



## **ADMINISTRATION & FINANCE COMMITTEE**

Thursday, April 21, 2005

### **MINUTES**

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

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:02 p.m. by Chairperson Williams in Room 106-E, City of San Jose, 801 North First Street, San Jose, California.

#### **ROLL CALL**

##### **Members Present**

Forrest Williams, Chairperson

##### **Members Absent**

David Casas, Vice Chairperson

Don Gage

Jamie Matthews

##### **Alternates Present**

Breene Kerr

##### **Alternates Absent**

Pete McHugh

Ken Yeager

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

**A quorum was not present and a Committee of the Whole was declared.**

#### **2. PUBLIC PRESENTATIONS**

There were no Public Presentations.

#### **3. ORDERS OF THE DAY**

Chairperson Williams noted staff's request to remove from the Consent Agenda and defer, Agenda Item # 9., Authorize the General Manager to execute a contract with Motorola Inc. to provide radio communication system services for three years, with an option to extend the contract on an annual basis for two additional years. This contract will not exceed \$177,000 for the first year; \$184,000 for the second year; \$191,000 for the third year; \$199,000 for the fourth year; and \$207,000 for the fifth year, for a total contract value not to exceed \$958,000 over a five year period to the May 19, 2005 Administration and Finance Committee Meeting.

The Committee of the Whole accepted the Orders of the Day.

## CONSENT AGENDA

4. **Regular Meeting Minutes of March 17, 2005**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole deferred the Regular Meeting Minutes of March 17, 2005.

5. **Monthly Legislative Reports**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole received the Monthly Legislative Reports.

6. **2005 Quarterly Attendance Report**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole received the 2005 Quarterly Attendance Report.

7. **SB 680 (Simitian) – Vehicle Registration Surcharge**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to adopt a support position for SB 680 (Simitian), which allows the Board of Directors of the Santa Clara Valley Transportation Authority (VTA) to impose a surcharge of up to \$5 on motor vehicles registered in Santa Clara County for an eight-year period to fund various transportation improvements.

8. **Annual Renewal of Property and Casualty Insurance Coverage**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to authorize the General Manager to purchase insurance coverage for Excess Liability, General and Auto Liability, 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 exposures, for the annual Operations Program insurance renewal for an amount not to exceed \$1,800,000.

9. **(Removed from the Consent Agenda and deferred to the May 19, 2005 Administration and Finance Committee Meeting.)**

Authorize the General Manager to execute a contract with Motorola Inc. to provide radio communication system services for three years, with an option to extend the contract on an annual basis for two additional years. This contract will not exceed \$177,000 for the first year; \$184,000 for the second year; \$191,000 for the third year; \$199,000 for the fourth year; and \$207,000 for the fifth year, for a total contract value not to exceed \$958,000 over a five year period.

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**10. Preparation of the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to approve Work Program and Cost Share Principles for the Santa Clara Valley Habitat Conservation Plan (HCP)/Natural Community Conservation Plan (NCCP).

**11. VTA FY 2005 – 2006 Transportation Development Act and State Transit Assistance Allocation Claim**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved 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 2005 – 2006 Transportation Development Act (TDA) and State Transit Assistance (STA) funds.

**12. FTA Section 5307 Urbanized Area Formula and 5309 Fixed Guideway Transit Programming for Fiscal Years 2006 through 2008**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to authorize the submittal of project applications to the Metropolitan Transportation Commission (MTC) for programming Section 5307 Urbanized Area (UA) Formula and Section 5309 Fixed Guideway (FG) funds in the Transportation Improvement Program (TIP) in Fiscal Years 2006 through 2008.

## **REGULAR AGENDA**

**13. Report on Santa Clara Valley Transportation Authority Investments for the Month of February 2005**

Roger Contreras, Chief Financial Officer, provided a brief overview on the Report on Santa Clara Valley Transportation Authority Investments for the Month of February 2005 and distributed a handout overview on the Santa Clara Valley Transportation Authority Investment Programs. Mr. Contreras referenced Page 2 - Investment Program Objectives, and noted that VTA's Investment Programs primary objectives are Safety, Liquidity, and Return on Investment.

Chairperson Williams queried about the primary objectives. Mr. Contreras responded and noted the primary objectives are safety of principal in the four-month objective, creative investments to remain sufficiently liquid to meet cash flow requirements, and return on investment assigned to an attainable objective of the market rate of return consistent with the constraints imposed by the safety and cash considerations.

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Mr. Contreras referenced Page 3 – Composite Investment Portfolio Performance for the Month of February 2005 Breakdown by Fund – Book Value and commented on the first bar, which represents the Restricted and Unrestricted Portfolio, \$91 million allocated for Restricted, \$84 million allocated for Unrestricted and Cash Reserve, \$33 million allocated for Funds with Local Area Investment Fund (LAIF)/State Pool, and \$5 million allocated for Funds with Union Bank DDA account. Mr. Contreras continued and noted the second bar represents \$193 million allocated for VTA Bond Funds with Fiscal Agents, third bar represents \$256 million allocated for Amalgamated Transit Union (ATU) Pension Fund, fourth bar represents \$65 million allocated for Retiree Health Fund, and fifth bar represents \$10 million allocated for ATU Spousal Vision & Dental Fund.

Alternate Board Member Kerr queried about retiree health benefits and if they were fully funded in terms of the city and County level requirement next year. Mr. Contreras responded yes and added that there will be some additional contributions from ATU Members; however, noted that the additional contributions are regarding retirement.

Mr. Contreras referenced Page 4 – Operating Portfolio February 2005 Breakdown by Fund – Book Value (Excludes Bond Funds) and noted \$91 million allocated for Restricted, \$46 million allocated for Unrestricted and Cash Reserve, \$33 million allocated for Funds with LAIF, \$1.8 million allocated for Commingled Investments with the County, and \$5 million allocated for Funds with Union Bank.

Mr. Contreras referenced Page 5 – VTA/ATU Pension Plan Investment Portfolio February 2005 Breakdown by Fund – Book Value and noted \$102 million allocated to Dodge & Cox for VTA/ATU Pension Fund – Fixed Income, \$48 million allocated to Boston Partners for VTA/ATU Pension Fund – Stock Large Cap Value, \$22 million allocated to Brandywine for VTA/ATU Pension Fund – Stock Small Cap Value, \$39 million allocated to State Street for VTA/ATU Pension Fund – State Street Index, and \$43 million allocated to Fidelity Investment for VTA/ATU Pension Fund – International Equity Growth.

Mr. Contreras referenced Page 6 – VTA/ATU Pension Portfolio Large – Cap Top Ten Holdings Boston Partners and noted all ten large cap holdings are sound financial corporations representing a total allocation of \$48 million.

Mr. Contreras referenced Page 7 – VTA/ATU Pension Portfolio Small – Cap Top Ten Holdings Brandywine and noted all ten small cap holdings are sound financial corporations representing a total allocation of \$23 million.

Mr. Contreras referenced Page 8 – VTA/ATU Pension Funds – Commingled Accounts February 2005 and noted \$39 million allocated to State Street and \$43 million allocated to Fidelity Investments.

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Mr. Contreras referenced Page 9 – Retiree Health Commingled Accounts February 2005 and noted \$28 million allocated to Dodge & Cox for Retiree Health – Fixed Income and \$37 million allocated to State Street for Retiree Health – State Street Index.

Mr. Contreras referenced Page 10 – ATU Spousal Medical Commingled Accounts February 2005 and noted \$4.9 million allocated to Dodge & Cox for ATU Spousal Medical Fund – Index and \$5 million allocated to State Street for ATU Spousal Medical Fund – Index.

Mr. Contreras referenced Page 11 – Investment Benchmarks and commented on Money Manager - Dodge & Cox compared to Benchmark – LB Aggregate Bond Index, which is a measure of performance of the characteristics of Domestic Bond Market; Money Manager – Boston Partners compared to Benchmark – S&P 500 Value, includes companies with over \$2 billion market capitalization with value orientation and is one of the benchmarks used to indicate how well the portfolio is performing; Money Manager - Brandywine compared to Benchmark – Russell 2000 Value, comprised of companies up to \$2 billion in capitalization with value orientation; Money Manager – Payden & Rygel – Restricted Funds compared to Benchmark – Lehman Brothers Intermediate Government Bond Index, which consists of public issue domestic debt for the U.S. Government and Government Agencies; Money Manager – Payden & Rygel – Unrestricted Funds compared to Benchmark – Institutional Money Market Fund Index, which is invested in U.S. Treasury, U. S. Government Securities, Purchase Agreements, Time Deposits, and Commercial Paper.

Mr. Contreras referenced Page 13 – ATU Money Managers Performance ATU Composite versus Benchmarks and noted that ATU performs higher than the benchmark.

Mr. Contreras referenced Page 14 – Payden & Rygel, Investment Manager, Performance Fixed Income – Account versus Benchmark Restricted Funds and noted that the benchmark is slightly ahead of our manager performance but not by much.

Mr. Contreras referenced Page 15 – Payden & Rygel Investment Manager Performance Fixed Income – Account versus Benchmark Unrestricted Cash Reserve and noted that the benchmark was out performed by our manager performance for the last 12 months.

Mr. Contreras referenced Page 16 – United States Treasury Historical Yield Curve and commented that the Overnight Federal Rate has increased since May 2004 and how the market has reacted; however, noted that the Thirty and Ten Year Rates have declined; therefore, illustrating in terms of the market rate no correlation between the Overnight Federal Rate and the longer terms, Thirty and Ten Year Rates.

Chairperson Williams queried about value versus growth and why value is used to determine the organization’s investment growth. Mr. Contreras responded that it is a commonly accepted practice within the investment community.

Chairperson Williams queried if investments should be invested in growth or value. Mr. Contreras responded that investments are invested in a combination of both growth

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and value. Manny Bagnas, Investment Manager, responded that staff worked with a consultant to determine the historical performance of value versus growth and noted historically, investment value out performed investment growth.

Alternate Board Member Kerr inquired about California Public Employees' Retirement System (CalPERS). Mr. Bagnas responded that the money manager has out performed the benchmark for the last five to seven years.

Chairperson Williams queried about how much will have to be added to the retirement fund. Mr. Contreras responded that approximately \$1 million will be added for the next couple of years.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole received and filed the Report on Santa Clara Valley Transportation Authority Investments for the Month of February 2005 and discussed VTA's Investment Program.

#### **14. Interest Rate Swap Policy**

Mr. Contreras provided a brief overview on the Interest Rate Swap Policy and Refunding of 2001 Sales Tax Revenue Bonds, and distributed handouts to the Committee Members. Mr. Contreras commented that the purpose of the Swap Policy would be to establish guidelines for the execution and management of VTA Swap Program. Mr. Contreras continued that the policy will enable staff to begin incorporating interest rate swaps into the overall debt management program, and will govern the implementation and management of all VTA's Swap transactions. Mr. Contreras noted that the policy will govern permitted uses of swap products, types of use of swap products, identification to evaluate financial and other risks, qualified counter parties, and establish guidelines for the overall management of the Swap Program. Mr. Contreras noted that the adoption of the Swap Policy does not approve the use of the interest rates of Swap products and each proposed section will be submitted and forwarded to the Board of Directors separately.

Mr. Contreras referenced Page 2 – What are Interest Rate Swaps and noted that it illustrates the flow of funds related to an Interest Rate Swap. Mr. Contreras continued that the policy is a contractual arrangement between two parties referred to as the counterparties, which are the financial institutions. Mr. Contreras noted that the counterparties agree to exchange payment based on the defined principal amount for a fixed period of time and an Interest Rate Swap principal amount is not actually exchanged between the counterparties; therefore, it is only an interest transaction based on the amount owed on the principle due to the bond holders.

Mr. Contreras referenced Page 3 – Example: Variable to Fixed Rate Swap in Conjunction with Refunding Bonds and noted that VTA will issue bonds at a variable rate, pay \$4 million to the bond holders and a financial institution based on a negotiated fixed rate (synthetic fixed rate payment); therefore, the total of these two will be the cash up-flow to VTA then the financial institution will make payments to VTA based on a variable rate of payments of \$4.2 million. Mr. Contreras noted that the amount in addition to the

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amount VTA will otherwise pay to service the current debt is a benefit to VTA, which is a net annual saving of \$1 million.

Alternate Board Member Kerr asked if staff was going to call in the old bonds and pay the old bonds off with the new bonds. Mr. Contreras responded yes and added that staff is going to substitute the obligation by calling in the bonds with other sources.

Mr. Contreras referenced Page 4 – Advantages of using Swaps and noted that two are benefits to VTA, which are to manage interest rate exposure to different markets and lower cost of funding in exchange for assuming certain risks. Mr. Contreras noted that it may be possible to achieve a lower fixed rate by issuing variable rate bonds and entering the fixed rate swap agreement that may be achieved by using fixed rate bonds directly. Mr. Contreras provided an example and noted in the current market VTA could expect to pay 4.52 percent for fixed rate bonds or could issue variable rate bonds and enter into a fixed rate swap agreement with a synthetically fixed rate at 3.46 percent; therefore, the benefit would be over 1 percent savings.

Mr. Contreras referenced Page 5 – How is VTA likely to use Swaps and noted VTA is most likely to use Interest Rate Swaps to lower debt service costs for outstanding and future debt obligations, such as the Refunding of the 2001 Sales Tax Revenue Bonds; 2003, 2004A, 2004B Measure A Sales Tax Revenue Bonds; and Future Bonds issued in support of the Long-term Transit Capital Investment Plan.

Mr. Contreras referenced Page 6 – 2001 Sales Tax Revenue Bonds and noted VTA issued funding to finance a portion of Tasman East, Capitol, and Vasona Light Rail Extensions and added that these principal payments will be amortized through 2026 and the fixed rate bonds are ranging from 4.5 percent to 5.5 percent; therefore, the benefit will accrue to Measure A as it passes through to VTA.

Mr. Contreras referenced Page 7 – Transaction Risk and noted what VTA is doing to mitigate the Counterparty Risk, Basic Risk, Termination Risk, and Tax Risk. Mr. Contreras commented on the Counterparty Risk, which is the risk that the counterparty with whom the issuer has entered into the Swap will not honor its payment obligations due to credit degradation; therefore, VTA will mitigate the risk by diversification of credit exposure, credit strength of counterparties, collateralization, and termination at VTA's option. Mr. Contreras commented on Basic Risk, which occurs when variable rate paid by issuer on its bonds is different than the variable interest rate received under the swap; therefore, VTA will mitigate the risk by use of London Interbank Offered Rate (LIBOR) formula and create a "basis" reserve to set aside funds.

Alternate Board Member Kerr queried if VTA receives any credits on the operating side against the operating budget and if there was a way to structure this. Mr. Contreras responded no since the bonds are the 2001 bonds. Kim Koenig, Business Analysis and Debt Administration Manager, responded that the 2001 bonds were originally issued for the Measure B Projects and staff entered into a swap agreement with the County to use those bonds proceeds on Measure B Projects in exchange for Measure B funding to be

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used for the low-floor vehicles; however, noted that the Board of Directors could recommend not to forward the funding back to Measure A.

Alternate Board Member Kerr noted that VTA is going to increase efficiency and staff is obviously working diligently to find ways to save money and reducing overhead costs.

Mr. Contreras referenced Page 7 – Transaction Risk and commented on the Termination Risk, which is the risk that the swap may be terminated before its planned expiration date and this risk could occur because of an issuer or counterparty default; therefore, VTA will mitigate by insuring the issuer's swap payments. Mr. Contreras commented on the Tax Risk, which is the risk that changes to the marginal tax rate or a change in the tax law will cause the issuer's variable rate bonds to bear a higher cost than the variable rate swap receipts. Mr. Contreras continued that the risk would be triggered if tax rates decline to levels below current levels, tax exemption of municipal bonds is eliminated or the income tax is replaced by a national sales tax. Mr. Contreras noted that the issuers must assess the likelihood of these changes and perform a break-even analysis over the alternative of the issuance of traditional municipal bonds; therefore, VTA will mitigate by terminating the swap.

Mr. Contreras referenced Page 11 – Benefit of Proposed Swap Structure versus Traditional Fixed Rate Refunding and commented that the Aggregate Savings for the Traditional Structure would be \$942,950; however, the Aggregate Savings for the Swap Structure is \$17,224,542. Mr. Contreras commented on Net Present Value (NPV) Savings for the Traditional Structure would be \$594,489; however, Net Present Value (NPV) Savings for the Swap Structure is \$12,074,932.

Mr. Contreras noted that Swap Policies have been adopted by many state and local government entities, including Bay Area Rapid Transit District (BART) and Los Angeles County Metropolitan Transportation Authority and added that the Swap Policy is widely accepted in the market.

Mr. Contreras referenced Page 12 – Why are we doing this, and noted that this would be financially advantageous for VTA by saving money, will assist to manage rate exposure, and the policy is a widely accepted financing structure.

Chairperson Williams asked about risks and queried about the highest risk related to the Swap Policy. Mr. Contreras introduced Peter Russell, VTA Financial Advisor, to the Committee Members. Mr. Russell responded that the risk with the greatest potential consequences is Tax Risk in terms of tax law changes and interest rate increases.

Chairperson Williams queried about the length of time to determine the Swap Policy benefit to VTA. Mr. Contreras responded that the Swap Policy benefit to VTA will be over a period of time and will lower the debt service.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to approve the

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Interest Rate Swap Policy, which establishes guidelines for the use and management of swap transactions in connection with the issuance of new debt or the management of outstanding debt.

**15. Refunding of 2001 Sales Tax Revenue Bonds**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to adopt a resolution authorizing the General Manager or Chief Financial Officer to take all necessary actions, enter into agreements and execute documents for VTA to issue refunding bonds in a par amount not to exceed \$185 million, the proceeds of which will refund a portion of VTA's 2001 Sales Tax Bonds and to pay the cost of issuance; and, further authorize the General Manager or Chief Financial Officer to enter into one or more interest rate swap agreements, provided the net present value savings of the refunding bonds together with, the interest rate swap agreements, equals or exceeds 5 percent of the refunding bond size.

**16. Valley Transportation Plan – Augment Route 87 (North) HOV Project Construction Contract Amount**

Jeff Funk, Construction Deputy Director, provided a brief overview on the Valley Transportation Plan – Augment Route 87 (North) HOV Project Construction Contract Amount. Mr. Funk commented that on September 2, 2004, the VTA Board of Directors authorized the General Manager to execute a contract with RGW Construction for construction of the Route 87 (North) HOV Project. Mr. Funk continued that the project widens the existing freeway segment between I-280 and Julian Street from a four-lane to a six-lane freeway with the addition of a High Occupancy Vehicle (HOV) lane in each direction. Mr. Funk commented that ramp metering with HOV preferential lanes at on-ramps are included in the Route 87 (North) HOV project. Mr. Funk noted that shortly after construction started staff identified significant mistakes in terms of the bid quantities in the contract document. The quantities were underestimated and in some cases absent in the contract documents prepared by VTA's design consultant primarily regarding the following contract items: Remove Base and Surfacing, Roadway Excavation, Roadway Excavation Naturally Occurring Asbestos (NOA), and Structure Excavation NOA. Mr. Funk continued that the increase in the contract amount is required to compensate the contractor for work in which payment based on quantities will exceed the contract bid quantities. VTA has negotiated with RGW Construction and reached agreement on the costs to resolve the estimated quantity overruns.

Mr. Funk commented that after staff discovered the overruns, VTA worked with the designer, Caltrans and RGW Construction to minimize the financial exposure by making design revisions to reduce the earthwork quantities. Mr. Funk continued that certain areas of the freeway median pavement structural sections were redesigned and structure backfill requirements were modified that resulted in a reduction of the overall Roadway Excavation (NOA) quantity eliminating an additional cost exposure of approximately \$2,000,000.

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Mr. Funk noted that the contract is early in construction and as construction of the contract is only about 20 percent complete, VTA staff is requesting affirmation by the Board of Directors that future contract amendments may be made by the General Manager utilizing the authority in the Administrative Code based on an authorized contract amount of \$24,106,242. Mr. Funk added if staff was aware of the quantities when the contract was bid then the contractor would have bid a much higher amount and staff would have started with something much closer.

Mr. Funk continued that the construction contract could be terminated; however, staff does not recommend the termination of the construction contract primarily due to the fact that the contractor has earned a substantial mobilization payment; therefore, VTA will pay double for the mobilization expenses and the potential loss of federal funding for termination is greater. Mr. Funk noted that construction of the Route 87 (North) HOV Project is federally funded from the GARVEE bonds and sufficient funds are available in the project budget for the requested augmentation.

Mr. Funk noted that this increase was not pleasing for staff to discover; however, staff will use this lesson to improve the process.

Chairperson Williams queried why the quantities were missed initially. Mr. Funk responded that it was a mistake and in this case it was the responsibility of the design consultant to estimate quantities and make calculations on the various materials used in the improvements; however, the design consultant missed quantities that should have been included in the contract document.

Chairperson Williams queried why the design consultant is not responsible for the mistakes in the contract documents. Mr. Funk responded the design consultant is responsible, has been put on notice regarding the contract deficiencies, and staff expects the design consultants to fulfill the indemnity in the contract. Mr. Funk noted that staff is discussing options in terms of what to pursue regarding the contract deficiencies provided by the design consultant. Suzanne B. Gifford, Legal Counsel, added that the contractor did not do anything wrong and added that it was the design consultant who is responsible for the quantities mistake.

Chairperson Williams queried if VTA conducted the design. Mr. Funk and Ms. Gifford responded no and noted the design consultant is Ruth and Going.

Alternate Board Member Kerr asked how staff will determine the design consultant's liability since the construction contract bids would have been different. Ms. Gifford responded that first evaluate the standard of care, manner of care, or threshold then calculate the bid if all the information was accurately accounted for in the original bid; however, noted that this is a long process to determine and figure out. Ms. Gifford noted that staff could determine close to the figure; however, noted some expenses that could not be expected as well as some expenses that could have been avoided; therefore, the

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party who made the mistake would be responsible for the expenses that could have been avoided.

Chairperson Williams queried if we have a contingency. Mr. Funk responded yes and noted a contingency for the construction contract and contingency in the overall project budget; therefore, staff will use funding from both contingency budgets to address the issue and move forward to complete the project.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to authorize the General Manager to amend the Route 87 (North) HOV contract with RGW Construction by \$2,115,280 for a new contract amount of \$24,106,242, and affirm that change order authority delegated to the General Manager is based on the new contract amount.

## **OTHER ITEMS**

### **17. FY 2006 and 2007 Recommended Budget Update**

Mr. Contreras provided a brief overview on the FY 2006 & 2007 Recommended Budget Update. Mr. Contreras noted that an update presentation on the Draft FY 2006 & 2007 Biennial Budget will be discussed at the Friday, April 22, 2005 VTA Board of Directors Workshop Meeting. Mr. Contreras noted changes in the budget update related to the diesel fuel budget and added that diesel fuel prices are highly volatile; therefore, noted an increase to the diesel fuel budget for FY 2006 & 2007.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole reviewed and commented on the FY 2006 & 2007 Recommended Budget Update.

### **18. FY 2005 Second Quarter Transit Operations Performance Report**

Matthew O. Tucker, Chief Operating Officer, provided an overview on the FY 2005 Second Quarter Transit Operations Performance Report. Mr. Tucker continued that the report summarizes Transit Operations Performance for the first six months and shows continued improvements in Farebox Recovery. Mr. Tucker noted reductions in operating expenses, while continuing to provide reliable Bus and Light Rail System transportation services to customers.

Mr. Tucker commented that Costs Per Hour increased while System Operating Expenditures decreased by 1.2 percent; however, noted the reason for the Cost Per Hour increase is due to service reductions implemented last year. Mr. Tucker continued that the report shows continued decline in System and Bus Ridership, while Light Rail Ridership continues to improve. Mr. Tucker added that Bus and Light Rail Performance Service Reliability exceeded established goals. Mr. Tucker noted Fare Revenue increased, while System Operating Expenditures decreased.

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Mr. Tucker commented that unscheduled Time-off for Bus and Light Rail Operators and Maintenance staff continues to experience significant improvements. Mr. Tucker noted other positive trends in the Transit Operations Performance Report.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole received the FY 2005 Second Quarter Transit Operations Performance Report.

**19. Progress Report on the Zero Emission Bus (ZEB) Demonstration Program**

Mr. Tucker provided an overview on the Progress Report on the Zero Emission Bus (ZEB) Demonstration Program. Mr. Tucker commented that the progress report provides a lot of good information and details, and added that the ZEB Demonstration Program is in the early stages since the kick-off event held on February 24, 2005. Mr. Tucker commented that staff is learning a great deal and gaining significant knowledge about the Hydrogen Technology as well as experiencing some failures related with the technology. Mr. Tucker continued that VTA has three ZEB vehicles currently in operation; however, one of the ZEB vehicles is out of service for maintenance upgrades.

Mr. Tucker noted that the ZEB Hydrogen vehicles are performing at an average of 590 miles between road failures as compared to an average of about 6,000 miles between VTA's standard diesel bus vehicles. Mr. Tucker noted that staff is in the early stages of the Hydrogen Technology and stressed the importance to keep in mind that the ZEB Program project is first generation technology.

Chairperson Williams queried about other demonstration data throughout the State and how the data compares with VTA's demonstration data. Mr. Tucker responded that there is not a lot of significant information available; however, noted that staff is beneficial to be working with the National Renewable Energy Laboratory (NREL). Mr. Tucker continued that NREL is actually collecting data for VTA as well as serving as the conduit of information for a vast majority of projects that are current worldwide. Mr. Tucker commented that the ZEB Program is in the early stages and added that most of the information is very conceptual.

Chairperson Williams queried if data is consistent with the ZEB Program project. Mr. Tucker responded the ZEB Program is first generation technology; therefore, noted that there is not a lot of significant data available. Mr. Tucker noted that data collection regarding the evaluation of the ZEB Demonstration Program has begun and will be ongoing throughout the ZEB Demonstration Program. Mr. Tucker continued that the ZEB Demonstration Program collaborative project partners are using a base line to improve the technology, working to develop ways to be innovative, and working on the projects differently; therefore, the projects are undergoing a lot of testing to determine how the technology will perform.

Alternate Board Member Kerr queried about how far ZEB vehicles can travel. Mr. Tucker responded that ZEB vehicles are able to travel 100 plus miles on a full tank of fuel.

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Chairperson Williams noted that the organization is looking into the ZEB technology to provide a cleaner environment. Mr. Tucker responded that the California Air Resources Board (CARB) mandates the ZEB technology.

Chairperson Williams stressed the importance to provide a cleaner environment. Alternate Board Member Kerr added that the ZEB Program is an important alternative technology.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole received the Progress Report on the Zero Emission Bus (ZEB) Demonstration Program.

**20. Committee Work Plan**

Kaye L. Evleth, Chief Administrative Officer, provided a brief overview on the Administration and Finance Committee Work Plan.

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

**21. Committee Staff Report**

There was no Committee Staff Report.

**22. Chairperson's Report**

Chairperson Williams expressed his appreciation and thanked staff for their diligent work to implement changes within the organization. Chairperson Williams acknowledged staff's dedication to assist the organization in moving forward.

**23. Determine Consent Agenda for the May 5, 2005 Board Meeting**

**CONSENT: Agenda Item # 7.**, Adopt a support position for SB 680 (Simitian), which allows the Board of Directors of the Santa Clara Valley Transportation Authority (VTA) to impose a surcharge of up to \$5 on motor vehicles registered in Santa Clara County for an eight-year period to fund various transportation improvements; **Agenda Item # 8.**, Authorize the General Manager to purchase insurance coverage for Excess Liability, General and Auto Liability, 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 exposures, for the annual Operations Program insurance renewal for an amount not to exceed \$1,800,000; **Agenda Item # 10.**, Approve Work Program and Cost Share Principles for the Santa Clara Valley Habitat Conservation Plan (HCP)/Natural Community Conservation Plan (NCCP); **Agenda Item # 11.**, Adopt a resolution authorizing the filing of an annual claim to the Metropolitan Transportation Commission (MTC) for allocation of FY 2005 – 2006 Transportation Development Act (TDA) and State Transit Assistance (STA) funds;

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**Agenda Item # 12.**, Authorize the submittal of project applications to the Metropolitan Transportation Commission (MTC) for programming Section 5307 Urbanized Area (UA) Formula and Section 5309 Fixed Guideway (FG) funds in the Transportation Improvement Program (TIP) in Fiscal Years 2006 through 2008; **Agenda Item # 14.**, Approve the Interest Rate Swap Policy, which establishes guidelines for the use and management of swap transactions in connection with the issuance of new debt or the management of outstanding debt; and **Agenda Item # 15.**, Adopt a resolution authorizing the General Manager or Chief Financial Officer to take all necessary actions, enter into agreements and execute documents for VTA to issue refunding bonds in a par amount not to exceed \$185 million, the proceeds of which will refund a portion of VTA's 2001 Sales Tax Bonds and to pay the cost of issuance; and, further authorize the General Manager or Chief Financial Officer to enter into one or more interest rate swap agreements, provided the net present value savings of the refunding bonds together with, the interest rate swap agreements, equals or exceeds 5 percent of the refunding bond size.

**REGULAR: Agenda Item # 16.**, Authorize the General Manager to amend the Route 87 (North) HOV contract with RGW Construction by \$2,115,280 for a new contract amount of \$24,106,242, and affirm that change order authority delegated to the General Manager is based on the new contract amount.

**24. Announcements**

There were no Announcements.

**25. ADJOURNMENT**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole adjourned the meeting at 1:15 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant  
VTA Board of Directors