



## **ADMINISTRATION & FINANCE COMMITTEE**

Thursday, January 22, 2004  
12:00 p.m.

City of San Jose  
801 North First Street – Room 204  
San Jose, California

### **MINUTES**

#### **1. CALL TO ORDER**

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:01 p.m. by Chairperson Williams in Room 204, City of San Jose, 801 North First Street, San Jose, California.

#### **ROLL CALL**

##### **Members Present**

David Casas, Vice Chairperson  
Patricia Dixon  
Don Gage  
Forrest Williams, Chairperson

##### **Members Absent**

None

##### **Alternates Present**

None

##### **Alternates Absent**

Dennis Kennedy  
Breene Kerr

\* Alternates do not serve unless participating as a Member.

**A quorum was present.**

**The Agenda was taken out of order.**

Chairperson Williams welcomed and requested the newly appointed VTA Board Members introduce themselves to the Administration and Finance Committee.

Member Patricia Dixon, Vice Mayor of the City of Milpitas, introduced herself to the Committee and noted her interest in finance. Member Dixon hopes she will bring good luck to the Committee. Member Dixon noted that she is looking forward to working with the Committee.

Member David Casas, Vice Mayor of the City of Los Altos, introduced himself to the Committee and noted his special interest in finance.

**2. PUBLIC PRESENTATIONS**

There were no Public Presentations.

**3. ORDERS OF THE DAY**

There were no Orders of the Day.

**CONSENT AGENDA**

**4. Regular Meeting Minutes of December 18, 2003**

M/S/C (Dixon/Gage) to approve the Regular Meeting Minutes of December 18, 2003.

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

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

**6. Monthly Legislative Reports**

M/S/C (Dixon/Gage) to receive and file the Monthly Legislative Reports.

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

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## **REGULAR AGENDA**

### **7. Vice Chairperson for 2004**

Chairperson Williams opened the nominations from the floor for the position of Administration and Finance Committee Vice Chairperson for 2004.

**M/S/C (Gage/Dixon)** to close the nominations and elect Member Casas as Administration and Finance Committee Vice Chairperson for 2004, on a white ballot.

### **8. Authorize the General Manager Execute an Agreement with Fidelity Investments**

Gerald Rosenquist, Acting Chief Financial Officer, provided a brief overview on the Agreement with Fidelity Investments. Mr. Rosenquist commented that VTA is replacing Putnam Investments primarily for not reaching performance targets and recent improprieties. Mr. Rosenquist added that Mercer Investments was hired to evaluate and make recommendations regarding potential firms to replace Putnam Investments. Mr. Rosenquist noted that Fidelity Investments was determined to be the best firm.

**M/S/C (Gage/Casas)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute an agreement with Fidelity Investments (Fidelity), a professional investment management firm to manage 15 percent (\$36.6 million) of VTA/ATU Pension Trust assets for a fee of 64/100 of 1%, which is an estimated amount of \$236,800.

### **9. Silicon Valley Rapid Transit Project – Project Office Lease Agreement**

Jack J. Collins, Chief Construction Officer, provided a brief overview on the Silicon Valley Rapid Transit Project – Project Office Lease Agreement. Mr. Collins commented on a tentative offer to lease office space from Hynix Semiconductor America Inc. Mr. Collins noted that the Hynix building is adjacent to VTA Offices near the River Oaks Light Rail Station and added that the building would provide work accommodations for approximately 180 - 190 VTA Staff and consultants working on the Silicon Valley Rapid Transit (SVRT) Corridor Preliminary Engineering (PE) Project for the next couple of years. Mr. Collins added that the lease rates are very comparable to North San Jose Area. Mr. Collins commented that other office spaces were considered for their lower price rates; however, tenant improvements would be very high and added that the Hynix building is cost effective. Mr. Collins commented that the target move-in date is March 1, 2004. Mr. Collins added that the costs relating to the lease of the office space is part of the \$170 million for the SVRT Corridor PE Budget. Mr. Collins added that the SVRT Corridor PE Budget will be presented at the January 30, 2004 VTA Board of Directors Workshop for budget augmentation.

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Member Dixon inquired if the building was move-in ready for the employees. Mr. Collins noted that it was ready and added that tenant improvements will be completed by Hynix Semiconductor America Inc. Member Dixon inquired if the building was set up for wireless communications. Mr. Collins noted that VTA is considering installing a wireless antenna to connect the Hynix building to VTA's servers. Member Dixon inquired on the lease term and if VTA was considering extending the term option. Mr. Collins noted that the problem with longer lease options is that it would tie up the property; therefore, additional funding for the property for a longer term would be expected. Mr. Collins added that VTA does not know where the funding will be in a couple of years on the BART Project. Mr. Collins added that VTA would like to commit the funding for the initial PE on the SVRT Corridor Project. Mr. Collins added that approval from the Federal Government is required to go into final project design. Mr. Collins noted that VTA has a one-year option in case the PE on the SVRT Corridor Project is extended.

Member Casas queried on the terms of the lease option and if it was consistent with the two-year lease. Ron Pang, Senior Real Estate Agent, noted that the option year is structured that it would be 95 percent of the market rate. Member Casas queried on how the market rate would be determined. Mr. Pang noted that the market rate would be at an appraised rate at that time.

Chairperson Williams noted that \$170 million has been allocated for the SVRTC Project PE Budget.

Member Gage queried if project work is scheduled to start in March 2004. Peter M. Cipolla, General Manager, noted that Silicon Valley Rapid Transit Project Office Lease Agreement will be forwarded to the Board of Directors for approval, if approved, Staff will be able to move into the facility.

Member Gage queried if staffing is already available. Mr. Cipolla noted that consultants and VTA Staff are available.

Member Dixon queried if Staff would be able to provide the percentage of savings to the Board of Directors at the February 5, 2004 Regular Meeting. Mr. Collins noted that the savings would be typically from the difference in the rate the consultants charge VTA for the services provided. Mr. Collins added that a consultant based out of their home office will charge 155 percent while field office rates vary from 110 – 125 percent.

Chairperson Williams queried on the issue regarding consultants versus in-house staff and the skills required to perform the work. Chairperson Williams queried if VTA would be able to utilize as much of VTA's Staff to work on the project.

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Mr. Collins noted that VTA does not perform design; however, is responsible to manage design and construction of projects. Mr. Collins added that VTA hires professional design consultants licensed to work on design in the State of California. Mr. Cipolla added that VTA will provide majority of the clerical support to the consultant teams on the project; however, consultants will provide some of their own clerical support. Chairperson Williams commented on the opportunity and effort to move the project forward while trying to reduce costs as much as possible.

**M/S/C (Gage/Casas)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute an agreement with Hynix Semiconductor America Inc., for the lease of a Silicon Valley Rapid Transit Project Office for an amount not to exceed \$2,000,000, which includes \$1,600,000 for rent, and \$400,000 for tenant improvements and miscellaneous office furniture. The agreement term will be two years to allow completion of Preliminary Engineering, with an option to extend one year.

Vice Chairperson Casas noted that it would be helpful to address the savings in the memorandum for the Board of Directors. Mr. Cipolla noted that staff will provide the information.

**10. Valley Transportation Plan (VTP) 2020 Highway Project – US 101/Bailey Avenue Interchange (Segment B) Construction Contract Award**

Mr. Collins provided a brief overview on the Valley Transportation Plan (VTP) 2020 Highway Project – US 101/Bailey Avenue Interchange (Segment B) Construction Contract Award. Mr. Collins commented on the construction work on South San Jose Highway 101. Mr. Collins noted that the project was divided into two phases and the first phase is currently under construction. Mr. Collins added the construction of Segment B will complete the construction of the second phase of the project. Mr. Collins commented that VTA received a number of bids and added that the lowest bid came from DeSilva Gates Construction. Mr. Collins added that the City of San Jose requested that VTA manage the delivery of the project.

Member Gage queried if the City of San Jose is paying for VTA's fees to manage the project. Chairperson Williams noted that the City of San Jose negotiated a reasonable contract with VTA and added that VTA is doing a good job.

**M/S/C (Dixon/Gage)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute a contract with DeSilva Gates Construction, the lowest responsible bidder, in the amount of \$2,040,694 for construction of Segment B of the US 101/Bailey Avenue Interchange project.

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## **OTHER ITEMS**

### **11. Paratransit Service Business Practices Improvement Plan: Project Update**

George Tacké, Accessible Services Program Manager, provided a brief overview on the Paratransit Service Business Practices Improvement Plan: Project Update. Mr. Tacké distributed a colored version of Attachment B, VTA Paratransit Program Cost Fiscal Year 98-99 through Fiscal Year 03-04 to Committee Members. Mr. Tacké commented at the November 7, 2002 VTA Board of Directors Regular Meeting, VTA Staff was requested to provide periodic updates on the progress and status on the Paratransit Improvement Plan. Mr. Tacké noted that as a result of rapidly rising costs of Paratransit Services, VTA Staff developed a four-phase plan to address the situation. Mr. Tacké noted that the three phases focused primarily on Paratransit policy modifications, operational practices, vendor and broker cost reductions, and raised fare modifications. Mr. Tacké commented on the implementation of the Eligibility Certification Program. Mr. Tacké added that phase four is to evaluate the business model and determine how the responsibilities are divided between the vendor and broker. Mr. Tacké added that the recommendations will be presented to the committees and added that the goal is to continue to develop strategies to contain costs while maintaining a high quality Paratransit Service. Mr. Tacké noted that the implementation of the first cost containment strategies have reduced Paratransit Service costs and added that the original projection developed two years ago was for \$44 million; however, current projection for this year is \$27 million. Mr. Tacké commented that the reduction in Paratransit Service costs is mainly due to reducing the cost per trip and the new Eligibility Certification Program, which is reducing the enrollment rate and shifting able people into accessible bus and the light rail system. Mr. Tacké added that the Eligibility Certification Program prescreening process is educating customers regarding the requirements for Paratransit Services. Mr. Tacké noted that VTA Staff will provide quarterly reports and a year-end update report to the committees.

Member Gage requested a month-to-month comparison for FY 2004 compared to FY 2003 of paratransit customer certification and ridership data. Member Gage requested a re-evaluation of the Paratransit Service Area and its impact on South County Residents. Member Gage requested that Staff consider expanding the Paratransit Service Area in South County.

Member Dixon noted the concern of Alternate Board Member Dennis Kennedy regarding the impact to the Senior and Disabled community in the Morgan Hill and Gilroy service areas. Member Dixon queried if VTA had a set program in place for each individual city affected where the cities would go out independently and educate the public on eligibility and the difference between Paratransit and fixed route service. Mr. Cipolla noted that VTA Marketing and Customer Service or Accessible Services Staff would work with the individual cities to address the issue. Member Dixon noted how impressed she was with the Outreach facility efficiency but noted her concern regarding the lack of effort by VTA to procure lower gasoline prices for Outreach vehicles. Mr. Cipolla noted that VTA has addressed this issue and noted that VTA does not purchase much gasoline but rather

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more diesel fuel. Mr. Cipolla added that much of the Outreach equipment was purchased through VTA. Mr. Cipolla noted that VTA is working to determine if some services can be delivered more cost efficiently and still not negatively impact customers.

Member Casas queried on the FY 2003 – 2004 year-end statistics and when they would be available. Mr. Tacké noted that the report should be available after the fiscal year.

Chairperson Williams noted the concerns of the public regarding the re-certification process. Chairperson Williams queried if the public was anxious regarding the process and inquired on a solution to reduce their concerns. Mr. Tacké commented on the Accessible Services hotline and noted the positive response from the public. Mr. Tacké commented on the public's apprehension before the program started but noted that public apprehension has gone away. Mr. Tacké added that the re-certification process is completed in a professional manner and is not a difficult process to complete.

Chairperson Williams thanked VTA Staff for their diligent work and noted his appreciation for a great presentation.

**On order of Chairperson Williams**, there being no objection, the Committee received and filed the report on the Paratransit Service Business Practices Improvement Plan: Project Update.

**12. Preliminary Tasman East/Capitol Bus/Rail Service Integration Plan**

Mike Aro, Deputy Director Service and Operations Planning, distributed a colored copy of Tasman East/Capitol Extension Light Rail Lines, existing Light Rail Lines, Proposed Light Rail Operating Plan, Proposed Bus Route Changes, and Description of Bus Route Changes to Committee Members. Mr. Aro provided a brief overview on the Preliminary Tasman East/Capitol Bus/Rail Service Integration Plan. He commented on implementation of the Tasman East/Capitol Light Rail Extension and Light Rail Operating Plan.

Mr. Aro commented on the Tasman East/Capitol Light Rail Extension and noted that the project is a two-part extension. Mr. Aro noted that the Tasman East Extension includes the segment from the Baypointe Station to Hostetter Road and is approximately five miles long. Mr. Aro added that the I-880 segment portion from Baypointe Station to I-880 to was open in May 2001. He noted that the new extension will operate in the median along the Great Mall Parkway and Capitol Avenue. Mr. Aro added that the new extension will include an elevated section in the City of Milpitas that will be grade separated over two freight tracks and Montague Expressway. Mr. Aro noted the new stations located at the Great Mall, Montague Expressway, Cropley Avenue, and Hostetter Road and added that a new bus transit center will be located at the Great Mall, which will accommodate six vehicles at one time including AC Transit, which will be linking up with VTA at this site.

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Mr. Aro noted that the Capitol Extension is a continuation from Hostetter Road to Alum Rock Avenue and will operate in the median along Capitol Avenue. The Capitol Extension includes new stations located at Berryessa, Penitencia Creek, McKee Road, and Alum Rock Avenue with new bus transit centers located at Penitencia Creek and Alum Rock Avenue Stations. Mr. Aro noted the three existing light rail lines: 1) Almaden Shuttle – operating between Almaden Station and Chynoweth Station serving Oakridge Mall, 2) Guadalupe Line – operating between Santa Teresa Station and Baypointe Transfer Station, and 3) Tasman West Line – operating between Mountain View Multi-Modal Station and I-880/Milpitas Station with a transfer location between Guadalupe and Tasman West at Baypointe. The proposed operating plan for the Tasman East/Capitol Light Rail Extension Line recommends that the line be a continuation of the Guadalupe Line. The line will run from Alum Rock to Santa Teresa then operate to Tasman West to the Baypointe transfer station. The Tasman West Line operates on 15-minute headways during peak hours and 30-minute headways during the weekends while the Guadalupe Line operates on 15-minute headways during weekdays and 15-minute headways during the weekends. The new segment should open with good service levels and can support the 15-minute headway frequency of the Guadalupe Line. The operating environments are similar on both lines - both lines serve large residential areas, shopping centers, schools, and share a lot of commonality. Mr. Aro noted that the new segment line service is consistent with the Guadalupe Line; therefore, VTA would not have to upgrade the Tasman West Line, saving an additional \$1.6 million per year in upgraded operating costs to the Tasman West Line.

VTA Staff is aware that conditions do change over time and if something warrants a change, Staff will consider making changes to adjust to the conditions; however, at this time this is the most cost effective way to run the new segment. The proposed bus route changes to the transportation system and added that numerous changes are being recommended. Mr. Aro commented on the elimination of bus routes that duplicate light rail service, noted minor to major route changes to 17 bus route lines, and the introduction of three new neighborhood feeder lines. Mr. Aro noted that the plan is preliminary and will be presented to the community and Advisory Committees in February 2004. Mr. Aro added that the plan will be modified then return to the Advisory and Standing Committees in March 2004 and forwarded to the Board of Directors for consideration at the April 1, 2004 Regular Meeting. Mr. Aro commented on the pre-revenue service testing on the line to begin in late May 2004. He added that this will start the operation of the entire line but noted that passengers will be discharged at the I-880 Station. Mr. Aro commented that some new operators have not been certified on the new segment; therefore, noted the opportunity to train the new operators on the new segment during the pre-revenue service testing. Mr. Aro added that the line is scheduled to open July 2004.

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Member Dixon noted that the Baypointe Station is a great disappointment with regard to the low numbers in ridership. Member Dixon commented on the artwork at the Great Mall Station and expressed her appreciation of a great success of a CODE Project in Milpitas. Member Casas expressed his pleasure in the \$1.6 million in annual operating cost savings due to not having to make upgrades to the Tasman West Line.

**On order of Chairperson Williams**, there being no objection, the Committee received and filed the report on the Preliminary Tasman East/Capitol Bus/Rail Service Integration Plan.

**13. FY 2004 – 2013 Short Range Transit Plan (SRTP)**

James Lightbody, Deputy Director Transit Planning and Development, introduced Julie Render, Principal Transportation Planner, who provided a brief overview on the FY 2004 – 2013 Short Range Transit Plan (SRTP). Ms. Render commented that VTA as a transit operator prepares a SRTP every two years as a requirement of both Metropolitan Transportation Commission (MTC) and Federal Transit Administration (FTA). Ms. Render commented on the ten-year plan that feeds into the Countywide Transportation Plan and Regional Plan prepared by MTC. MTC uses the SRTP to develop their Regional Transit Capitol Program documents, noting that both MTC and FTA use it as justification to award operating and capital grants to VTA. Ms. Render added that the SRTP includes a variety of information regarding VTA, such as VTA's history and governance, organizational structure and existing transit system, current services, facilities and supporting programs as well as plans for the future. Ms. Render added that the SRTP reflects current Board Policy and budgetary decisions and encompasses the direction set by VTP 2030. Ms. Render noted that the VTP 2030 is still a work in progress and at the heart of the SRTP is the ten-year operating plan and capital program and financial plans.

Mr. Lightbody referenced Chapter 3, Operations Plan – Operating Budget, which summarizes the ten-year operating plan and noted that it is consistent with what was presented at the recent Board of Directors Workshop. Mr. Lightbody commented on the operating budget and noted that it shows a positive ending balance. Mr. Lightbody added that Staff expects a deficit unless additional revenue is identified; therefore, Staff added a row called Other Revenue and/or Cost Reductions under revenue in the budget table and plugged in the amount required each year to maintain a positive reserve balance.

Mr. Lightbody referenced Chapter 4, Capital Improvement Program – the base program to support the transit system, it includes items such as replacement of buses on a regular basis, bus facility improvements, passenger facilities and transit centers, rehabilitation of the rail system, noting it is the core capital program to maintain and sustain the transit system. Mr. Lightbody noted a difference in the assumption from previous Board Policy, which is the purchase of Zero Emission Buses. Mr. Lightbody commented that Staff assumed 15 percent of replacement buses would be Zero Emission Buses, which is the minimum requirement from the California Resources Board. Mr. Lightbody noted the difference in the bus procurement and facilities as well as support of 15 percent of replacement bus fleet versus the previous Board Policy, which called for 100 percent of

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replacement buses. Member Gage inquired on how far back the half-cent sales tax goes back. Mr. Aro responded since 1976 and noted that it is the tax that supports VTA operation. Mr. Cipolla noted that it was implemented to support a 200-bus system and added that VTA has done well. Member Gage noted that VTA has a bus fleet of 500.

Member Casas queried on the implementation plan to achieve the \$30 million in savings or cost reductions beginning in 2006. Mr. Cipolla responded that it is either an identification of additional revenue or a cost reduction or a combination of both. Mr. Cipolla added that VTA is achieving as good as it is going to get in cost reduction efficiencies; therefore, if VTA does not identify additional revenue then the \$30 million could easily be interpreted as a service reduction or layoffs. Mr. Cipolla added that VTA either identifies an additional revenue stream, implement significant cost reductions, a combination of both, or there will be a reduction in service.

Chairperson Williams requested information regarding revisiting the issue relating to identifying a new revenue source for VTA. Mr. Cipolla noted that the Silicon Valley Manufacturing Group is examining the situation. Member Gage noted that it will not do any good until VTA sees a cost improvement and at which time VTA will do another sales tax survey. Member Gage added that if the sales tax survey looks positive then VTA will decide what election cycle to go out and request the funding. Member Gage noted that the issue will be revisited as additional information becomes available.

**On order of Chairperson Williams**, there being no objection, the Committee received and filed the report on the FY 2004 – 2013 Short Range Transit Plan (SRTP).

**14. Draft Caltrain 2004 – 2023 Strategic Plan**

Frank Sharpless, Transportation Policy and Program Manager, provided a brief overview on the Draft Caltrain 2004 – 2023 Strategic Plan. Mr. Sharpless commented that VTA is one of the three member agencies that make up the Peninsula Corridor Joint Powers Board, the governing board and funding body for Caltrain Commuter Rail Service between San Francisco and Gilroy. Mr. Sharpless added that Caltrain has recently prepared a 20-year Draft Strategic Plan that sets a long-term vision for the railroad, which includes alternative capital and operating scenarios and funding plans. Mr. Sharpless noted that the Transit Planning and Operations (TP&O) Committee heard the presentation and recommended approval of the Staff recommendation for the Board of Directors to transmit the enclosed comments and concerns to Caltrain. Mr. Sharpless added that the Draft Caltrain 2004 – 2023 Strategic Plan will be forwarded to the February 5, 2004 Board of Directors Regular Meeting for consideration. Mr. Sharpless introduced Corrine Goodridge, Caltrain Representative. Mr. Sharpless added that Caltrain also provided a brief presentation to the Technical Advisory Committee (TAC), Policy Advisory Committee (PAC) and will hold a public outreach meeting on January 26, 2004, at the City of Santa Clara Police Station to consider additional public input on the draft plan. Mr. Sharpless added that Staff will review the comments and concerns of the Staff Report after Ms. Goodridge's presentation.

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Caltrain Staff distributed a colored copy of Presentation of the Draft Caltrain Strategic Plan 2004 – 2023 Presentation to Joint Powers Board (JPB) dated December 4, 2003, to Committee Members.

Ms. Goodridge commented on the presentation given to the JPB in December 2003 as the kick off to the public outreach of the Draft Strategic Plan. Ms. Goodridge noted that Caltrain Staff has been developing the Draft Strategic Plan for more than two years and that the goal is to receive guidance from the JPB partners and public to develop a united vision for Caltrain and address the incredible opportunities that are presented in the rail corridor as well as to face challenges that Caltrain has.

Ms. Goodridge referenced Page 2 of the presentation and commented on the four components. Ms. Goodridge noted that the JPB adopted a vision and guiding principles last March. She commented that the JPB's vision is to become the preferred mode of travel along the Peninsula Corridor. She added that the JPB realized that to be successful then success needs to happen in three levels: 1) provide passengers with a world class travel experience, 2) be a major catalyst for redevelopment and economic activity in communities along the line, and 3) be a key mobility player on the Peninsula and region.

Ms. Goodridge commented on the Guiding Principles, which will shape the policy development of Caltrain in the future: 1) satisfy riders and build ridership, 2) invest wisely in system improvements, 3) update cost estimates and promote regional connectivity, 4) partner with communities and broaden communication, and 5) build a solid financial foundation for the railroad.

Ms. Goodridge noted the plan approach and development of four scenarios: 1) no build - remain with 86 trains and stay at that level with the initial level of baby bullet train service, 2) moderate growth - look at historical levels of funding for Caltrain to reach 100 trains with the current level of four tracking in the North and South, 3) enhanced growth - is a market driven scenario and determine what is needed to maximize the ridership and take advantage of the market potential, and 4) build out - to build out to get high speed rail on the corridor and to determine the cost of high speed rail down Caltrain Corridor. Ms. Goodridge added that Caltrain is aware that they must be flexible, be willing to take advantage of funding opportunities as they become available, and continue to reduce the journey time and pay attention to customer access and convenience.

Ms. Goodridge added that the JPB recommended a continuum plan approach. Ms. Goodridge commented on the scenarios: 1) status quo - with the increases in population and employment the ridership on Caltrain would increase by 42 percent over the next 20 years, 2) moderate growth - 200 million dollar deficit under the scenario but noted ridership grows to 60,000 without adding the four tracking in the center of the railroad; therefore, constrained to have expressed trains hourly, 3) enhanced growth - add all of the different extensions to Caltrain; and 4) build out – add a couple more trains but does not account for high speed rail impact on ridership or funding for high speed rail.

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Ms. Goodridge commented on the economic evaluation: 1) no build - cost per new rider is much higher; however, if Caltrain does not grow then leaving funding on the table, 2) moderate growth - the costs per new rider comes down, and both 3) enhanced growth and 4) build out – the costs per new rider increase to accommodate for the cost improvements.

Ms. Goodridge added that flexibility is the key to growing Caltrain and being successful as well as the need for strong leadership and commitment of the partners. Caltrain needs to align service levels and capital programs as well as invest wisely in growth and tie any kind of service changes to productivity and market demand. Ms. Goodridge commented that the bottom line is to incorporate innovative financing because Caltrain does not have an ongoing source of funding. Ms. Goodridge added that the railway/right-of-way is an incredible asset to take advantage of to incorporate innovative financing and noted that additional funding is needed if Caltrain is to realize its potential. Ms. Goodridge noted that public outreach comments on the draft plan will be received until February 15, 2004, then forwarded to JPB in March and recommended adoption in April 2004.

Mr. Sharpless referenced Page 2 of Staff's Report and commented on the four scenarios: status quo or no build, moderate growth, enhanced and build out. Mr. Sharpless noted the information box that provides current data for these factors under the scenarios to provide some context for comparison under what we have now to what the scenarios would bring into the future.

Mr. Sharpless commented on the six policy questions developed by Caltrain to gather information from the member agencies and public: 1) scenario approach – should one scenario be selected or should the scenarios be viewed as part of a continuum, 2) financial strategy – should Caltrain continue with “pay as you go” approach or strive for long-term stability by utilizing innovative finance techniques, 3) service levels – should service levels be determined by projected financial resources or be market driven, 4) system rehabilitation – should Caltrain follow a normalized rehabilitation and replacement schedule or accelerated schedule with other capital improvement projects, 5) electrification – should electrification be deferred until funding is available or design continue, and 6) capacity improvements – what level of capacity improvements should Caltrain invest in.

Mr. Sharpless noted that VTA utilized the following guidelines: Adopted VTA Fiscal Year 2003 - 2004 and 2004 – 2005 Budget, the findings and approved recommendations of the Ad-Hoc Financial Stability Committee and the Proposed Fiscal Year 2004 – 2013 VTA SRTP and prepared a series of comments regarding the need for planning, timing and identifying funding sources. Mr. Sharpless noted that VTA supports a continuum plan approach for Caltrain and added that VTA supports status quo - no build or moderate growth because VTA believes that they are supportable at this time. Mr. Sharpless noted VTA's concern with the other two scenarios at this time due to the size of the projected deficit and noted that additional consideration is needed in terms of future service levels and the impact that it may have in operating and maintenance costs as well as cost efficiencies for the entire system. Mr. Sharpless noted the need to identify

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a funding plan for service expansion and for electrification before moving forward too far and added that Caltrain needs to achieve financial stability. Mr. Sharpless noted that Caltrain needs to develop a ten-year SRTP and added that it should be updated every two years to reflect changes in the economy. Mr. Sharpless noted the current agreement between the three member agencies and added that the agreement needs to stipulate how costs are shared. Mr. Sharpless referenced electrification operational and maintenance costs and noted the need to balance future service levels to determine what the member agencies can afford. Mr. Sharpless requested that when VTA Board of Directors approve VTA's SRTP and VTP 2030 that a fiscally contained ten-year plan for Caltrain be developed to identify funding priorities and projects. Mr. Sharpless noted that this item will be forwarded for consideration at the February 5, 2004 VTA Board of Directors Regular Meeting.

Chairperson Williams inquired on Page 7, economic evaluation - no build and moderate build and noted that the difference is less than a dollar cost per rider and queried what the benefits were if no build. Ms. Goodridge responded that the difference would be between a 40 percent ridership growth and an overall 100 percent ridership growth and added that the moderate growth would attract additional riders to Caltrain. Ms. Goodridge noted that ridership is low so the costs are high for the no build scenario. Chairperson Williams queried if additional trains were needed. Ms. Goodridge responded that it is a combination of monitoring service and not adding the service until Caltrain determines if there is a market for the additional service.

Chairperson Williams queried on the farebox recovery. Ms. Goodridge responded that the farebox recovery increases when Caltrain becomes more productive with the service. Member Gage noted that Caltrain has a farebox recovery rate of 28 percent. Chairperson Williams wanted to know where to identify additional funding for Caltrain. Ms. Goodridge noted that funding issues will primarily be identified from the partners and noted that Caltrain needs to be aware of the funds available for service.

Chairperson Williams thanked Caltrain Staff and VTA Staff for a good presentation.

**On order of Chairperson Williams**, there being no objection, the Committee discussed the Draft Caltrain 2004 – 2023 Strategic Plan.

**15. Committee Work Plan**

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

**16. Committee Staff Report**

There was no Committee Staff Report.

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**17. Chairperson's Report**

Chairperson Williams wished everyone a happy 2004. Chairperson Williams noted the challenges and opportunities of the coming year. Chairperson Williams thanked everyone and noted his appreciation for their diligent work.

**18. Determined Consent Agenda for the February 5, 2004 Board Meeting**

**CONSENT: Agenda Item # 8.**, Authorize the General Manager to execute an agreement with Fidelity Investments (Fidelity), a professional investment management firm to manage 15 percent (\$36.6 million) of VTA/ATU Pension Trust assets for a fee of 64/100 of 1%, which is an estimated amount of \$236,800; **Agenda Item # 9.**, Authorize the General Manager to execute an agreement with Hynix Semiconductor America Inc., for the lease of a Silicon Valley Rapid Transit Project Office for an amount not to exceed \$2,000,000, which includes \$1,600,000 for rent, and \$400,000 for tenant improvements and miscellaneous office furniture. The agreement term will be two years to allow completion of Preliminary Engineering, with an option to extend one year; and **Agenda Item #10.**, Authorize the General Manager to execute a contract with DeSilva Gates Construction, the lowest responsible bidder, in the amount of \$2,040,694 for construction of Segment B of the US 101/Bailey Avenue Interchange project.

**REGULAR: None**

**19. Announcements**

There were no Announcements.

**20. ADJOURNMENT**

**On order of Chairperson Williams**, there being no objection, the meeting was adjourned at 1:21 p.m.

Respectfully submitted,

Michelle Garza, Board Assistant  
VTA Board of Directors

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