

**CITIZENS ADVISORY COMMITTEE
and
2000 MEASURE A CITIZENS WATCHDOG COMMITTEE**

Wednesday, January 12, 2011

2000 Measure A Citizens Watchdog Committee (CWC) meeting begins at 4:30 PM
Citizens Advisory Committee (CAC) meeting begins at the conclusion of the CWC meeting.

VTA Conference Room B-104
3331 North First Street
San Jose, CA

AGENDA

CALL TO ORDER

- 1. ROLL CALL**
- 2. ORDERS OF THE DAY**
- 3. PUBLIC PRESENTATIONS:**

This portion of the agenda is reserved for persons desiring to address the Committee on any matter not on the agenda. Speakers are **limited to 2 minutes**. The law does not permit Committee action or extended discussion on any item not on the agenda except under special circumstances. If Committee action is requested, the matter can be placed on a subsequent agenda. All statements that require a response will be referred to staff for reply in writing.

4. Receive Committee Staff Report. (Verbal Report) (Helm)
5. Receive Chairperson's Report. (Verbal Report) (Powers)

**BUSINESS REFERRED TO COMMITTEE BY THE BOARD OF DIRECTORS/
GENERAL MANAGER**

**COMBINED CAC AND 2000 MEASURE A CITIZENS WATCHDOG
COMMITTEE CONSENT AGENDAS**

6. Approve the Regular Meeting Minutes of November 10, 2010.
7. INFORMATION ITEM - Review the Monthly Legislative History Matrix.
8. INFORMATION ITEM - Receive the Citizens Advisory Committee 2010 Year-End Attendance Report.

2000 MEASURE A CITIZENS WATCHDOG COMMITTEE REGULAR AGENDA

9. INFORMATION ITEM - Receive the annual review of the Citizens Watchdog Committee's ballot-specified duties, responsibilities and limitations.
10. INFORMATION ITEM - Receive a briefing from the 2000 Measure A Citizens Watchdog Committee's independent compliance auditor on the draft audit plan and schedule for performing the compliance audit of FY10.

CITIZENS ADVISORY COMMITTEE REGULAR AGENDA

11. INFORMATION ITEM - Receive a report on the FY 2012 and FY 2013 Biennial Budget Assumptions.

COMBINED CAC AND CITIZENS WATCHDOG COMMITTEE ITEMS

12. INFORMATION ITEM - Review the Citizens Advisory Committee and Citizens Watchdog Committee Work Plans. (Powers)

OTHER

13. ANNOUNCEMENTS

14. ADJOURN

In compliance with the Americans with Disabilities Act (ADA), those requiring accommodations or accessible media for this meeting should notify the Board Secretary's Office 48 hours prior to the meeting at (408) 321-5680 or e-mail: board.secretary.@vta.org, (408) 321-2330 (TTY only). VTA's Homepage is located on the Web at: <http://www.vta.org/> or visit us on Facebook <http://www.facebook.org/scvta>.

All reports for items on the open meeting agenda are available for review in the Board Secretary's Office, 3331 North First Street, San Jose, California, (408) 321-5680, the Friday, Monday, and Tuesday prior to the meeting. This information is available on VTA's website at <http://www.vta.org> and also at the meeting.



**CITIZENS ADVISORY COMMITTEE
and
2000 MEASURE A CITIZENS WATCHDOG COMMITTEE**

Wednesday, November 10, 2010

MINUTES

CALL TO ORDER

The Regular Meeting of the Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee (CWC) was called to order at 4:32 p.m. by Chairperson Powers, in Conference Room B-104, VTA River Oaks Campus, 3331 North First Street, San José, California.

1. ROLL CALL

Attendee Name	Title	Status
Jeremy Barousse	CAC Member	Present
Stephen Blaylock	CAC Member	Present
Clinton Brownley	CAC Member	Absent
Bena Chang	CAC Member	Present
Chris Elias	CAC Member	Present
Ray Hashimoto	CAC Member	Present
Roberta Hughan	CAC Member	Present
Robert Jacobvitz	CAC Vice Chairperson	Present
Bruce Liedstrand	CAC Member	Present
Aaron Morrow	CAC Member	Absent
Charlotte Powers	CAC Chairperson	Present
Sally Probst	CAC Member	Present
Connie Rogers	CAC Member	Present
Martin Schulter	CAC Member	Present
Noel Tebo	CAC Member	Present
Herman Wadler	CAC Member	Present

A quorum was present.

2. ORDERS OF THE DAY

Chairperson Powers noted Agenda Item #9, State Transportation Improvement Program Amendment, will follow the Chairperson's report.

M/S/C (Probst/Hashimoto) to approve the Orders of the Day.

3. PUBLIC PRESENTATIONS

There were no Public Presentations.

4. Committee Staff Report

Greta Helm, Chief External Affairs Officer and Staff Liaison, reported: 1) The Board extended the discussion of the Ad-Hoc Financial Recovery Committee (Ad-Hoc FRC) Final Report from the October 22, 2010, Board Workshop to its December 9, 2010, meeting, therefore the December 8, 2010, Joint Advisory Budget Workshop has been cancelled; 2) The advisory committees will receive a budget briefing in January; and 3) The Draft 2011 CAC/CWC meeting calendar has been distributed to the Committee for review and comment.

Report from the General Manager

Michael T. Burns, General Manager, reported: 1) FY2010 ended with a \$16 million operating balance that will carry over to FY2011; and 2) A \$13 million operating balance is projected for the end of FY2011, including \$50 million in fully-funded operation reserves; 3) During FY2010 VTA enacted service cuts, increased fares, requested union concessions, established efficiencies within the organization, and cut the expense budget by \$35 million from what was originally budgeted; 4) sales tax revenues for the first half of FY2010 were down, but rebounded more than anticipated by the second half; 5) There are longer-term issues associated with benefit, labor, healthcare and retirement costs; 6) The Ad-Hoc FRC approved a strategy for dealing with the longer term financial issue by setting ranges among specific expense categories that will be established through the budget process and labor negotiations; 7) The unions engaged Harvey M. Rose Associates, LLC (Harvey Rose) to review VTA's assumptions; 8) Staff will review and respond to the Harvey Rose report at the December 9, 2010, board meeting; and 9) The plan is to adopt a budget for the next two fiscal years in the May 2010 timeframe.

Member Chang took her seat at 4:39 p.m.

Mr. Burns announced service updates including: 1) Twenty of the first 70 hybrid buses are now in service, with the balance due for delivery by December 2010; 2) In October 2010 the Express Light Rail Service was implemented with three express trains running in the morning and the afternoon; 3) Cisco Systems, Inc. is discussing changes with VTA, which can potentially increase express train ridership; 4) The addition of Wi-Fi on the express trains has been well received; 5) VTA is looking to add Wi-Fi to the bus system, initially targeting the express buses; and 6) There will be a complete assessment of the express train service in the near future with positive results expected.

Member Elias took his seat at 4:42 p.m.
Member Schuller took his seat at 4:45 p.m.

Mr. Burns reported: 1) Federal Transportation Administration (FTA) submissions have been completed for the Bay Area Rapid Transit (BART) project for authorization to begin final design; 2) VTA is on a path to be recommended for a full funding grant

agreement in the February/March 2011 timeframe; 3) Approximately \$600 - \$700 million in bonds will be issued to support the Measure A program; and 4) The bonds are priced at a straight fixed cost of approximately 3.8 percent, compared to VTA's long-term assumptions of 5.5 percent, a tremendous savings.

Mr. Burns stated: 1) The 101/Tully Interchange reconstruction contract has been awarded with an anticipated groundbreaking within the next few weeks; and 2) Very competitive bids have been received for the Blossom Hill Pedestrian Overcrossing. Staff is reviewing the bids and anticipates submitting a contract award to the Board for approval at its December 9, 2010, meeting.

Mr. Burns reported on two near-term projects that will be brought before the Board during the January to March 2011 timeframe: 1) The Real Time Information Project allowing access to arrival schedules; and 2) The Clipper Card, to be introduced by VTA initially for monthly passes in March 2011, with the ultimate goal of accommodating all fare categories by the end of 2011.

5. **Chairperson's Report**

There was no Chairperson's Report.

Presentation to Former CAC Member Gaye Morando

A commendation was presented to Former CAC Member Gaye Morando by Chairperson Powers, Vice Chairperson Jacobvitz and Mr. Burns.

4. **Committee Staff Report (continued)**

Post-Election Results and Possible Effects

Scott Haywood, Policy and Community Relations Manager, provided the staff report.

The Agenda was taken out of order.

CITIZENS ADVISORY COMMITTEE REGULAR AGENDA

10. **Sustainable Communities Strategy activities as part of the implementation of SB 375**

Scott Haywood, Policy and Community Relations Manager, provided the staff report.

Ms. Helm reminded the Committee that with the passing of Measure D in November 2008, the CWC is now responsible for reviewing the transit element of this regional plan.

On order of Chairperson Powers and there being no objection, the Committee received an update on the Sustainable Communities Strategy activities as part of the implementation of SB 375.

9. **State Transportation Improvement Program Amendment**

Marcella Rensi, Transportation Planning Manager, provided the staff report.

Vice Chairperson Jacobvitz left his seat at 5:40 p.m.

Member Tebo expressed his concern with the wording of the recommendation. He noted the importance of ensuring that the Airport People Mover, a Measure A Project, does not lose its status for future funding.

Members of the Committee proposed an additional request to the recommendation that the Airport People Mover be tracked within the CWC's annual audit.

M/S/C (Tebo/Wadler) to recommend that the Board of Directors amend the 2010 State Transportation Improvement Program (STIP) Program for Santa Clara County reprogramming \$50.44 Million to the Silicon Valley Rapid Transit Project - Berryessa Extension from the Airport People Mover Project. Authorize funding the Airport People Mover Project in the 2012-2013 Measure A Capital Budget with the additional request that the CWC independent auditor be instructed to continue to track funding for the People Mover project in the annual audit.

Member Tebo left the meeting at 5:48 p.m.

BUSINESS REFERRED TO COMMITTEE BY THE BOARD OF DIRECTORS/ GENERAL MANAGER

COMBINED CAC AND 2000 MEASURE A CITIZENS WATCHDOG COMMITTEE CONSENT AGENDAS

6. Meeting Minutes of October 13, 2010

M/S/C (Rogers/Hashimoto) to approve the Regular Meeting Minutes of October 13, 2010.

7. Monthly Legislative History Matrix

On order of Chairperson Powers and there being no objection, the Committee reviewed the Monthly Legislative History Matrix.

Vice Chairperson Jacobvitz took his seat at 5:50 p.m.

5. Chairperson's Report (continued)

High-Speed Rail Political & Governance Dynamics

Rod Diridon Sr., Chair of the Intercity and High Speed Rail Committee American Public Transit Association and Member/Chair Emeritus of the California High Speed Rail Authority, provided a PowerPoint presentation entitled *High Speed Rail: The Fast Track to Sustainability*.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.

2000 MEASURE A CITIZENS WATCHDOG COMMITTEE REGULAR AGENDA

There were no items on the CWC Regular Agenda.

CITIZENS ADVISORY COMMITTEE REGULAR AGENDA (continued)

8. Nomination Subcommittee Report

Member Probst reported the nominees listed below have agreed to have their names put up for consideration:

Candidate for Chairperson: Charlotte Powers

Candidate for Vice Chairperson: Robert Jacobvitz

On order of Chairperson Powers and there being no objection, the Committee received the Nomination Subcommittee Report.

11. Proactive Congestion Management Program (CMP) Quarterly Report for July through September 2010

On order of Chairperson Powers and there being no objection, the Committee received the Proactive CMP Quarterly Report for July through September 2010.

12. Citizen Advisory Committee Chairperson and Vice Chairperson for Calendar Year 2011

There were no nominations from the floor.

M/S/C (Wadler/Rogers) to close the nominations and elect Charlotte Powers as Citizens Advisory Committee Chairperson for calendar year 2011.

M/S/C (Wadler/Rogers) to close the nominations and elect Robert Jacobvitz as Citizens Advisory Committee Vice Chairperson for calendar year 2011.

COMBINED CAC AND CITIZENS WATCHDOG COMMITTEE ITEMS

13. Citizens Advisory Committee and Citizens Watchdog Committee Work Plans

On order of Chairperson Powers and there being no objection, the Committee reviewed the Citizens Advisory Committee and Citizens Watchdog Committee Work Plans.

OTHER

14. ANNOUNCEMENTS

There is no CAC/CWC meeting scheduled for December 2010.

15. ADJOURNMENT

On order of Chairperson Powers, there being no objection, the meeting was adjourned at 6:32 p.m.

Respectfully submitted,

Susan E. Garcia, Board Assistant
VTA Office of the Board Secretary



Date: December 20, 2010
 Current Meeting: January 12, 2011
 Board Meeting: February 3, 2011

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Citizens Advisory Committee

THROUGH: General Manager, Michael T. Burns

FROM: Chief External Affairs Officer, Greta Helm

SUBJECT: Monthly Legislative History Matrix

FOR INFORMATION ONLY

BACKGROUND:

For your information, I am attaching our Monthly Legislative History Matrix, which describes the key transportation-related bills that are being considered by the California State Legislature during the 2011-2012 session. It indicates the status of these measures and any adopted VTA positions with regard to them.

DISCUSSION:

On January 3, Gov. Jerry Brown was sworn into office, and lawmakers returned to Sacramento to resume both the 2011-2012 regular legislative session and an emergency session on the state's budget called by former Gov. Arnold Schwarzenegger. With the Legislative Analyst's Office projecting an 18-month General Fund deficit of approximately \$28 billion, Gov. Brown and the Legislature will spend most of January trying to come up with solutions to fix the problem. The new Governor has said he wants to address the state's fiscal challenges within 60 days.

The Legislative Analyst's Office estimates that \$6 billion of the \$28 billion deficit can be attributed to the current fiscal year, while the remainder is the projected shortfall for FY 2012. In terms of the current-year budget, the Legislative Analyst's Office says about one-third of the solutions enacted last October will fall short. For example, it points out that California will likely receive only about \$1.9 billion in new federal aid, significantly less than the \$5.4 billion assumed in the current-year budget. At the same time, the Legislative Analyst's Office believes because well over two-thirds of the FY 2011 solutions are one-time or temporary in nature, the state will face sizable annual budget problems through FY 2016, suggesting a difficult path ahead for Gov. Brown and legislative leaders. Of note is the fact that \$8 billion in temporary sales, income and vehicle taxes are set to expire at the end of FY 2011.

What will happen to transportation during the budget discussions is unclear. In March 2010, then-Gov. Schwarzenegger and lawmakers enacted a complicated restructuring of state transportation funding sources. This three-bill “swap” package eliminated the state sales tax on gasoline and replaced it with a 17.3-cent increase in the per-gallon gasoline excise tax. The revenues from the gasoline excise tax increase were dedicated as follows: (a) to pay for debt service for highway bonds; and (b) to provide money for the State Transportation Improvement Program (STIP), local streets and roads, and the State Highway Operation and Protection Program (SHOPP). The distribution of these revenues was structured in such a way as to ensure that the STIP and local streets/roads would be allocated at least the same amount of money that they would have received had the old Proposition 42 gasoline sales tax not been eliminated.

In the case of public transit, the swap retained the sales tax on diesel fuel for the Public Transportation Account in order to provide ongoing funding for the State Transit Assistance Program (STA). Beginning in FY 2012, the state diesel sales tax rate will increase to 6.75 percent, in conjunction with a corresponding drop in the per-gallon diesel fuel excise tax to ensure that consumers feel no impact at the pump. Transit bond debt service (including debt service for high-speed rail bonds) will have first call on the revenues generated by the diesel sales tax. Any remaining revenues will be split 75 percent to STA, and 25 percent to intercity rail and other miscellaneous state transit programs.

The primary objective of the swap was to enable transportation revenues to be used to help close General Fund shortfalls. Through the complicated restructuring of state transportation funding sources, lawmakers were able to circumvent voter-approved restrictions that applied to gasoline sales tax revenues, as well as create a revenue stream that could be used to pay for debt service for highway-related general obligation bonds and to make loans to the General Fund.

However, on November 2, 2010, California voters approved two ballot measures that will impact the swap. Proposition 22, which was sponsored by a coalition consisting of the California Transit Association, the League of California Cities and the California Alliance for Jobs, puts in place stronger protections that are intended to prevent the state from taking, diverting or borrowing local government and transportation money to address General Fund deficits. Meanwhile, Proposition 26 makes it more difficult to increase revenues for transportation. This ballot measure generally says any action on the part of the state or a local government that increases any levy or charge paid by a taxpayer that does not result in a direct benefit to that taxpayer is a “tax” and, therefore, requires a two-thirds vote. Proposition 26 also prohibits the Legislature from engaging in the practice of raising one tax while simultaneously reducing another through a simple majority vote, an approach that lawmakers used to enact the transportation funding swap. Under Proposition 26, such “revenue-neutral” tax swaps require a two-thirds vote. Because these provisions are retroactive to January 1, 2010, and the transportation funding swap was enacted by a simple majority vote, the swap is in jeopardy unless the Legislature re-adopts it by a two-thirds vote before November 2, 2011.

The Legislative Analyst’s Office contends that Proposition 22 prevents the state from borrowing transportation revenues for the General Fund, as was assumed in the FY 2011 spending plan. This means about \$400 million in loans from the Highway Users Tax Account (HUTA) to the General Fund that have not yet been executed would be impacted by Proposition 22. Another

key assumption on the part of the Legislative Analyst's Office is that the budgeted use of transportation funds to offset General Fund debt service costs related to transportation bonds is impermissible under Proposition 22, which would subtract \$400 million from the General Fund's bottom line in FY 2011 and \$1 billion annually thereafter.

In the case of Proposition 26, the Legislative Analyst's Office is opining that it would fully reverse the swap if it is not re-approved by the Legislature by a two-thirds vote before November 2011. In other words, without action, the Legislative Analyst's Office believes the state sales tax on gasoline would return, while the 17.3-cent-per-gallon increase in the gasoline excise tax would disappear, restoring transportation programs to the way they were under Proposition 42.

While legal analyses performed by others do not necessarily line up with the opinions of the Legislative Analyst's Office, it is clear that sorting out the interplay between Propositions 22 and 26, and the transportation funding swap will be a major piece of the budget debate in Sacramento. In fact, the Department of Finance has put on the table a proposal that calls for transferring vehicle weight fee revenues, which the department believes are not protected by Proposition 22, from the State Highway Account to the General Fund to pay for debt service for transportation-related bonds. This maneuver would achieve an estimated \$850 million in General Fund savings in FY 2011 and \$727 million in FY 2012. Revenues from the 17.3-cent increase in the state gas tax resulting from the transportation funding swap would then be used for transportation programs to backfill for the shifting of vehicle weight fee money to the General Fund.

In terms of policy legislation, given that the deadline for introducing new bills is not until February 18, only a couple of measures dealing with transportation have surfaced. One of note is AB 31 (Beall), which requires the cities and counties in the Central Valley to prepare and adopt a master plan for development of the areas surrounding their proposed high-speed rail stations.

Prepared By: Kurt Evans, Government Affairs Manager
Memo No. 2794

LEGISLATIVE HISTORY
2011 – 2012 State Legislative Session
December 22, 2010

State Assembly Bills

State Assembly Bills	Subject	Last Amended	Status	VTA Position
AB 3 (Miller) Motor Vehicles: Confidential Home Addresses	Requires a person who requests the confidentiality of his or her home address to provide the Department of Motor Vehicles (DMV) with a current employment address for purposes of processing the service and collection of a traffic, parking or toll road violation.	As Introduced	Assembly Desk	
AB 31 (Beall) High-Speed Rail: Local Master Plans	Establishes the High-Speed Rail Local Master Plan Pilot Program. Requires the cities and counties in the Central Valley that have an approved station for California's high-speed rail system to participate in the program. Requires the planning agency of each participating jurisdiction to prepare and adopt a master plan for development of the areas surrounding its high-speed rail station. Requires the master plan to include incentives for encouraging investment and coherent growth in the areas surrounding the high-speed rail system. Requires each participating jurisdiction to collaborate with the California Air Resources Board (CARB) to develop incentives to encourage development while concurrently reducing greenhouse gas emissions.	As Introduced	Assembly Desk	
AB 57 (Beall) State Highway System Planning	When carrying out long-term state highway system planning to identify future highway improvements, requires Caltrans to consult with metropolitan planning organizations (MPOs).	As Introduced	Assembly Desk	

State Senate Bills

State Senate Bills	Subject	Last Amended	Status	VTA Position
	None Introduced Yet.			

**CALIFORNIA STATE LEGISLATURE
2011 Regular Session Calendar**

DAY	JANUARY
1	Statutes signed into law in 2010 take effect.
3	Legislature reconvenes.
10	Budget must be submitted by the Governor to the Legislature on or before this date.
21	Last day to submit bill requests to the Legislative Counsel's Office.

DAY	FEBRUARY
18	Last day for new bills to be introduced.

DAY	MARCH
	No Deadlines.

DAY	APRIL
14	Spring Recess begins upon adjournment.
25	Legislature reconvenes from Spring Recess.

DAY	MAY
6	Last day for policy committees to hear and report fiscal bills introduced in their house of origin.
13	Last day for policy committees to hear and report to the floor non-fiscal bills introduced in their house of origin.
27	Last day for fiscal committees to hear and report to the floor bills introduced in their house of origin.

DAY	JUNE
3	Last day for bills to be passed out of their house of origin.
15	Budget must be passed by midnight.

DAY	JULY
8	Last day for policy committees to hear and report bills introduced in the other house.
15	Summer Recess begins upon adjournment, provided that the budget bill has been enacted.

DAY	AUGUST
15	Legislature reconvenes from Summer Recess.
26	Last day for fiscal committees to hear and report to the floor bills introduced in the other house.

DAY	SEPTEMBER
2	Last day to amend bills on the Assembly and Senate floors.
9	Last day for each house to pass bills. Interim Recess begins at the end of this day's session.

DAY	OCTOBER
9	Last day for the Governor to sign or veto bills passed by the Legislature before September 9, and in his possession after September 9.

DAY	JANUARY 2012
1	Statutes signed into law in 2011 take effect.
4	The 2011-2012 regular legislative session reconvenes.



Date: December 28, 2010
Current Meeting: January 12, 2011
Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Citizens Advisory Committee

THROUGH: General Manager, Michael T. Burns

FROM: Board Secretary, Sandra Weymouth

SUBJECT: CAC 2010 Year-End Attendance Report

FOR INFORMATION ONLY

BACKGROUND:

At the January 5, 1995, Board of Directors meeting, the Board Secretary was requested to submit quarterly and year-end attendance reports to include Board Standing Committees and Board Advisory Committees.

Prepared By: Susan Garcia
Memo No. 2928

**Citizens Advisory Committee
Citizens Watchdog Committee
Attendance Report 2010**

Member	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Barousse, Jeremy	Effective 08/05/10							P	C	A	P	C	
Blaylock, Stephen	P	P	P	P	P	P	C	A	C	P	P	C	
Brownley, Clinton W.	Effective 02/15/10		P	P	P	P	C	P	C	P	A	C	
Chang, Bena	Effective 04/01/10			P	P	P	C	P	C	P	P	C	
Elias, Chris	A	P	P	P	P	A	C	P	C	P	P	C	
Hashimoto, Ray	P	P	P	P	P	P	C	P	C	P	P	C	
Hughan, Roberta	P	P	P	P	A	A	C	A	C	P	P	C	
Jacobvitz, Robert	P	P	P	P	P	P	C	P	C	P	P	C	
Larsen, Erik	A	P	Resigned 02/26/10										
Liedstrand, Bruce (Effective 01.07.10)	P	P	P	P	A	P	C	P	C	A	P	C	
Morando, Gaye	A	P	P	P	P	A	C	Resigned 07/12/10					
Morrow, Aaron	Effective 04/01/10			P	A	P	C	P	C	P	A	C	
Powers, Charlotte	P	P	P	P	P	P	C	P	C	P	P	C	
Probst, Sally	P	P	P	P	P	P	C	P	C	P	P	C	
Rogers, Connie	P	P	P	P	A	A	C	A	C	P	P	C	
Schulter, Martin	A	P	P	P	P	P	C	P	C	A	P	C	
Skinner, Peter	P	Resigned 02/08/10											
Tebo, Noel	P	P	P	P	P	P	C	P	C	P	P	C	
Wadler, Herman H. (Effective 02.05.10)	Effective 02.05.10		P	P	P	P	P	C	P	C	P	P	C

Note:

- A - Absent
- C - Meeting Cancelled
- P - Present
- E - Excused



Date: November 24, 2010
 Current Meeting: January 12, 2011
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 2000 Measure A Citizens Watchdog Committee

THROUGH: General Manager, Michael T. Burns

FROM: Chief External Affairs Officer, Greta Helm

SUBJECT: Review of 2000 Measure A Citizen Watchdog Committee Duties,
 Responsibilities and Limitations

FOR INFORMATION ONLY

BACKGROUND:

In November 2000, Santa Clara County voters approved Measure A, a 30-year half cent sales tax devoted to enhancing the county's public transit system. The Measure A ballot mandated that an independent citizens watchdog committee, consisting of VTA's Citizens Advisory Committee (CAC), must "review all expenditures" and further, defined specific responsibilities and duties of the Committee. On April 1, 2006 the CAC assumed its duties as the Citizens Watchdog Committee (CWC) for the 2000 Measure A Transit Improvement Program.

To help the Committee, particularly new members, understand their charge and focus their work, staff provides an annual review of the CWC's ballot-specified duties, responsibilities and limitations. This review is given at the start of each calendar year to coincide with the CWC beginning its process of reviewing the 2000 Measure A financial statements and reports for the preceding fiscal year.

DISCUSSION:

County residents, in approving Measure A, entrusted the CWC with oversight for the tax collected under Measure A, to ensure that those revenues are expended solely to improve transit in the county, in accordance with the intent of the ballot. The CWC's ballot-defined responsibilities can be summarized as two primary duties:

- 1) Reviewing 2000 Measure A expenditures to ensure that the funds are being spent in accordance with the intent of the ballot; and
- 2) Informing the citizens of Santa Clara County, on a regular basis, regarding the Committee's conclusion on how 2000 Measure A tax dollars are being spent.

Policy-related decisions for the 2000 Measure A Program, including the composition, implementation, completion schedule, and funding level of projects are the responsibility of the VTA Board of Directors.

Duties and Responsibilities

The 2000 Measure A ballot specified certain tasks that the CWC is responsible for accomplishing:

- **Review all 2000 Measure A expenditures**

This is understood to mean the use of funds, not the review of every individual expenditure, of which there are hundreds, if not thousands, annually. Due to the magnitude of the 2000 Measure A Transit Improvement Program (2000 Measure A TIP) and the number and complexity of its projects, it is impractical for the CWC to review every expenditure for all projects. Instead, the Committee reviews groupings of expenditures to determine if they were expended on behalf of 2000 Measure A projects.

There are several tools the Committee utilizes to assess whether 2000 Measure A funds are being spent in accordance with the intent of the ballot:

- § **Reports provided by staff**

- Ø 2000 Measure A Program Semi-Annual Report is a 6-month snapshot of the current fiscal year and is provided to keep the Committee informed on the completion status of projects and any issues encountered. Since the Semi-Annual is a brief progress report and does not cover the entire fiscal year, it does not contain audited final figures. The Semi-Annual Report covering July - December 2010 is scheduled for the Committee's March 9, 2011 meeting.

- Ø Semi-Annual Measure A Fund Swap Report is a 6-month snapshot that provides an update on the expenditures and status of the projects and programs where the Board-approved the exchange of Measure A funds with funds from other sources.

- § The compliance section findings for the Measure A Program reached by VTA's independent auditor (Vavrinek Trine Day & Company, LLP (VTD)), as contained in the Measure A Program section of VTA's Comprehensive Annual Financial Report (CAFR).

- § The findings and conclusion reached by the independent compliance auditor retained by the Committee (discussed in the next section).

- **Have an audit conducted each fiscal year by an independent auditor to ensure tax dollars are being spent in accordance with the intent of the measure.**

The ballot specifically requires the Committee to have an independent audit of the 2000 Measure A TIP financial statements and records performed annually. The ballot also grants the Committee the ability to contract with an independent auditor of its choice, following competitive bidding requirements specified by government code.

An audit is defined as a systematic review or examination of the assertions or actions of a third party to evaluate conformance to some norm or benchmark. The purpose of an independent audit is to provide users of a set of financial statements with independent assurance that the information presented in those statements is reliable. The independent auditor obtains reasonable, not absolute, assurance that the financial statements are fairly presented. To reach their audit opinion, the independent auditor performs observations and conducts sampling, testing and inquiries.

The results of the independent compliance audit is one of the most important tools the Committee utilizes to form its conclusion on whether 2000 Measure A tax dollars are being spent in accordance with the intent of the ballot.

Because the fiscal year ends on June 30th and several months are required to process the final transactions and prepare the financial statements, the independent auditor typically does not initiate the compliance audit nor begin providing reports to the Committee until January or February of the following year.

For the audits of FY08 forward, the Committee elected to utilize the services of an independent auditing firm not under contract to VTA; this options is intended to remove any potential appearance of conflict of interest. In October 2008, at the conclusion of the competitive bid process, the CWC contracted with the independent Certified Public Accounting (CPA) firm of Macias, Gini and O'Connell, LLP (MGO) to provide compliance auditing services. MGO staff will be at the January 2011 CWC meeting to initiate the compliance audit of FY10 and to coordinate with the Committee on the audit plan and schedule, answer questions, and hear any concerns of the Committee.

- **Hold public hearings and issue reports at least annually to inform Santa Clara County residents how the funds are being spent.**

The purpose of the public hearing is to provide the community with an opportunity to express to the Committee its views, opinions, and concerns on 2000 Measure A Program expenditures, the results of the annual independent audit, and on Measure A Program reports.

The difference between the public hearing and a regular CWC meeting is that at the hearing, the Committee receives input from the public but does not debate nor engage in extended discussion with speakers or other Committee members. After the hearing is closed, the Committee then has the opportunity to discuss the input received.

The Committee has previously established conventions to maximize the opportunity for public participation. These include:

- Posting the public notice 21 days in advance of the hearing, instead of the Brown Act required three days.
- In addition to publishing in general circulation newspapers in VTA's service area, as required by the ballot, the public notice is published in non-English newspapers (Spanish and Vietnamese). It is also posted on VTA's website.

- Holding the hearing at a more centrally-located site, such as the County of Santa Clara Government Center located at First and Hedding Streets. The last three public hearings (for FY07, FY08 and FY09) were held there.

The public hearing on FY10 expenditures is tentatively scheduled for May 11, 2011, which is a normal CAC/CWC meeting date. At its March or April 2011 meeting, the Committee will be asked to vote on the specific date and location of the hearing based on meeting room availability and other factors.

- **Publish the results of the independent audit and the annual report in local newspapers.**

In 2007, the CWC developed its inaugural Annual Report (covering the period of FY06). Since this was the CWC's first report, the Committee voted to publish a comprehensive version, complete with expanded text, full graphics, and the names of all CWC members and the organizations they represent in a wide array of local newspapers (23). This strategy was utilized for the inaugural report to educate county residents on the CWC's mission, the steps it took to develop its finding, and the conclusion it reached on how 2000 Measure A funds were spent during the period.

However, since size is the main factor determining newspapers ad costs, the Committee voted for successive Annual Reports to publish only an abbreviated version in a limited number of local newspapers while placing a comprehensive version on VTA's website. This strategy was developed to make better use of Measure A funds by reducing ad placement costs while ensuring broad distribution and availability of the report to the public. It was employed by the Committee for the last three Annual Reports (on FY09, FY08 and FY07).

The abbreviated version includes only the information required by the ballot to be published, such as the Committee's conclusion on how funds were spent during the period, and directs the public to the comprehensive report on VTA's website. The comprehensive version includes fully-developed explanations and descriptions, history, background, graphics and photos. This strategy ensures a broad distribution of the report to the public in a cost-effective manner

Authority

The 2000 Measure A ballot confers to the CWC the ability to contract for specific services and to expend funds to complete certain requirements, all of which were previously discussed. These are:

Commission Contract for Services

- Independent compliance auditor to audit the 2000 Measure A financial statements and records.

Expend 2000 Measure A Funds

- Independent compliance auditor to audit the 2000 Measure A financial statements and records.

- Publication in general circulation newspapers in VTA's service area of:
 - Ø Public notice announcing when and where the CWC's public hearing will be held.
 - Ø Results of the independent audit (typically combined with the public hearing notice to reduce ad publication costs).
 - Ø CWC Annual Report, to inform county residents of the CWC's conclusion on how funds are being spent and to inform them on the Measure A TIP's milestones and accomplishments.

Limitations

The 2000 Measure A ballot also places certain limits or restrictions on the CWC. Most notable of these are:

- The CWC's responsibility is limited to reviewing 2000 Measure A expenditures to ensure funds are being spent in accordance with the intent of the ballot and to inform residents of the county of its findings. All 2000 Measure A TIP policy-related decisions are the purview of the VTA Board of Directors, including the composition, implementation, schedule and funding level of projects.
- The CWC's ability to expend funds is limited to ballot-defined activities, such as having the annual independent audit performed, publishing the CWC's Annual Report, etc. Expending funds on any other purpose or activity is not permitted.

Prepared By: Stephen Flynn, Sr. Management Analyst
Memo No. 2664



Date: November 18, 2010
 Current Meeting: January 12, 2011
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 2000 Measure A Citizens Watchdog Committee

THROUGH: General Manager, Michael T. Burns

FROM: Chief External Affairs Officer, Greta Helm

SUBJECT: Independent Auditor Initiation of Compliance Audit of FY10

FOR INFORMATION ONLY

BACKGROUND:

In November 2000, the voters in Santa Clara County approved Measure A, a 30-year half cent sales tax devoted to enhancing the county's public transit system. The Measure A ballot also established the 2000 Measure A Citizens Watchdog Committee (CWC) and mandated that, among other duties, this body must:

- Review all 2000 Measure A expenditures.
- Have an audit conducted each fiscal year by an independent auditor to ensure tax dollars are being spent in accordance with the intent of the measure.

To fulfill these responsibilities, in October 2008 the CWC contracted with the independent Certified Public Accounting (CPA) firm of Macias, Gini and O'Connell, LLP (MGO) to provide compliance auditing services.

As part of its audit, MGO's engagement team meets with the CWC to plan the audit, provide status reports, follow up on concerns, and answer any questions that the Committee may have.

DISCUSSION:

To initiate the audit of Fiscal Year 2010 (FY10), the engagement team will be attending the January 12, 2011 CWC meeting to receive input from the Committee on the proposed audit plan. David Bullock, CPA, and Craig Boyer, CPA, will make a brief presentation (see attached) that will:

- Discuss the projected scope of the audit of FY10 (July 1, 2009 - June 30, 2010).
- Provide an estimated timetable and major milestones.

- Discuss the proposed content and presentation of the audit report.
- Follow up on issues or areas of potential concern members may have.

The MGO audit team will be agendized for additional CWC meetings throughout Spring 2011 to provide status updates and present a draft of the audit report. The specific meetings will be determined based on the timetable agreed to by the Committee and MGO.

Prepared By: Stephen Flynn, Sr. Management Analyst
Memo No. 2783

MGO

Proud to be Boring Accountants.™

**FY 2009/10 Presentation to the
Citizens Watchdog Committee of the
2000 Measure A Transit Improvement
Program**

**David Bullock, Partner
Craig Boyer, Manager**

January 12, 2011

Auditor's Communication with Those Charged with Governance

- Those charged with governance = Those responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity
- Communications with committees is a key element of communicating to those charged with governance

Auditor's responsibility under generally accepted auditing standards

- Planned scope and timing of the audit
- Significant findings from the audit

Planned scope and timing of the audit

- The auditor should communicate an overview of the planned scope and timing of the audit, which will assist those charged with governance with the following:
 - Better understanding the impact of their roles
 - Discussion of risk and materiality
 - Identifying additional areas of audit emphasis
- Matters may include the following:
 - How the auditor proposes to address significant risks
 - Auditors approach to internal control
 - Concept of materiality
 - The extent to which the auditor may use the work of the internal auditor

**Hopefully it wasn't
so boring after all.
Thanks for listening.**

mgocpa.com

info@mgocpa.com



Date: December 28, 2010
 Current Meeting: January 12, 2011
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Citizens Advisory Committee

THROUGH: General Manager, Michael T. Burns

FROM: Chief Financial Officer, Joseph T. Smith

SUBJECT: FY 2012 & FY 2013 Biennial Budget Assumptions

FOR INFORMATION ONLY

BACKGROUND:

In order to facilitate the preparation of the FY 2012 and FY 2013 Biennial Budget, several major assumptions relating to the economy, revenues, service levels, and other factors that affect costs are proposed. In addition to the general assumptions listed below, the biennial budget will be developed using the Expenditure Prioritization, Key Financial Principles and Deficit Reduction Targets as approved by the Board of Directors.

The FY 2012 and FY 2013 Recommended Budget will be published and distributed in April 2011 with Board of Directors' action scheduled for June 2011.

DISCUSSION:

Staff will use these working budget assumptions as guidelines to develop the recommended FY 2012 and FY 2013 budgets. These assumptions also represent the financial constraints on VTA's operations and the service and expenditure levels planned for these two years. The final assumptions used in the FY 2012 and FY 2013 Recommended Budget may change as additional information is received.

1. Wages and Benefits:

- i All currently negotiated contracts expire before or during the next biennial budget cycle.

AFSCME-June 2011
 SEIU-June 2011

TAEA-June 2011
 ATU-February 2013

- i Currently negotiated wage increase for ATU of 3% effective June 11, 2012 will be reflected as well as provisions for step increases for ATU employees in pay progression.
- i Reflect no wage increase for AFSCME, SEIU, and TAEA. Budgeting of additional costs, if any, for new contracts will be addressed upon contract ratification by the Board.
- i Funding for merit increases for non-represented employees, if any, will be managed through vacancy savings.
- i Projected health insurance premium increase of 9% for FY 2012 and 10% for FY 2013 based on employee benefits broker's estimate.
- i Pension and Retiree Health contributions as a percentage of wages:

Plan	FY12	FY13
ATU Pension	18.0%	18.0%
CalPERS-Employer portion	13.349%	13.8%
CalPERS-Employee portion (paid by VTA)	7.0%	7.0%
Retirees' Other Post Employment Benefits (OPEB) Trust	11.7%	11.7%

- i All other benefits projected to increase at rate of inflation where appropriate.

2. VTA Investment Portfolio interest rate:

Fiscal Year	Interest Rate
FY12	1.86%
FY13	2.37%

3. Sales tax growth:

Based on the most recent information, including FY 2011 1st QTR actual sales tax data received December 15th; projected growth rates for sales tax revenue have been updated as follows.

Fiscal Year	Recommended Growth Assumption	Moody's Analytics (2010) - Trend		
		Pessimistic	Most Likely	Optimistic
FY11	6.88%	6.30%	7.25%	7.66%
FY12	3.49%	2.15%	3.13%	3.56%
FY13	5.78%	4.80%	5.78%	6.21%

The FY 2011 recommended growth assumption is based on projections from Beacon Economics provided in September 2010, adjusted for actual first quarter FY 2011 receipts.

The FY 2012 recommended growth assumption is based on Moody's Analytics' baseline trend forecast adjusted upward slightly to correct for a mismatch between economic recovery timing projections of Moody's vs. Beacon.

The FY 2013 recommended growth assumption is based on Moody's baseline trend forecast.

As updated information becomes available, including actual 2nd QTR sales tax receipts and updated forecasts from Beacon Economics, the projected growth rates for all three fiscal years will be finalized prior to distribution of the FY 2012 and FY 2013 Recommended Budget.

4. Measure A Operating Assistance:

18.45% of Measure A Sales Tax Revenues.

5. Low sulfur diesel fuel price:

Diesel prices are highly unpredictable. While the volatility over the last two years has lessened greatly from the fluctuations seen in 2008, diesel prices have varied from a low of \$1.28 (including tax) in February of 2009 to a high of \$2.69 this fall. The average price per gallon paid in FY 2010 was \$2.31. Current year-to-date FY 2011 average through 12/13/10 is \$2.56. Due to the volatility of the item, the price per gallon assumption for FY 2012 and FY 2013 will be determined as close to the publication of the Recommended Budget as possible.

6. Fares:

There are no plans to increase fares at this time.

7. Bus and Light Rail Ridership:

Overall, FY 2010 system ridership (bus and rail) decreased by 7.8% from the previous year. Bus ridership totaled 32.0 million, a 7.3% decrease and light rail ridership 9.7 million, a 1.7% decrease. Fiscal Year 2011 system ridership through November is down 4.4% from FY 2010 levels. However, the trend of declining ridership may be slowing somewhat. Although November average weekday system ridership showed a decline of 2.9%, this was vastly improved from the average decline over the previous 18 months of 6.4%.

VTA's ridership is heavily correlated with employment levels in the County. Since the beginning of FY 2010 Santa Clara County unemployment has averaged 11.5%. The average for the previous 24 months was 6.9%. However, there is cause for cautious optimism on this front as the October 2010 unemployment rate was down to 10.6%, the first time the jobless rate dipped below 11% since May 2009. Our economist, Beacon Economics, projects employment to rise by 2.45% and 2.31% in FY 12 and FY 13, respectively with unemployment levels at 8.6% by the end of FY 12 and 7.7% by the end of FY13.

Based on the factors above, current projected growth rates for ridership are as follows:

Fiscal Year	Ridership Growth
FY11	-3.0%
FY12	0.0%
FY13	1.0%

8. Total Miles & Hours for Bus & LR and Fleet Size:

Current service levels including the recently introduced Express Light Rail service.

9. State Transit Assistance (STA) funding level:

Beginning in FY 2012, the state diesel sales tax rate will be increased to 6.75% in conjunction with a corresponding drop in the per-gallon diesel fuel excise tax to ensure that consumers feel no impact at the pump. High-speed rail/transit bond debt service will have first call on the revenues generated by the diesel sales tax. Any remaining revenues will be split 75% to STA and 25% to intercity rail and other miscellaneous state transit programs. The intent is to ensure, at a minimum, an annual STA Program of \$350 million. According to the latest MTC estimates, VTA's share of a \$350 million program would be approximately \$13.6 million in FY 2012.

10. Federal Operating Grants Preventative Maintenance funding level:

Although the Federal Transit Administration (FTA) Section 5307 grant program is designed primarily to fund capital acquisitions, funds can also be awarded for preventive maintenance activities in support of operations. Due to the recent economic downturn, VTA has used 100% of available Section 5307 funds for preventive maintenance the last three years to offset the loss of Sales Tax Revenues and STA funding. Beginning in FY 2012 VTA will begin a gradual reduction of this practice towards the goal of reaching historical levels (35%) by FY 2018. The proposed Section 5307 funding split for operations support and capital replacement is as follows:

Fiscal Year	% Operations Support	% Capital Replacement
FY12	90%	10%
FY13	80%	20%

11. Capital Program funding level:

The FY 2012 and FY 2013 VTA Transit Capital Program will be structured to optimize the use of grant funds to the greatest extent possible. Debt Reduction Funds will be used to provide any required local matching funds for grants. Projects not eligible for grants will be prioritized based on pre-determined scoring criteria that give the greatest emphasis to maintaining the existing infrastructure, support functions, and service network. The level of local funding available for non-grant eligible projects will be

limited to the positive operating balance in excess of the 15% Operating Reserves goal, if any.

12. Operating Reserves funding level:

Operating Reserves will be designated at 15% of Recommended Budget expenditures. Any positive operating balance in excess of the 15% goal will be designated to the Debt Reduction Fund for use in funding the local portion of future year capital expenditures.

13. Harvey M. Rose, LLC Recommendations:

The October 2010 Harvey Rose report commissioned by Working Partnerships, USA included recommendations for VTA in the areas of projections, capital project funding, reserve funding, and pension costs. The table below reflects the Harvey Rose recommendations as well as the VTA staff recommendations as they relate to the assumptions used for the FY 2012 and FY 2013 Biennial Budget.

Harvey Rose, LLC Recommendation	Budget Assumption
Present a range of forecasts for Board consideration	The sales tax growth rates presented in #3 above include the staff recommendation as well as the pessimistic, most likely and optimistic projections.
Use FTA Section 5307 and 5309 funds for preventive maintenance	Begin gradual return to mix of 35% preventive maintenance (operations support) and 65% capital replacement for Section 5307 funds.
Increase use of Measure A funds for VTA operating costs	Maintain current policy to fund at 18.45% level
Set Workers' Compensation and General Liability confidence levels at 50% instead of 90%	Workers' Compensation and General Liability confidence levels at 60% based on historic claims experience*
Release surplus in Workers' Compensation and General Liability Reserves	<ul style="list-style-type: none"> - Consider funding holiday for FY12 & FY13 - Use any excess Workers' Compensation and General Liability Reserves to make one-time payment to OPEB/Pension funds to reduce unfunded or other liabilities*
Eliminate Compensated Absence Reserve	<ul style="list-style-type: none"> a) Use any excess Compensated Absence Reserve to make one-time payment to OPEB/Pension funds to reduce unfunded or other liabilities* or, b) Eliminate need for Compensated Absence Reserve
Pre-pay annual pension contribution	Pre-pay pension and/or OPEB contributions to reduce interest charges

*These assumptions will be used to begin the budget preparation but are subject to change depending on need and conditions at the time the budget is adopted.

Prepared By: Carol Lawson, Fiscal Resources Manager, Budget
Memo No. 2786