcar project to save the heart of Sacramento from a costly and useless blunder that will congest Downtown traffic and accelerate transit ridership losses by pushing light rail too far away from where people want to go, while potentially saddling RT with crushing annual streetcar operating losses;
- Redeploy the $200 million of capital funding for the streetcar, which is of no benefit to the Sacramento region, to the purchase of a new fleet of low-floor light rail cars that will enhance the entire system, and which will be a major benefit to people of the Sacramento region. We have in mind cars similar to those shown in Figure 1 below, which would stimulate the urban and suburban environments in which they would operate;
- Stop construction of the Green Line extension to the airport; mothball the existing Green Line "Train to Nowhere" until such time as sufficient development occurs in Township 9 to produce patronage; and
- In place of the circulating streetcar, design relatively minor alterations to the routes of existing light rail Blue and Gold Lines that would serve important destinations that are currently unserved, greatly increasing the usefulness of the existing system. Here is what we have in mind:

    - Reconfigure and redesign light rail downtown routings to increase ridership by adding Midtown as a light rail destination and by improving the aesthetics of the paths taken by light rail through the Downtown area.
    - This would require rerouting the Blue Line into Midtown by having it continue north from R Street to K Street along the west side of the Union Pacific Railroad. There would be a transfer station with the Gold Line at R Street and one or two stations between there and K Street to serve Midtown. At K Street the line would turn west, weave between the Convention Center and Theater, and connect with the existing light rail tracks on K Street to 7th/8th. At 7th/8th the line would jog south to Capitol Mall, which it would follow across the Tower Bridge into West Sacramento.
    - The Blue Line from the south would follow this route to K and 7th/8th, where it would turn north and then west to terminate at the Sacramento Valley Station, along with the Gold Line. Alternatively, it could terminate at Township 9 once development there starts coming on line.
    - The Blue Line from the north also could be redirected to follow the west side of the Union Pacific across the American River into Midtown, turning west onto the line just described for K Street. This line would continue to K Street and 7th/8th, where it would turn south to Capitol Mall, which it would follow across the Tower Bridge into West Sacramento. We realize that the Downtown development community has largely accepted erroneous arguments that light rail with high patronage cannot coexist with pedestrian environments, but we know that argument is false. See examples in Figure 2 below.
    - Similarly, design a spur light rail line into the center of the CSUS campus and over the American River into the Campus Commons area. This infrastructure configuration would enable operation of a new local light

rail route that would begin in the Campus Commons area, where it would intercept several bus routes. The line would cross the American River south of the existing Guy West pedestrian bridge and weave through the campus, after which it would turn onto the Gold Line just east of the 65th Street Station. From that point it would make all station stops along the Gold Line, while Gold Line trains would run express into Downtown. The "CSUS Local" could terminate in West Sacramento. See examples in Figure 3 below.

With the prescribed "Fix it First" reforms accomplished, EOS believes that we should begin a broad productive community conversation and debate on the option of a new Measure C (sales tax measure) which might:

- Restore 35 percent funding for transit improvement s (which is what Measure A currently allots);
- Restore free transfers between light rail and buses;
- Plans for and implements a system of trunk bus routes (running every 15 minutes at all times) running on arterial roads and coordinated with light rail; and
- Build the Midtown and CSUS light rail route modifications described above.

EOS also believes that the region should then engage in planning for long-term investments that would facilitate the development of a sustainable transit system. The planning effort should proceed with meaningful community participation. This topic merits regional engagement and debate, but here are our thoughts:

- The general approach would be to develop regional trunk line services that interconnect the major destinations to which residents wish to travel. The trunk lines should be much faster than local buses, using long station spacing, similar to RT light rail, BART, or bus rapid transit. Local bus routes would be reorganized around stops on the regional system. Lightly-used bus services would be replaced with collective autonomous vehicle systems, which would also be implemented to replace some private automobile traffic. The reason for this is that large infrequent buses running around with 0, 1, 2, or 3 passengers on board not only provide the worst possible transportation service for riders, but also waste fuel and increase greenhouse gases.

- There would be no penalties or double fares for transferring between bus-to-bus, bus-to-rail, rail-to-rail, or to or from autonomous vehicles. A regional umbrella agency would coordinate all services so that they appear to travelers to be part of a seamless regional system.

- The role that such a transit system should play in the Sacramento region would be to provide mobility throughout the region for those without access to personal transportation, as well as to provide an alternative to personal transportation for those traveling to and from congested areas.

- A regional transit umbrella agency would plan transit facilities and services, emphasizing ease of transferring and regional connectivity. The umbrella agency would build transit infrastructure. However, it would operate nothing directly itself, but would contract with possibly numerous operators for different parts of the system.

Figure 1. State of the Art Low-Floor Light Rail Cars

All photos this page: Greg Thompson

Figure 2. State of Art Light Rail Infrastructure Enhancing Central City Environments

Photo: Courtesy of Tom Larwin

Photo: Courtesy of Tom Parkinson

Photo above and below: Greg Thompson

Figure 3. State of the Art Light Rail Serving Suburban University Campuses
Photos: Greg Thompson

Part III: Measure A Spending by Other Jurisdictions

What Jurisdictions Receive Measure A Funds?

A one-half percent sales tax is collected for all retail transactions in Sacramento County under Measure A. The proceeds are collected from retailers by the State Board of Equalization, which collects a fee for the service off the top of the funds. The taxes collected are then forwarded to the Sacramento Transportation Authority's trustee, US Bank, which first pays debt service payments (loan payments) on STA's outstanding bonds.[27]

The remaining funds are then distributed to Sacramento Transportation Authority (STA) for jurisdictional disbursement to the cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento, Isleton, Galt, the County of Sacramento, Regional Transit, the Neighborhood Shuttle, Sacramento County Regional Parks, Sacramento Transportation Authority program administration, the Sacramento Metropolitan Air Quality Management District (SMAQMD) and the Consolidated Transportation Services Agency (CTSA) according to percentages set forth in the Transportation Expenditure Plan (TEP).[28] Disbursement percentages can and do change from time to time based on changes in population and the number of road miles in each city and the county.

Measure A Distributions Earmarked for Program (Categorical) Expenditures

According to the 'New' Measure A Transportation Expenditure Plan (TEP), jurisdictions receive funds for non-capital "program" or categorical expenditures which are allocated among the jurisdictions based 75 percent on population and 25 percent based on road miles each jurisdiction. Those program expenditures are: 1) the City Street and County Road Maintenance Program, 2) Traffic Safety, Streetscaping, Pedestrian and Bicycle Facilities Program and 3) the Traffic Control and Safety Program.[29] [30]

City Street and County Road Maintenance Program funds are for the preservation and keeping of public streets, safety devices, planting, illumination equipment and associated facilities safe and useable, along with upgrades for bicycle lanes, curbs, gutters and sidewalks. These maintenance provisions include roadway reconstruction, patching, repairing, surface treating, and joint filling, reshaping and restoring streets. Also authorized are pavement

[27] STA 2015 Comprehensive Annual Financial Report http://www.sacta.org/pdf/CAFR/2015CAFR.pdf Pg. 10
[28] STA Ordinance STA 04-01 http://www.sacta.org/pdf/new_measureA/FinalNewMeasureAOrdinance.pdf Pg. 12
[29] STA Measure A Ordinance STA 04-01 Exhibit A http://www.sacta.org/pdf/new_measureA/FinalNewMeasureAOrdinance.pdf Pgs. 9-11
[30] While we have tallied Measure A dollars spent by local governments on road maintenance and related programs, we have not made an independent assessment of whether road maintenance spending has been efficient or wasteful. Such an assessment is beyond the scope of this report. That said, we believe it is highly advisable that such an assessment be conducted, perhaps by an independent auditor selected by the Sacramento County auditor, to assess whether local governments receiving road maintenance funding from Measure A have been efficient in spending and performing such maintenance and administering these programs.

sweeping, repainting, striping, replacing landscaping, irrigation, servicing of signs, guardrails, traffic signals, lighting and furnishing power for street and road lighting and control devices.[31]

Traffic Control and Safety Program funds are to be spent to improve the operation and safety of local street and road networks for motor vehicles, bicycles, pedestrians and persons with disabilities, such as expansions of vehicle capacity at intersections. Authorized expenditures include assessment and evaluation of operations, environmental review, engineering, design, improved traffic signage, traffic signals and signal coordination, and pavement markings.[32]

Safety, Streetscaping, Pedestrian and Bicycle Facilities Program funds are for construction, improvement and/or upgrading to provide bicyclists, pedestrians and persons with disabilities with safe and efficient travel routes. Funds are authorized to be used for environmental review, engineering, design, inspection and construction; installation, improvement and upgrades to traffic signs and traffic signals, landscaping, bicycle lanes or pathways, curbs, gutters, sidewalks as well as barrier and hazard removal, labor, materials and supplies for construction for improvements to facilitate bicycle and pedestrian travel, as well as improved streetscapes.[33]

Of Measure A taxes available after payment of STA's debt service, 30 percent is earmarked for the City Street and County Road Maintenance Program, 5 percent goes towards the Safety, Streetscaping, Pedestrian and Bicycle Facilities, $1,000,000 annually is distributed directly to the American River Bikeway Network, and 3 percent is earmarked for the Traffic Control and Safety Program.

Funds are disbursed monthly to each of participating jurisdiction. The most recently available disbursement numbers are set forth in tables in the following sections. The numbers are also available on the STA website.[34]

Each jurisdiction is required to deliver a quarterly written report to STA showing specifically how their Measure A funds were actually spent. Most jurisdictions are in compliance with their quarterly reporting obligations. RT has been out of compliance with its reporting obligations much of the time in recent years.

How Non-Capital Measure A Funds Are Spent: By Category and Jurisdiction

The three largest categories of Measure A spending during the 2015/2016 fiscal year were (1) Regional Transit, (2) street and road maintenance, and (3) capital projects (i.e.

[31] New Measure A: Definitions of Eligible Expenditures http://www.sacta.org/pdf/agendas/2016/060916/060916-17AT.pdf Pg. 1
[32] New Measure A: Definitions of Eligible Expenditures http://www.sacta.org/pdf/agendas/2016/060916/060916-17AT.pdf Pg. 2
[33] New Measure A: Definitions of Eligible Expenditures http://www.sacta.org/pdf/agendas/2016/060916/060916-17AT.pdf Pg. 4
[34] Measure A Sales Tax Revenue & Disbursement – July 2016 http://www.sacta.org/pdf/new_measureA/distributions/0716distributions.pdf

street/road construction). The full breakdown of Measure A spending by category is set forth in the following table:

Fiscal Year 2015/2016		
Cumulative Measure A Revenue	**$ 109,134,682**	**Percentage of Total Revenue**
Isleton	$ 43,654	0.04%
Galt	$ 1,091,347	1.00%
Neighborhood Shuttle	$ 1,000,000	0.92%
Sacramento County Regional Parks	$ 1,000,000	0.92%
Capital Projects	$ 22,202,434	20.34%
Program Administration	$ 802,498	0.74%
SMAQMD	$ 1,604,995	1.47%
Traffic Control & Safety	$ 3,209,990	2.94%
CTSA Paratransit	$ 3,744,989	3.43%
CTSA Set Aside	$ 1,069,997	0.98%
Safety, Streetscaping, Pedestrian & Bike Facilities	$ 4,349,984	3.99%
Street & Road Maintenance	$ 32,099,904	29.41%
Sacramento Regional Transit	$ 36,914,890	33.83%

A break-out of Measure A categorical spending by jurisdiction is set forth in the following table. Note that capital expenditures (listed as “capital projects”) are not broken out by jurisdiction.

Fiscal Year 2015/2016			
Cumulative Measure A Revenue		**$ 109,134,682**	**Percentage of Total Revenue**
Isleton		$ 43,654	0.04%
Galt		$ 1,091,347	1.00%
Neighborhood Shuttle		$ 1,000,000	0.92%
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Capital Projects		$ 22,202,434	20.34%
Program Administration		$ 802,498	0.74%
SMAQMD		$ 1,604,995	1.47%
CTSA Paratransit		$ 3,744,989	3.43%
CTSA Set Aside		$ 1,069,997	0.98%
Sacramento Regional Transit		$ 36,914,890	33.83%
Safety, Streetscaping, Pedestrian & Bike Facilities	Total	$ 4,349,984	3.99%
Citrus Heights	5.43%	$ 236,071	
Elk Grove	10.89%	$ 473,709	
Folsom	5.31%	$ 230,938	
Rancho Cordova	5.098%	$ 220,890	
City of Sacramento	31.62%	$ 1,375,321	
Sacramento County	41.68%	$ 1,813,055	
Street & Road Maintenance	Total	$ 32,099,904	29.41%
Citrus Heights	5.43%	$ 1,742,044	
Elk Grove	10.89%	$ 3,495,645	
Folsom	5.31%	$ 1,704,167	
Rancho Cordova	5.098%	$ 1,630,017	
City of Sacramento	31.62%	$ 10,148,925	
Sacramento County	41.68%	$ 13,379,106	
Traffic Control & Safety	Total	$ 3,209,990	2.94%
Citrus Heights	5.43%	$ 174,204	
Elk Grove	10.89%	$ 349,564	
Folsom	5.31%	$ 170,417	
Rancho Cordova	5.098%	$ 163,002	
City of Sacramento	31.62%	$ 1,014,893	
Sacramento County	41.68%	$ 1,337,911	

Below is a table that identifies Measure A capital expenditures by jurisdiction for FY 2009/2010 through FY 2015/2016:

Capital Spending off STA Annual Report					
		Capital Project Allocation FY 2009/10 through FY 2015/16	% Allocated	Total Expended	% Expended
Sacramento County			16.42%		14.97%
	Hazel Ave: County Line to Folsom Blvd	$ 26,959,972		$ 24,411,128	
	Hazel Ave: Hwy 50 to Folsom Blvd	$ 3,486,000		$ 365,773	
	Madison Ave: Phase I	$ 3,200,000		$ 6,538	
	South Watt / Elk Grove Florin Rd	$ 7,500,000		$ 3,243	
	Total	**$ 41,145,972**		**$ 24,786,682**	
Cal Trans			16.86%		19.29%
	US 50 Bus / Carpool Lanes - Phase I	$ 29,202,838		$ 26,326,285	
	US 50 Bus / Carpool Lanes - Phase II	$ 13,051,000		$ 5,607,993	
	Total	**$ 42,253,838**		**$ 31,934,278**	
City of Sacramento			27.13%		22.00%
	Downtown Intermodal Station (Phase I and II)	$ 57,792,000		$ 28,078,247	
	Cosumnes River Blvd (Freeport - Franklin & I-5 Interchange	$ 10,204,000		$ 8,347,565	
	Total	**$ 67,996,000**		**$ 36,425,812**	
Rancho Cordova			2.37%		2.73%
	Folsom Blvd Streetscape (Bradshaw to Sunrise)	$ 5,928,000		$ 4,513,970	
	Total	**$ 5,928,000**		**$ 4,513,970**	
Citrus Heights			1.81%		2.53%
	Sunrise Blvd: Antelope to North City Limits (west side)	$ 4,528,000		$ 4,188,248	
	Total	**$ 4,528,000**		**$ 4,188,248**	
Regional Transit			20.81%		30.87%
	Downtown Natomas Airport - Greenline to Airport	$ 35,728,510		$ 34,688,397	
	South Sacramento LRT Corridor Phase II	$ 16,429,490		$ 16,429,490	
	Total	**$ 52,158,000**		**$ 51,117,887**	
South East Connector			14.60%		7.61%
	I-5 / SR 99 / US 50 Connector	$ 36,582,653		$ 12,607,553	
	Total	**$ 36,582,653**		**$ 12,607,553**	
Total Capital Projects		**$ 250,592,463**		**$ 165,574,430**	

Measure A Funds Spent On Road Maintenance, Traffic, Safety, Pedestrian & Bicycling

City of Citrus Heights:

Based on population and street miles, Citrus Heights currently receives 5.43 percent of the allocation for jurisdictions for three programs: Traffic Control & Safety, Safety, Streetscaping, Pedestrian and Bicycle Facilities and Street & Road Maintenance. According to the most recent quarterly report Citrus Heights spending is as follows:

Expenditure Category		Funds Received from Measure A	Funds Expended
Traffic Control and Safety		$ 44,077	$ 4,791
Safety, Streetscaping, Pedestrian & Bicycle Facilities		$ 59,896	$ 11,219
City Street Maintenance		$ 440,835	$ 256,432
	Total	**$ 544,808**	**$ 272,442** [35]

From the table, $272,366 of funds received was unspent. Funds in the amount of $148,574 of the City Street Maintenance fund were spent on Salaries, Benefits and Inter-departmental charges, which include a vague description for government buildings, none of which are included as authorized expenditures in the TEP. The quarterly reports for Safety, Streetscaping, Pedestrian & Bicycle Facilities and City Street Maintenance indicate they are for the quarter ending December 31, 2015, raising concern as to the frequency and expedition of meeting the required reporting timeframes set forth in the TEP.

The total amount of funds received by Citrus Heights since 2009 is:

Safety, Streetscaping, Pedestrian & Bike Facilities		$ 1,414,172
Street & Road Maintenance		$ 10,792,409
Traffic Control & Safety		$ 1,079,241
Total		$ 13,285,822

City of Elk Grove:

Elk Grove receives 10.89 percent of the allocation to the three programs. Elk Grove's current quarterly report ending March 31, 2016 is as follows:

[35] STA June 9, 2016 Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pgs. 20-22

Expenditure Category			Funds Received from Measure A		Funds Expended
Traffic Control and Safety			$	88,462	$ 25,503
Safety, Streetscaping, Pedestrian & Bicycle Facilities			$	120,212	$ 18,259
City Street Maintenance			$	884,607	$ 664,607
		Total	**$**	**1,093,281**	**$ 708,369** [36]

From the funds received last quarter, $384,912 are unspent, while Willdan Engineering is the major recipient of Elk Grove's Measure A funds, receiving $331,748.65 last quarter.

The total amount of funds received since 2009 by Elk Grove is:

Traffic Control & Safety		$	2,082,834
Safety, Streetscaping, Pedestrian & Bike Facilities		$	2,732,311
Street & Road Maintenance		$	20,828,342
Total		$	25,643,487

City of Folsom:

Folsom receives 5.31 percent of the allocation to the three programs. Folsom's current quarterly report ending March 31, 2016 is as follows:

Expenditure Category			Funds Received from Measure A		Funds Expended
Traffic Control and Safety			$	43,126	$ 75,128
Safety, Streetscaping, Pedestrian & Bicycle Facilities			$	58,604	$ -
City Street Maintenance			$	431,250	$ 17,826
		Total	**$**	**532,980**	**$ 92,954** [37]

Of the Measure A funds received for these three programs this quarter, $440,026 remains unspent. According to Folsom's quarterly reports, the amounts of funds held in each account exceed those reported by STA as unused funds. The City of Folsom reports the following unused funds:

[36] STA June 9, 2016 Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pgs. 23-27
[37] STA June 9, 2016 Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pgs. 28-30

Program		Unused Funds
Traffic Control and Safety	$	291,595
Safety, Streetscaping, Pedestrian & Bicycle Facilities	$	357,937
City Street Maintenance	$	4,062,154
Total	**$**	**4,711,686** [38]

Folsom, being a rather new community, may not need as much street maintenance as other jurisdictions.

The total amount of funds received by Folsom since 2009 is:

Safety, Streetscaping, Pedestrian & Bike Facilities		$	1,396,438
Street & Road Maintenance		$	10,657,082
Traffic Control & Safety		$	1,065,708
Total		$	13,119,228

City of Galt

The City of Galt receives a flat rate of 1 percent of the total sales tax collected from Measure A. The total tax disbursed to Galt for fiscal year 2015/16 was $1,091,347. Galt is not restricted in the use of its Measure A funds. Its quarterly report ending March 31, 2016 reveals the following:

Expenditure Category			Funds Received from Measure A		Funds Expended
City Street Maintenance			$ 276,145		$ 317,747
		Total	**$ 276,145**		**$ 317,747** [39]

According to Galt's most recent quarterly report, at least $168,720 was used for Administrative Costs.

City of Rancho Cordova

The City of Rancho Cordova receives 5.09 percent of the Measure A tax for the three programs. The City's most recent quarterly report ending March 2016 included the following:

[38] STA June 9, 2016 Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pgs. 28-30
[39] STA June 9, 2016 Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pg. 31

Expenditure Category			Funds Received from Measure A		Funds Expended	
Traffic Control and Safety		$	41,249	$	23,078	
Safety, Streetscaping, Pedestrian & Bicycle Facilities		$	56,054	$	40,325	
City Street Maintenance		$	412,485	$	171,277	
	Total	**$**	**509,788**	**$**	**234,680**	[40]

Funds received for the Traffic Control and Safety program were fully expended for staff costs, $23,078. $35,961 of the $40,325 spent for the Safety, Streetscaping, Pedestrian & Bicycle Facilities program were spent on staff costs. Of the quarterly funds spent on City Street Maintenance, $25,243 was also spent on staff costs.

The funds received by Rancho Cordova since 2009 are as follows:

Traffic Control & Safety		$	958,661
Safety, Streetscaping, Pedestrian & Bike Facilities		$	1,257,935
Street & Road Maintenance		$	9,586,599
Total		$	11,803,195

City of Sacramento

The City of Sacramento receives 31.62 percent of the Measure A tax for the three programs. The City's most recent quarterly report ending March 2016 includes the following:

Expenditure Category			Funds Received from Measure A		Funds Expended	
Traffic Control and Safety		$	256,832	$	43,441	
Safety, Streetscaping, Pedestrian & Bicycle Facilities		$	348,011	$	216,471	
City Street Maintenance		$	2,568,306	$	2,312,095	
	Total	**$**	**3,173,149**	**$**	**2,572,007**	[41]

[40] STA June 9, 2016 Board Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pgs. 42-44

[41] STA June 9, 2016 Board Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pgs. 33-35

Quarterly reports provided by the City of Sacramento are vague by not stating the location of the expenditures for City Street and County Road Maintenance. Street overlays and seals are listed twice, once as 'citywide' and a second time with no specific location, and the amounts total $2,271,303. The funds received are greater than the funds expended by $601,142. According to STA, the City of Sacramento has over $8,400,000 in unused Measure A funds.

The ITOC has tasked STA staff to investigate the City of Sacramento to locate $20,000,000 in unspent original (1988) Measure A funds.[42] The amount of funds unspent has now been identified as $16,900,000, with an expenditure plan for $11,492,000 to be spent by 2017.[43]

The total amount of funds received by the City of Sacramento for these programs since 2009 is:

Safety, Streetscaping, Pedestrian & Bike Facilities		$	8,210,501
Street & Road Maintenance		$	62,653,631
Traffic Control & Safety		$	6,265,364
Total		$	77,129,496

Sacramento County

The County of Sacramento receives 41.68 percent of the Measure A tax for the three programs. The County's quarterly report ending March 2016 shows the following:

Expenditure Category		**Funds Received from Measure A**		**Funds Expended**
Traffic Control and Safety		$ 338,576		$ 494,480
Safety, Streetscaping, Pedestrian & Bicycle Facilities		$ 460,093		$ 198,484
County Street Maintenance		$ 3,385,737		$ 3,385,737
	Total	**$ 4,184,406**		**$ 4,078,701**

[44]

[42] ITOC July 7, 2016 Committee Agenda Packet http://www.sacta.org/pdf/ITOC/070716/070716-AGP.pdf Pg. 18
[43] STA August 11, 2016 Board Agenda Packet http://www.sacta.org/pdf/agendas/2016/081116/081116-AGP.pdf Pg. 64
[44] STA June 9, 2016 Board Agenda Packet http://www.sacta.org/pdf/agendas/2016/060916/060916-AGP.pdf Pgs. 36-38

According to the quarterly report for the Traffic Control and Safety Program, $469,836 of $494,480 expended was spent on county employee salaries and benefits, over 95 percent. The county's quarterly report for the Safety, Streetscaping, Pedestrian and Bicycle Facilities program, reveals that $198,483 out of $198,484 expended was spent on county employee salaries and benefits.

STA records show since 2009, Sacramento County has received funds in the amount of:

Street & Road Maintenance		$	82,145,082
Safety, Streetscaping, Pedestrian & Bike Facilities		$	10,765,835
Traffic Control & Safety		$	8,214,508
Total		$	101,125,425

STA Bond Proceeds Spent on Capital Projects

Under Measure A, bonds are issued by STA to fund capital projects. Bond proceeds are disbursed to jurisdictions as reimbursements for funds expended on capital projects selected by a Professional Advisory Group comprised of the Public Works Directors of the various jurisdictions.[45] The advisory group meets behind closed doors to determine which capital projects receive funds, when and how much. The funds for capital projects are supposed to be used to obtain matching funds from state and federal sources.[46] Records on whether or not Measure A funds are, in fact, matched with state or federal funds are not available. STA does not monitor jurisdictions to verify that matching funds are being sought or used, although it is tasked to do so by law under the STA ordinance.[47]

The table below shows the current capital project allocations by jurisdiction. However, it is quite apparent that jurisdictions are not allocated funds for capital projects on a proportional basis:

[45] Conversation with STA Executive Director, Jeff Spencer June 28, 2016
[46] STA Ordinance 04-01 http://www.sacta.org/pdf/new_measureA/FinalNewMeasureAOrdinance.pdf Preamble
[47] STA Ordinance 04-01 http://www.sacta.org/pdf/new_measureA/FinalNewMeasureAOrdinance.pdf Preamble

		Capital Project Allocation FY 09/10 through FY 15/16
County		
	Hazel Ave: County Line to Folsom Blvd	26,959,972
	Hazel Ave: Hwy 50 to Folsom Blvd	3,486,000
	Watt Ave / Antelope- Capital City Freeway	1,000,000
	Greenback Lane: Phase I	1,000,000
	Madison Ave: Phase I	3,200,000
	South Watt / Elk Grove Florin Rd	7,500,000
	Sunrise Blvd - Jackson - Grantline Rd	1,500,000
Cal Trans		
	US 50 Bus / Carpool Lanes - Phase I	29,202,838
	US 50 Bus / Carpool Lanes - Phase II	13,051,000
City of Sacramento		
	Downtown Intermodal Station (Phase I and II)	57,792,000
	Richards Blvd / I-5 Interchange Upgrade	1,500,000
	Cosumnes River Blvd (Freeport - Franklin & I-5 Interchange	10,204,000
Rancho Cordova		
	Folsom Blvd Streetscape (Bradshaw to Sunrise)	5,928,000
	Sunrise Blvd (Gold Country - Jackson)	5,495,000
Citrus Heights		
	Sunrise Blvd: Antelope to North City Limits (west side)	4,528,000
Regional Transit		
	Downtown Natomas Airport - Greenline to Airport	35,728,510
	South Sacramento LRT Corridor Phase II	16,429,490
South East Connector JPA		
	I-5 / SR 99 / US 50 Connector	36,582,653
	Total	**261,087,463** [48]

STA Bond Program

The 1988 Measure A allowed for $69,000,000 in bond funds to be issued, according to the 1995 Amended Measure A Transportation Expenditure Agreement.[49] The 'New' Measure A has several outstanding bonds as indicated in the Table Below:

[48] STA ITOC Agenda Packet December 3, 2015 http://www.sacta.org/pdf/ITOC/120315/ITOC120315-04AT.pdf

[49] 1995Amended Measure A Transportation Expenditure Agreement http://www.sacta.org/pdf/measureA/TEA.pdf Pg. 13

	June 30, 2015
2009 Series C	$106,100,000
2012 Series	53,355,000
2014A Series A (formerly 2009A Series)	106,100,000
2015A Series B (formerly 2009B Series)	106,100,000
Total Outstanding Bonds	$ 371,655,000

[50]

The total bond payments for the current fiscal year are approximately $16,300,000.[51] The total outstanding principal and future interest obligations on STA bonds currently outstanding is estimated to be $652,413,661.[52]

The table below shows the bond payments estimated as of June 30, 2015:

Fiscal Year Ending June 30,	Principal (1)	Estimated Bond Interest (2)	Hedging Derivatives, Net (3)	Ancillary Fees (4)	Total
2015	$ -	$ 2,973,857	$ 11,403,637	$ 1,531,747	$ 15,909,241
2016	-	2,980,512	11,403,637	965,248	15,349,397
2017	3,450,000	2,984,710	11,403,637	962,318	18,800,665
2018	3,590,000	2,843,910	11,403,637	962,755	18,800,302
2019	3,740,000	2,697,310	11,403,637	962,755	18,803,702
2020 - 2024	21,315,000	10,864,724	57,018,187	4,818,324	94,016,235
2025 - 2029	43,560,000	5,055,099	56,618,698	4,781,699	110,015,496
2030 - 2034	132,700,000	2,286,320	41,531,738	3,508,668	180,026,726
2035 - 2039	163,300,000	1,004,799	15,109,698	1,277,400	180,691,897
Total	$ 371,655,000	$ 33,691,241	$ 227,296,506	$ 19,770,914	$ 652,413,661

[53]

Series 2009 C Bond payments are currently just under $4 million annually at $3,963,896. However, the principal and interest payments on such bonds will increase in 2029 to $11,323,796 per year.

Series 2012 Bond payments are currently $2,450,550 per year, but beginning in 2017 they will increase to $5,861,550 annually until 2028, when a final payment of $5,863,000 is due.

Series 2014 A Bond payments are currently $3,963,896 annually, increasing to $11,225,664 annually in 2029.

[50] STA Comprehensive Annual Financial Report http://www.sacta.org/pdf/CAFR/2015CAFR.pdf Pg. 11
[51] STA Comprehensive Annual Financial Report http://www.sacta.org/pdf/CAFR/2015CAFR.pdf Pg. 10
[52] STA Comprehensive Annual Financial Report http://www.sacta.org/pdf/CAFR/2015CAFR.pdf Pg. 41
[53] STA Comprehensive Financial Annual Report 2015 http://www.sacta.org/pdf/CAFR/2015CAFR.pdf Pg. 42

Series 2015 A Bond payments begin in 2017 at $3,450,000 per year and increase annually thereafter, with payments ranging from $7,400,000 to $11,800,000 becoming due in 2029.

Escalation of STA Borrowings Imperils Maintenance Funding

This alarming increase in STA's debt service payments, from $17,678,000 in 2019 to $33,703,444 in 2029, will significantly decrease Measure A funds available for the various jurisdictions for the Street & Road Maintenance program, the Traffic Control & Safety program, the Safety, Streetscaping, Pedestrian & Bike Facilities program, and maintenance and operational funds available for Regional Transit. In addition to these outstanding bonds, STA is expected to issue another $40,000,000 in bonds in 2018, and a further $40,000,000 in 2020 to fund additional capital projects, further accelerating the spikes in STA's annual total debt payments and further crowding out spending on street maintenance and other non-capital spending by the county, the cities and Regional Transit.

Escalating STA borrowings are increasingly diverting dollars away from pressing maintenance needs to pay for escalating interest costs on new capital projects.

Unspent Funds

Reports maintained by STA give an overview of the amount of funds remaining unspent by each jurisdiction. The most recent available report is for fiscal years 2009/10 through 2015/16, updated as of September 30, 2015.[54] The report shows $39,055,868 in undisbursed taxpayer dollars collected by STA for jurisdictions within Sacramento County. It is important to note that the CTSA Set Aside is a holding account for future disbursements according to the Transit Expenditure Plan.

Jurisdiction	Unused Funds	
Citrus Heights	$	2,903,938.00
Elk Grove	$	4,817,011.00
Folsom	$	1,153,323.00
Rancho Cordova	$	3,594,672.00
City of Sacramento	$	8,415,489.00
County of Sacramento	$	3,243,640.00
Isleton	$	604.00
Galt	$	2,255,025.00
SMAQMD	$	255,651.00
Sacramento Regional Parks American River Parkway	$	328,351.00
Neighborhood Shuttle	$	6,296,863.00
CTSA Set Aside	$	5,791,302.00
Total	**$**	**39,055,869.00**

[54] Ongoing Measure A Analysis – Distributions & Expenditures http://www.sacta.org/pdf/ITOC/120315/ITOC120315-03AT.pdf

Forecasts of future Measure A tax revenues show a projected growth of approximately $5,000,000 annually, or an estimated annual increase of 5 to 6 percent going forward. [55]

A Mirage of Oversight: the Independent Taxpayer Oversight Committee

According to the Measure A Independent Taxpayer Oversight Committee (ITOC) Functional Guidelines, the ITOC, created in 2009, is supposed to provide taxpayers with an increased level of accountability for expenditures beyond the annual fiscal and compliance audits already performed.[56] The ITOC is supposed to also function as an independent, open and transparent committee to ensure voter mandates are followed. The ITOC is supposed to make recommendations and reports to the STA governing board, which has ultimate responsibility for policies relating to Measure A. The ITOC is a six-member board consisting of three voting members with very specific membership qualifications. These narrowly drawn qualifications make it virtually impossible for the average taxpayer or for a representative of a bona fide taxpayer organization to become a member of the ITOC. Qualifications include:

- A professional in the field of municipal audit, finance and/or budgeting with a minimum of five years in a relevant and senior decision-making position in the public or private sector;
- A licensed civil engineer or trained transportation planner with at least five years of experience in the field of transportation in government and/or private sector; and
- A current or retired manager of a major public and/or privately financed development or construction projects, who by training and experience would understand the complexity, costs and implementation issues involved in building large-scale infrastructure.[57]

Currently, there is an opening for a voting member that qualifies with experience as a manager of large development or construction projects. The remaining three ex-officio, non-voting members of the ITOC are the current chair of the STA board, executive director of the STA and the County of Sacramento Auditor-Controller, or his/her designee.

The most recent ITOC meetings were held in December 2015 and July 7, 2016. Due to the retirement of two members, some ITOC meetings did not occur.[58] The ITOC is supposed to meet quarterly and meetings are to be publicly noticed.[59] Agendas and related materials are now available for the July 2016 ITOC meeting on the STA website for public review. Agendas for ITOC meetings held in prior years were only posted on the STA website for public view in May 2016 and were unavailable on the website before that date.

Reports issued by the ITOC to the STA governing board are not available. STA failed to provide any such reports, if any exist, in response to EOS's formal requests for such records under the California Public Records Act. It is unclear if constructive recommendations to enhance financial integrity and performance reports have ever been issued by the ITOC in

[55] Measure A 5 Year Estimate Allocation http://www.sacta.org/pdf/agendas/2016/060916/060916-17AT.pdf
[56] ITOC Functional Guidelines http://www.sacta.org/pdf/agendas/2016/060916/060916-09AT.pdf Pg. 1
[57] ITOC Functional Guidelines http://www.sacta.org/pdf/agendas/2016/060916/060916-09AT.pdf Pg. 3
[58] STA June 9, 2016 Board Agenda Item 9 http://www.sacta.org/pdf/agendas/2016/060916/060916-09SR.pdf
[59] ITOC Functional Guidelines http://www.sacta.org/pdf/agendas/2016/060916/060916-09AT.pdf Pg. 5

accordance with the Functional Guidelines. The ITOC is required by the STA ordinance to commission periodic performance audits of the STA and the jurisdictions receiving Measure A funds. No such audit has not been posted on the STA website. No such audit was provided by STA to EOS in response to its records request. It appears that the performance audits have never been performed.

The "taxpayer accountability" provisions of Measure B are closely modeled after the existing "taxpayers accountability" provisions of Measure A.

Given that: (1) there are no actual taxpayers or taxpayers' representatives on the ITOC, nor is there likely to ever be any given the absurdly narrow qualifications required for ITOC membership; (2) agendas or related materials relating to ITOC meetings weren't posted to the STA website until May 2016, (3) no reports have apparently ever been provided by the ITOC to the STA board; (4) no performance audits have apparently ever been commissioned by the ITOC even though the ITOC was legally obligated by the STA ordinance to commission such audits; and (5) Measure B's "taxpayer accountability" provisions are a duplicate of those of Measure A, we must ask a critical question:

How can Sacramento County voters have any confidence that STA will provide the promised independent, open and transparent "taxpayer oversight" of the spending of Measure B taxes if the measure should pass?

Excessive Administrative Overhead Under Measure B

Measure A provides that .75 percent of its revenues are to be allocated for program administration. In fiscal year 2015/2016, Measure A taxes in the amount of $802,498 were spent for administration expenses. Since 2009, over $4,916,000 has been collected to pay salaries, benefits, costs associated with the STA, financial audits and community outreach. Currently there are four staff members at STA administrating Measure A.[60] Over the next 23 years, an estimated $35,000,000 of Measure A funds are expected to be spent on Measure A administration. Measure B also provides a set-aside of .3 percent of its revenues for STA administration on top of the STA administrative costs already funded by Measure A.

We are very troubled by this rather obvious attempt by STA officials to feather their own bureaucratic nest at the expense of county taxpayers. We see no justification for a $10,800,000 increase of bureaucratic costs over 30 years merely because more tax dollars end up flowing through STA to the various jurisdictions it serve.

[60] STA Website – Meet the Staff http://www.sacta.org/a_staff.html

Appendix A: New Measure A Transit Promises and Results

1. South Line extension to Meadowview. RT had federal approval for a grant for building most of this extension, but either RT or STA failed to use Measure A TCRP funds to provide the local match for this grant. They spent only $8.2 million of Measure A money on the South line extension to Meadowview. Instead, in November 2012 RT borrowed $87 million to provide approximately $66 million of a total $135 million state and local match for a $135 million federal grant to build the extension. The total project cost was $270 million. (Railway Technology.com, "The Blue Line to Cosumnes River College (CRC) Light Rail Extension," downloaded from http://www.railway-technology.com/projects/the-blue-line-to-cosumnes-river-college-crc-light-rail-extension/ on 25 June 2016 by Greg Thompson). The revenue bonds have a life of about 30 years, and the FY2015 CAFR for RT shows that RT will have to provide approximately $6 million in debt service annually over the life of the bonds, placing an unsupportable financial burden on RT (Sacramento Regional Transit District, *Comprehensive Annual Financial Report*, pp. 42-43).

2. Green Line. STA and RT diverted money that should have been used as local match to leverage federal money for the Meadowview extension to build a project that was not promised the voters instead. $43.2 million of Measure A TCRP money was used for this project to build one mile of track to Township 9. There was no federal grant for this line, so the Measure A money failed to leverage federal money as promised to the voters. The line promised little new ridership for RT and since its opening in 2012 attracts only about 300 passengers per day. RT and the STA essentially squandered $45 million of "congestion relief" funds to build this useless line, and in addition is wasting over $300,000 per year to operate a service that has virtually no ridership. This project benefitted no one but a downtown developer, Steve Goodwin, who testified before the RT Board that he contributed $4 million of his own money to building the Township 9 Light Rail Station.

3. Commuter rail service running between Auburn and Dixon was promised in 'New' Measure A. No such service has been started, and there seems to be no planning for such service.

4. Northeast I-80 light rail line improvements and extension to Antelope Road have not been made, and so far as we can tell, there is no planning for this improvement, whose construction was promised the voters in the Original Measure A of 1988. (This line is not even mentioned in Measure B.) Many feel this would be a much cheaper but more heavily used line than the Green Line to Natomas and the airport.

Appendix B: Light Rail and Bus Growth & Usage Intensity Tables

Table 1 - Sacramento RT Light Rail Growth
Table 2 - Sacramento RT Motor Bus Changes
Table 3 - Light Rail Usage Intensity
Table 4 - Bus Usage Intensity

Table 1: Sacramento RT Light Rail Growth

Fiscal Year	Total Operating Expense	Revenue Vehicle Hours	Operating Expense per Revenue Hour	% Change on Year Before	Passenger Miles	Passenger Trips	CPI	% Change on Year Before
2000	$19,328,966	109,062	$177		45,867,205	8,626,868	172.2	
2001	$25,237,878	104,802	$241	35.9%	44,456,532	8,618,371	177.1	2.8%
2002	$24,129,276	103,693	$233	-3.4%	46,710,911	8,541,086	179.9	1.6%
2003	$30,375,392	105,752	$287	23.4%	47,364,860	8,859,032	184.0	2.3%
2004	$35,225,762	149,763	$235	-18.1%	56,948,051	11,022,004	188.9	2.7%
2005	$40,840,941	197,255	$207	-12.0%	60,682,440	12,008,620	195.3	3.4%
2006	$51,119,759	208,854	$245	18.2%	78,181,014	14,452,137	201.6	3.2%
2007	$47,424,055	209,725	$226	-7.6%	78,760,310	14,489,691	207.3	2.8%
2008	$51,829,516	215,947	$240	6.1%	85,806,600	15,484,670	215.3	3.9%
2009	$50,422,502	213,129	$237	-1.4%	93,086,725	17,315,017	214.5	-0.4%
2010	$47,846,225	206,238	$232	-1.9%	82,500,482	15,317,881	218.1	1.7%
2011	$43,821,791	191,111	$229	-1.2%	72,860,260	12,543,866	224.9	3.1%
2012	$45,528,946	195,769	$233	1.4%	74,705,518	13,192,601	229.6	2.1%
2013	$50,023,110	217,229	$230	-1.0%	75,796,526	13,513,471	233.0	1.5%
2014	$54,417,000	218,077	$250	8.4%		12,710,436	236.7	1.6%
2015	$55,032,000	218,118	$252	1.1%		12,061,791	237.0	0.1%
2016	$60,339,000	241,973	$249	-1.2%				
Sources: 2000 thru 2013 from NTDB.				Average annual growth from 2001-2015				Average annual growth from 2001-2015
2014 and 2015 from RT Budget for FY2016.				0.3%				2.1%

Table 3. Light Rail Usage Intensity

Fiscal Year	Passengers per Vehicle Hour	Passenger Miles per Vehicle Hour	
2000	79	421	
2001	82	424	
2002	82	450	
2003	84	448	Blue Line opened to so
2004	74	380	Gold Line extended to
2005	61	308	Gold Line further exter
2006	69	374	Gold Line extended to
2007	69	376	
2008	72	397	
2009	81	437	
2010	74	400	Headways cut from 15
2011	66	381	
2012	67	382	In June Green Line ope
2013	62	349	
2014	58	0	
2015	55	0	In August Blue Line ext
2016			

Table 2. Sacramento RT Motor Bus Changes

Fiscal Year	Total Operating Expense	Revenue Vehicle Hours	Operating Expense per Revenue Hour	% Change on Year Before	Passenger Miles	Passenger Trips	CPI	% Change on Year Before
2000	$50,088,154	560,364	$89		79,145,237	19,493,371	172.2	
2001	$59,389,187	584,849	$102	13.6%	79,274,962	19,115,291	177.1	2.8%
2002	$58,348,355	600,925	$97	-4.4%	72,297,460	18,068,907	179.9	1.6%
2003	$68,385,376	614,707	$111	14.6%	75,325,461	19,756,481	184.0	2.3%
2004	$74,544,712	696,714	$107	-3.8%	67,700,922	19,446,782	188.9	2.7%
2005	$78,246,868	749,023	$104	-2.4%	61,747,344	18,929,374	195.3	3.4%
2006	$80,713,450	710,921	$114	8.7%	54,558,644	16,777,640	201.6	3.2%
2007	$82,267,568	702,797	$117	3.1%	54,550,645	17,461,487	207.3	2.8%
2008	$86,858,529	677,677	$128	9.5%	57,443,923	17,465,817	215.3	3.9%
2009	$79,522,718	652,027	$122	-4.8%	59,001,226	17,735,397	214.5	-0.4%
2010	$75,072,566	628,183	$120	-2.0%	61,417,090	17,579,268	218.1	1.7%
2011	$67,280,636	501,189	$134	12.3%	47,524,914	13,617,462	224.9	3.1%
2012	$68,808,942	505,966	$136	1.3%	46,520,570	13,145,864	229.6	2.1%
2013	$73,805,102	532,162	$139	2.0%	49,439,889	13,784,179	233.0	1.5%
2014	$78,454,000	552,250	$142	2.4%		13,665,561	236.7	1.6%
2015	$78,265,000	553,657	$141	-0.5%		13,706,732	237.0	0.1%
2016	$80,852,000	554,698	$146	3.1%				
				Average annual growth from 2001-2015				Average annual growth from 2001-2015
				2.4%				2.1%

Sources: 2000 thru 2013 from NTDB.
2014 and 2015 from RT Budget for FY2016.

Table 4. Bus Usage Intensity

Fiscal Year	Passengers per Vehicle Hour	Passenger Miles per Vehicle Hour
2000	35	141
2001	33	136
2002	30	120
2003	32	123
2004	28	97
2005	25	82
2006	24	77
2007	25	78
2008	26	85
2009	27	90
2010	28	98
2011	27	95
2012	26	92
2013	26	93
2014	25	0
2015	25	0
2016	0	0