



ADMINISTRATION & FINANCE COMMITTEE

April 17, 2003

MINUTES

1. CALL TO ORDER

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 9:05 a.m. by Chairperson Williams in Room 204, City of San Jose, 801 North First Street, San Jose, California.

ROLL CALL

Members Present

Pat Dando, Vice Chairperson
Jane P. Kennedy
Forrest Williams, Chairperson

Members Absent

Don Gage
Pete McHugh
Joe Pirzynski

A quorum was present.

2. PUBLIC PRESENTATIONS

There were no Public Presentations.

3. ORDERS OF THE DAY

Chairperson Williams requested that Agenda Item # 10., Approve amending the Bicycle & Pedestrian Advisory Committee (BPAC) and the Policy Advisory Committee (PAC) bylaws as indicated; and amending the VTA Administrative Code, as indicated, in order to permit certain specified modifications to the BPAC and PAC bylaws be removed from the Consent Agenda and deferred to the May 22, 2003 A & F Committee Meeting.

Chairperson Williams noted the May 22, 2003 A & F Committee Meeting scheduled at 1:00 p.m. held in Room 106.

Chairperson Williams requested that Agenda Item # 9., Adopt a resolution authorizing the filing of an annual claim to the Metropolitan Transportation Commission (MTC) for allocation of FY 2003 – 2004 Transportation Development Act (TDA) and State Transit Assistance (STA) funds be removed from the Consent Agenda and placed onto the Regular Agenda.

M/S/C (Dando/Kennedy) to accept the Orders of the Day.

CONSENT AGENDA

4. Regular Meeting Minutes of March 20, 2003

M/S/C (Kennedy/Dando) to approve the Regular Meeting Minutes of March 20, 2003.

5. Report on Santa Clara Valley Transportation Authority Investments for the Month of February 2003

M/S/C (Kennedy/Dando) to receive and file the Report on Santa Clara Valley Transportation Authority Investments for the Month of February 2003.

6. Contractor Pre-Qualification Pilot Program Monthly Report

M/S/C (Kennedy/Dando) to receive and file the Contractor Pre-Qualification Pilot Program Monthly Report.

7. Monthly Legislative Reports

M/S/C (Kennedy/Dando) to receive and file the Monthly Legislative Reports.

8. Military Leave Benefits - Costs

M/S/C (Kennedy/Dando) to receive and file the Military Leave Benefits – Costs Report.

9. (Removed from the Consent Agenda and placed on the Regular Agenda.)

Santa Clara Valley Transportation Authority's FY 2003 – 2004 Transportation Development Act and State Transit Assistance Allocation Claim

Adopt a resolution authorizing the filing of an annual claim to the Metropolitan Transportation Commission (MTC) for allocation of FY 2003 – 2004 Transportation Development Act (TDA) and State Transit Assistance (STA) funds.

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

10. **(Removed from the Consent Agenda and deferred to the May 22, 2003 A & F Committee Meeting.)**

Amendment of Bicycle & Pedestrian and Policy Advisory Committee Bylaws and VTA Administrative Code

Approve amending the Bicycle & Pedestrian Advisory Committee (BPAC) and the Policy Advisory Committee (PAC) bylaws as indicated; and amending the VTA Administrative Code, as indicated, in order to permit certain specified modifications to the BPAC and PAC bylaws.

11. **Supplemental Funding for the Dixon Landing Road/I-880 Interchange Reconstruction Project**

M/S/C (Kennedy/Dando) to approve submitting a recommendation to the Board of Directors to approve the Allocation of \$140,000 from the Local Program Reserve to the City of Milpitas for supplemental funding for the Dixon Landing Road/I-880 Interchange Reconstruction Project.

The Agenda was taken out of order.

5. **Report on Santa Clara Valley Transportation Authority Investments for the month of February 2003** (continued)

Chairperson Williams queried on the graphing of State Street Global Advisors Managed Account versus the benchmark graphing. Mr. Buhner noted that the money manager is meeting expectations and noted that performance has matched the benchmark. Mr. Buhner noted that the money manager is meeting index performance of S and P 500.

6. **Received and filed the Contractor Pre-Qualification Pilot Program Monthly Report** (continued)

Vice Chairperson Dando queried on the number of applicants who have not been approved for Contractor Pre-Qualification Program. Vice Chairperson Dando requested that the Contractor Pre-Qualification Pilot Program cost be examined to see if the program is cost effective and if it is beneficial to continue in light of VTA's budget financial crisis. Tom Smith, Materials and Purchasing Manager, noted that one prime contractor applicant was not approved for the program. Chairperson Williams requested that VTA staff examine Contractor Pre-Qualification Pilot Program cost and determine if the program is warranted.

5. **Report on Santa Clara Valley Transportation Authority Investments for the month of February 2003** (continued)

Chairperson Williams queried on the percentile and where VTA stands in regards to investment environment. Mr. Buhner noted that investment information will be presented at the May 22, 2003 A & F Committee Meeting and noted that investment assessment levels are presented on a quarterly basis.

REGULAR AGENDA

9. **Santa Clara Valley Transportation Authority's FY 2003 - 2004 Transportation Development Act and State Transit Assistance Allocation Claim**

Scott Buhner, Chief Financial Officer, noted an inconsistency between TDA revenue estimates and VTA's ½ sales tax revenue estimates. Mr. Buhner noted that the amount in the MTC fund estimate was developed when VTA anticipated \$145 million for next year but based on the latest quarter VTA reduced the sales tax estimate for next year. Mr. Buhner noted that VTA staff anticipates that MTC will reduce the revenue estimates but the reduction has not yet occurred. Mr. Buhner noted that VTA would like to claim the revenue estimates even if estimates are reduced. Mr. Buhner noted that over the next two-year budget cycle this could be \$8 to \$9 million of reduced revenue compared to what is in the budget because the budget includes the MTC fund estimate. Mr. Buhner noted that VTA staff does expect the MTC fund estimate amount to be reduced.

Vice Chairperson Dando requested that if the \$8 to \$9 million of reduced revenue is not currently included in the budget deficit then the budget deficit should be reduced. Vice Chairperson Dando noted that VTA should be as accurate and conservative and noted that it is better at this time to error as being conservative.

Chairperson Williams queried on MTC projections. Mr. Buhner noted that the estimated projections of funding by MTC are provided by Santa Clara County Controller. Mr. Buhner noted that MTC, VTA staff and Santa Clara County Controller staff met to discuss and assess the sales tax performance. Vice Chairperson Dando queried on how often and when does VTA audit the estimates of sales tax that other jurisdictions use to determine the estimates. Mr. Buhner noted that VTA does not audit the estimates. Mr. Buhner noted that VTA receives its sales tax revenue through the Board of Equalization not the County. Mr. Buhner noted that VTA has retained MBIA to review, identify and seek recovery of misallocations of funding. Vice Chairperson Dando queried on the recovery rate of misallocations. Mr. Buhner noted that MBIA has initiated a number of claims but has not collected any misallocations, to date. Mr. Buhner noted the total amount of the claims initiated is about \$70,000 and added that a

report will be presented to Committee Members at the next meeting regarding the level of effort. Mr. Buhner noted that MBIA earns its fee on a contingency basis. Mr. Buhner noted that VTA has not used this type of firm in the past. Mr. Cipolla noted that MBIA earns its fee on a percentage basis.

M/S/C (Kennedy/Dando) to approve submitting a recommendation to the Board of Directors to adopt a resolution authorizing the filing of an annual claim to the Metropolitan Transportation Commission (MTC) for allocation of FY 2003 – 2004 Transportation Development Act (TDA) and State Transit Assistance (STA) funds.

12. STIP Amendments and Authorization for the General Manager to Enter into Agreements to Implement a GARVEE Bond Financing Strategy for the Route 87 High Occupancy Vehicle (HOV) Lane Projects and the I-880/Coleman Interchange Project

Michael P. Evanhoe, Chief Development Officer, provided a brief overview on the STIP amendments and authorization for the General Manager to Enter into Agreements to Implement a GARVEE Bond Financing Strategy for the Route 87 High Occupancy Vehicle (HOV) Lane Projects and the I-880/Coleman Interchange Project. Mr. Evanhoe noted that the State will begin the process to issue GARVEE Bonds to begin projects later this fall. Mr. Evanhoe noted a concern with the environmental side or cultural resources of Route 87 HOV Lane Projects. Peter M. Cipolla, General Manager, noted that VTA is operating within its own Right-of-Way; however, VTA still is required to complete the steps in the process to determine that there is no impact to Indian burial grounds or archeological findings. Mr. Evanhoe noted that project financing is going well and noted that future STIP allocations are paying for the project. Mr. Evanhoe noted that the California Transportation Commission (CTC) is very supportive of creative financing and accelerating projects. Mr. Evanhoe noted that Caltrans will be financially responsible for the land subsiding settlement repair work.

M/S/C (Kennedy/Dando) to approve submitting a recommendation to the Board of Directors to approve STIP amendments for a Federal Highway Grant Anticipation Revenue Vehicle (GARVEE bond) financing strategy for the Route 87 HOV Lane Projects from Julian Street in San Jose to Route 85 and the I-880/Coleman Interchange Project; and authorize the General Manager to enter into the agreements necessary to implement the project funding.

13. Annual Renewal of Property and Casualty Insurance Coverage

Nanci Eksterowicz, Risk Management Manager, provided a brief overview on the Annual Renewal of Property and Casualty Insurance Coverage. Ms. Eksterowicz noted that VTA spent \$1.3 million in insurance coverage last year. Driver-Alliant Insurance Services, contract insurance broker, has determined that it will cost VTA about \$1.9 million to duplicate the same insurance coverage for this year. Ms. Eksterowicz noted that the insurance market continues to experience adverse underwriting results due to the following: 1) events of September 11, 2001, 2) a number of insurance carriers leaving California, and 3) insurance carriers not wanting to insure transportation systems. Ms. Eksterowicz noted conservative changes in VTA's insurance coverage, such as, buying less liability excess insurance, increasing the deductible of the Property/Boiler Machinery insurance and eliminating coverage for crime/employee fidelity. Ms. Eksterowicz noted that staff will come back in August 2003 with information and final cost of insurance coverage. Ms. Eksterowicz added that VTA's insurance carrier office is located in San Francisco, California, and that the broker has worked with VTA for a number of years. Ms Eksterowicz noted that a joint liability or pulling is not available for VTA to join at this time.

M/S/C (Dando/Kennedy) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to purchase insurance coverage for Excess Liability, General and Auto Liability and Public Officials Errors and Omissions Liability, Property/Boiler and Machinery, Inland Marine for Buses, Vans and Mobile Equipment, Inland Marine for Light Rail Vehicles, and Flood, for the annual Operations Program insurance renewal for an amount not to exceed \$1,650,000.

OTHER ITEMS

14. Fare Modifications for FY 2003 - 2004

Mr. Buhner provided a brief overview on the Fare Modifications for FY 2003 – 2004. Mr. Buhner noted that the fare modifications was discussed at the March 21, 2003 Board of Directors Workshop extensively. Mr. Buhner noted that the Board of Directors requested that staff reassess the impacts of changing the Senior/Disabled fees from \$2.25 to \$1.75 and examine the impacts if the monthly pass went from \$21.50 to \$17.50. Mr. Buhner noted the revenue and ridership impacts of a fare change. Mr. Buhner noted the Board of Directors request that staff examine alternate ways to make up the revenue loss by making other adjustments within the fare structure. Mr. Buhner noted the Adult Fare fee from \$1.50 to \$1.75 would generate approximately the same amount of money as the original proposal; however, would impact Paratransit Service Fare fees. Mr. Buhner noted that Paratransit Service Fare fees are calculated using two times

the adult cash fare. Mr. Buhner noted that other indexing fare fees would be affected as well. Mr. Buhner noted that there was not a lot of public input at the public meetings. Mr. Buhner noted that most participation and comment was from the Senior/Disabled community. Mr. Buhner noted the suggestion of the Policy Advisory Committee (PAC) Members that staff examine the discounts on Youth Fare fees.

Vice Chairperson Dando requested that Agenda Item # 14., Proposed transit and Americans with Disabilities Act (ADA) paratransit fare modifications for implementation August 1, 2003 be forwarded without a recommendation to the April 25, 2003 VTA Board of Directors Workshop Meeting for discussion.

Vice Chairperson Dando and Member Kennedy requested that staff look into decreasing discounts on Youth Fare fees and bring the information back to Committee Members.

On order of Chairperson Williams, there being no objection, the Committee discussed proposed transit and Americans with Disabilities Act (ADA) paratransit fare modifications for implementation August 1, 2003.

15. Committee Work Plan

On order of Chairperson Williams, there being no objection, the Committee received the Committee Work Plan.

16. Committee Staff Report

Mr. Buhner noted the Friday, April 25, 2003 VTA Board of Directors Workshop Meeting. Mr. Buhner commented on the refinancing of 2000 Measure A liabilities off of the VTA Enterprise fund. Mr. Buhner noted VTA's contribution cap to Caltrain.

17. Chairperson's Report

Chairperson Williams noted a calendar conflict for Committee Members with May 22, 2003 A & F Committee Meeting at 1:00 p.m. Chairperson Williams requested that the May 22, 2003 A & F Committee Meeting be rescheduled to 9:00 a.m.

18. Determine Consent Agenda for the May 1, 2003 Board Meeting

CONSENT: Agenda Item #9. Adopt a resolution authorizing the filing of an annual claim to the Metropolitan Transportation Commission (MTC) for allocation of FY 2003 – 2004 Transportation Development Act (TDA) and State Transit Assistance (STA) funds and **Agenda Item #11.**, Approve the Allocation of \$140,000 from the Local Program Reserve to the City of Milpitas for supplemental funding for the Dixon Landing Road/I-880 Interchange Reconstruction Project.

REGULAR: Agenda Item #12., Approve STIP amendments for a Federal Highway Grant Anticipation Revenue Vehicle (GARVEE bond) financing strategy for the Route 87 HOV Lane Projects from Julian Street in San Jose to Route 85 and the I-880/Coleman Interchange Project; and authorize the General Manager to enter into the agreements necessary to implement the project funding and **Agenda Item #13.**, Authorize the General Manager to purchase insurance coverage for Excess Liability, General and Auto Liability and Public Officials Errors and Omissions Liability, Property/Boiler and Machinery, Inland Marine for Buses, Vans and Mobile Equipment, Inland Marine for Light Rail Vehicles, and Flood, for the annual Operations Program insurance renewal for an amount not to exceed \$1,650,000.

19. Announcements

Mr. Buhner announced Ad-Hoc Financial Stability Committee Meeting scheduled on Wednesday, April 23, 2003, at 9:00 a.m. held at the County of Santa Clara Office of the Sheriff in the Auditorium.

20. ADJOURNMENT

On order of Chairperson Williams, there being no objection, the meeting was adjourned at 10:11 a.m.

Respectfully submitted,

Michelle Garza, Board Assistant
VTA Board of Directors
