



## **ADMINISTRATION & FINANCE COMMITTEE**

Thursday, May 18, 2006

### **MINUTES**

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

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:10.m. by Chairperson Williams in Room 157, County Government Center, 70 West Hedding Street, San Jose, California.

#### **ROLL CALL**

##### **Members Present**

Breene Kerr, Vice Chairperson  
Forrest Williams, Chairperson

##### **Members Absent**

Don Gage  
Madison Nguyen

##### **Alternates Present**

None

##### **Alternates Absent**

Jamie Matthews  
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.**

Chairperson Williams noted that the Committee of the Whole could not vote or take action on the agenda items but the items would be discussed then forwarded the items to the Board of Directors for consideration at the June 1, 2006 Meeting.

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

Jerry Grace, Interested Citizen, expressed concern regarding the San Jose Sharks Team losing their last hockey game. Mr. Grace wished the San Jose Sharks Team well for next season.

Martin Bishop, N.E.E.D. Project, urged the A&F Committee to endorse a letter dated March 28, 2006 by Board of Supervisor Jim Beall forwarded to Michael T. Burns, General Manager. The letter urges VTA to 1) search for new and different types of restraint systems that will mitigated injuries to drivers, damages to wheelchairs, and mitigate disruptions in bus connection services; 2) authorize funding for an Request for Proposal (RFP) or an Request for Bid (RFB) to search for new types of restraint devices; and 3) announce that VTA will be the first transportation district to require mandatory restraints for all passengers on VTA buses for able and disabled persons alike.

Mr. Bishop stated that mandatory securement devices are a result of a \$1.2 million lawsuit over a period of 23 years, which will be outweighed over a 3 to 5 year period of payment for workmen's compensation, damages to wheelchairs and disruption of bus schedules. Chairperson Williams responded that the Committee of the Whole is unable to respond to this matter under Public Presentation but will forward the concern to the General Manager for response.

Mr. Bishop stated that he seeks endorsement of the A&F Committee. Chairperson Williams stated that the Public Presentation portion of the agenda is reserved for individuals desiring to address the Committee on matters not on the agenda. Chairperson Williams continued that the law does not permit the Committee to take action or have extended discussion on an item not on the agenda. Chairperson Williams noted that all statements that require a response would be referred to staff for response.

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

Members of the Public requested Agenda Item # 10., Review the Third Quarter FY 2006 Report of Workers' Compensation Claims, Transitional Work Program and Owner Controlled Insurance Program (OCIP) Claims Activity be removed from the Consent Agenda and placed on the Regular Agenda.

Members of the Public requested Agenda Item # 11., Reaffirm the Existing Investment Policy on Unrestricted and Restricted Funds be removed from the Consent Agenda and placed on the Regular Agenda.

Vice Chairperson Kerr requested Agenda Item # 12., Ratify the reappointments of Carl Hagenmaier, City of Los Altos; Bill Manry, City of Monte Sereno; Thomas Muniz, City of Gilroy; Bart Thielges, City of San Jose; Richard Swent, City of Palo Alto; and Herman Wadler, City of Campbell; and Jim Stallman, City of Saratoga to the Bicycle and Pedestrian Advisory Committee (BPAC) for the term ending June 30, 2008 be removed from the Consent Agenda and placed on the Regular Agenda.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole accepted the Orders of the Day.

## **CONSENT AGENDA**

### **4. Regular Meeting Minutes of April 20, 2006**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole deferred the Regular Meeting Minutes of April 20, 2006.

### **5. Report on Santa Clara Valley Transportation Authority Investments for the Month of March and quarter ending March 2006**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole reviewed the Report on Santa Clara Valley Transportation Authority Investments for the Month of March and quarter ending March 2006.

6. **Quarterly Purchasing Report**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole reviewed the Quarterly Purchasing Report.

7. **Quarterly Statement of Revenue and Expense**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole reviewed the Quarterly Statement of Revenue and Expense.

8. **Monthly Legislative Report for April 2006**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole reviewed the Monthly Legislative Report for April 2006.

9. **Third Quarter FY 2006 Report of Public Liability/Property Damage and Owner Controlled Insurance Program (OCIP) Claims Activity**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole reviewed the Third Quarter FY 2006 Report of Public Liability/Property Damage and Owner Controlled Insurance Program (OCIP) Claims Activity.

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

Third Quarter FY 2006 Report of Workers' Compensation Claims, Transitional Work Program and Owner Controlled Insurance Program (OCIP) Claims Activity.

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

Reaffirm the Existing Investment Policy on Unrestricted and Restricted Funds.

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

Ratify the reappointments of Carl Hagenmaier, City of Los Altos; Bill Manry, City of Monte Sereno; Thomas Muniz, City of Gilroy; Bart Thielges, City of San Jose; Richard Swent, City of Palo Alto; and Herman Wadler, City of Campbell; and Jim Stallman, City of Saratoga to the Bicycle and Pedestrian Advisory Committee (BPAC) for the term ending June 30, 2008.

13. **Program Augmentation for Transportation Planning and Mass Transit Studies**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to augment the total value of contracts permitted under the previously approved Transportation Planning and Mass Transit Studies on-call list from \$1,000,000 to \$2,500,000.

14. **Amendment of VTA Administrative Code and Citizens Advisory Committee Bylaws**

**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 to amend Section 4-28 (b) (3) of the VTA Administrative Code to replace the National Association of Industrial and Office Properties with Building Owners and Managers Association – Silicon Valley as a business and labor group representative on

the Citizens Advisory Committee and further amend Section 3.1 (c) of the Citizens Advisory Committee bylaws to conform to this change.

**15. Citizens Advisory Committee Appointment**

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to ratify the appointment of Robert Jacobvitz to the Citizens Advisory Committee position representing the Building Owners and Managers Association – Silicon Valley.

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

**REGULAR AGENDA**

**10. Third Quarter FY 2006 Report of Workers' Compensation Claims, Transitional Work Program and Owner Controlled Insurance Program (OCIP) Claims Activity**

Nanci Eksterowicz, Risk Manager, provided a brief overview of the Third Quarter FY 2006 Report of Workers' Compensation Claims, Transitional Work Program, and Owner Controlled Insurance Program (OCIP) Claims Activity. Ms. Eksterowicz commented that VTA continued to experience reductions in Workers Compensation claims as well as decreases in lost workdays for new claims. VTA continued to have good experience with the Owner Controlled Insurance Program (OCIP) for construction contracts for the Highway Construction Program. Since project inception in March 2001, the insurance premium savings for Highway Construction is \$3,949,007.

Mr. Bishop expressed concern and noted the expenses to cover workers compensation claims and damages to wheelchairs due to the four-point mandatory securement restraint system on VTA's bus vehicles. Mr. Bishop urged the Board of Directors to support the request for a Request for Proposal (RFP) to look for a device manufacture to develop a new securement restraint system similar to a roller coaster restraint system. Chairperson Williams responded that the VTA Board of Directors is not interested in the process of designing and releasing a restraint system. Chairperson Williams stated that the VTA Board of Directors has approved the securement restraint system that will be used on VTA's bus vehicles.

Mr. Bishop expressed concern that the securement device restraint system could result in operator injuries, damages to mobility devices, disruption of timely bus service, and increases in workers compensation claims. Chairperson Williams stated that the Committee would forward Mr. Bishop's concerns to the General Manager for response.

Vice Chairperson Kerr stated that he is sensitive to the issues related to individuals with disabilities and utilization of the transit system. Vice Chairperson Kerr expressed concern and stressed the importance of being respectful of the Committee, staff, and community members' time. Vice Chairperson Kerr stressed the importance for Mr. Bishop to provide new information or a proposal since the VTA Board of Directors have approved the Q'Straint System for VTA's bus vehicles as the recommended securement restraint system.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole reviewed the Third Quarter FY 2006 Report of Workers' Compensation Claims, Transitional Work Program and Owner Controlled Insurance Program (OCIP) Claims Activity.

**11. Reaffirm the Existing Investment Policy on Unrestricted and Restricted Funds**

Mr. Bishop urged the Committee to support the request to allocate funding and issue an RFP for a manufacturer to develop a new securement restraint system similar to a roller coaster restraint system. Mr. Bishop referenced Supervisor Beall's letter to Michael T. Burns, VTA General Manager, related to development of an amusement park ride restraint system. Further, he expressed concern regarding the increase in expenses to cover workers compensation claims and damages to wheelchairs. Chairperson Williams responded that the Committee would forward all concerns regarding Mr. Bishop's restraint system proposal to the General Manager for response.

Chairperson Williams stated that the VTA Board of Directors has approved the securement restraint system that will be used on VTA's bus vehicles. Chairperson Williams stated that Mr. Bishop needs to provide new information or a proposal to the General Manager and if it warrants further review then the General Manager would forward the information to the VTA Board of Directors.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to reaffirm the Existing Investment Policy on Unrestricted and Restricted Funds.

**12. Bicycle & Pedestrian Advisory Committee (BPAC) Reappointments**

Mr. Grace expressed appreciation and support for Bike to Work Day.

Vice Chairperson Kerr asked if the Town of Los Altos Hills has a representative on the Bicycle and Pedestrian Advisory Committee (BPAC). Stephen Flynn, Congestion Management Program and Planning Senior Management Analyst, responded that the Town of Los Altos Hills' seat on BPAC is currently vacant and he is coordinating with Town of Los Altos Hills' staff to fill the vacant seat.

Vice Chairperson Kerr stated that he would look into appointing a member to fill the vacant seat on BPAC to represent the Town of Los Altos Hills.

Vice Chairperson Kerr expressed concern regarding a bicycle lane safety issue near a park at the border of Palo Alto and Los Altos Hills. Vice Chairperson Kerr queried if the Palo Alto BPAC representative could assist with the bicycle lane safety issue concerns. Mr. Flynn responded that staff would forward Vice Chairperson Kerr's concern to BPAC for discussion. Carolyn M. Gonot, Chief Development Officer, responded that the BPAC has actually discussed the issue before and noted that staff would look into the issue to address the concerns.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole approved submitting a recommendation to the Board of Directors to ratify the reappointments of Carl Hagenmaier, City of Los Altos; Bill Manry, City of Monte Sereno; Thomas Muniz, City of Gilroy; Bart Thielges, City of San Jose;

Richard Swent, City of Palo Alto; and Herman Wadler, City of Campbell; and Jim Stallman, City of Saratoga to the Bicycle and Pedestrian Advisory Committee (BPAC) for the term ending June 30, 2008.

## **16. Debt Policy**

Roger Contreras, Chief Financial Officer, provided a brief overview of the Debt Policy, noting that it improves the quality of decision, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning. Mr. Contreras commented that a consistently applied debt policy provides evidence to the rating agencies of commitment to sound financial management and controlled borrowing practices, which is regarded positively in evaluating creditworthiness. Mr. Contreras continued that it is appropriate to adopt a debt management policy at this time as VTA prepares to refund the outstanding 2000 Measure A Bonds, in order to maximize VTA's potential to receive the best credit rating.

Mr. Contreras introduced Carol Lawson, Debt Administration and Business Analysis Manager. Ms. Lawson provided a brief overview of the VTA Debt Policy. The purpose of a Debt Policy is to establish guidelines for the issuance and management of VTA's debt. A Debt Policy confirms the commitment of the Board to adhere to sound financial management practices, including prudent issuance of debt, full and timely repayment of all borrowings, and achieving the lowest possible cost of capital within prudent risk parameters. Ms. Lawson stated that a Debt Policy identifies the appropriate purposes for issuance of debt, allowable types, terms and structures, manner of sale, and financing process components.

Ms. Lawson commented that a Debt Policy sets limits, while preserving flexibility to respond to market opportunities and program changes and the Debt Policy should be formally adopted, reviewed, and updated periodically. The Board of Directors must approve any and all deviations from the Debt Policy.

Ms. Lawson continued that VTA should have a Debt Policy since it is a sound business practice, demonstrates commitment to long-term financial planning, and rating agencies regard a Debt Policy positively in evaluating creditworthiness. A Debt Policy is viewed by rating agencies as a building block of the overall financial management and a Debt Policy is another step for VTA in setting the groundwork to issue debt. Examples of other steps taken or to be taken by VTA include adopting the Long-Term Expenditure Plan as well as the adoption of the Investment Rate Swap Policy.

Ms. Lawson discussed how the proposed Debt Policy guides each step of the financing process. The first step is to determine that there is a need and capacity for funding and the proposed Debt Policy requires that the debt issuance accomplishes appropriate purpose and identifies potential reasons to issue debt. Ms. Lawson reviewed the nine steps related to the overview of the financing process for the proposed Debt Policy including: 1) identify funding need; 2) review options; 3) select finance team; 4) documentation; 5) credit presentations; 6) VTA Board of Directors approval; 7) sale/closing; 8) investments of proceeds; and 9) continuing disclosure. The Debt Policy requires that debt affordability be measured both in terms of bond indenture requirements and ability to meet on going operating, capital and reserve obligations.

Ms. Lawson stated that the step to review the options of issuing bonds relates to the type and term of bond or note to issue; whether to issue fixed or variable rate debt; the appropriate amortization schedule; the use of bond insurance or letters of credit; and whether to conduct a competitive or negotiated sale. The proposed Debt Policy details allowable structures and identifies the project circumstances for different options.

Ms. Lawson continued that the next step identifies and selects the finance team, which may include the following financing members: financial advisor; bond counsel; disclosure counsel; trustee; and underwriters depending on the type and complexity of the issue. The proposed Debt Policy identifies the typical members of the finance team, their roles, and the appropriate selection process. Documentation of the issuance of bonds includes the full set of legal documents; certificates and legal opinions relating to the bonds; and financial and risk analysis.

After Documentation, credit presentations to the three credit rating agencies is needed to provide an independent appraisal of the credit quality and likelihood of the timely repayment of the bonds. Ms. Lawson added that a carefully crafted and consistently applied Debt Policy provides evidence to the rating agencies that VTA has a commitment to control borrowing practices. This is regarded positively in evaluating credit worthiness. In addition, staff would conduct periodic update meetings with each credit rating agency credit analysis. The Board of Directors would then need to approve and authorize financial transactions as well as authorize the General Manager to enter into agreements and execute documents to execute bonds. Ms. Lawson clarified that the Board's adoption of the Biennial Budget; Capital Improvement Plans; and long-term Expenditure Plan does not constitute authorization for debt issuance.

Ms. Lawson stated that the next step is the sale and closing of the bonds so the bond proceeds are received and the proposing documents are executed. If the bond issuance is completed as a competitive sale, then the Debt Policy requires a post pricing note that contains information about the bond sale with a list of bids received and comparable prices at the time of the sale as well as other relevant information pertaining to the transaction.

Ms. Lawson continued that next step is the investment of the bond proceeds. The Debt Policy requires that the bond proceeds be invested in compliance with VTA's Investment Policy, which is reviewed and reaffirmed by the Board of Directors annually.

The last step of the process is continual disclosure of financial information distributed as appropriate to interested parties annually in accordance with the bond documents. The Debt Policy reiterates VTA's commitment to remain in compliance with the Securities and Exchange Commission (SEC) rules and continually disclosure agreements.

Ms. Lawson commented that adopting a Debt Policy confirms the commitment of the board, management, staff, advisors, and other decision makers to adhere to sound financial practices including prudent issuance of debt, full and timely repayment of all borrowings, and achieving the lowest cost of capital within prudent risk parameters.

Vice Chairperson Kerr expressed his appreciation for the diligent work staff is conducting related to VTA investments. Vice Chairperson Kerr stressed the importance for the

A&F Committee to address the issues regarding how much debt issuance is appropriate for VTA as the amount of debt issued increases the cost of the all the projects. Vice Chairperson Kerr queried why VTA would accelerate all the projects and dilute future earnings by issuing the debt.

Chairperson Williams stressed the importance for VTA to have a Debt Policy because it provides credibility to an organization. Chairperson Williams stated that a Debt Policy would be beneficial to VTA and stressed the importance to take advantage of the opportunities to enable a solid financial structure.

Mr. Contreras commented that the Debt Policy establishes a set of guidelines for the issuance and management of VTA's debt. The proposed Debt Policy would have written guidelines and restrictions that affect the amount and type of debt issued, the issuance process, and the management of a debt portfolio.

Vice Chairperson Kerr queried how much debt the Debt Policy would allow. Ms. Lawson responded that it varies based on what is included in the bond indentures. Mr. Contreras commented that the Debt Policy provides the guidelines in which VTA would issue debt and the VTA Board of Directors would determine the amount of the debt. The adoption and adherence to the proposed Debt Policy ensures that VTA has and maintains a sound debt position and that credit quality is protected.

Jim Lawson, Government Affairs Manager and Staff Liaison, commented that staff would work collaboratively with four different firms to assist with advising VTA so that the organization does not incur more debt than what is reasonably needed to achieve the specific goals of the Board of Directors.

Mr. Contreras referenced the proposed Debt Policy, noting the Debt Affordability section, which indicates that debt affordability would be determined by the requirements of VTA's bond indentures and VTA's ability to meet all of its on-going operating, capital, and reserve requirements.

Chairperson Williams commented that the 2000 Measure A Sales Tax states the limit of the measure. Chairperson Williams stressed the importance of identifying opportunities on a project-by-project basis and determining whether VTA is able to reduce the costs of the projects. Chairperson Williams stressed the importance of being proactive, identifying opportunities to complete more projects, and taking advantage of creative financing strategies that will benefit VTA.

Vice Chairperson Kerr stressed the need for the A&F Committee to discuss financial decisions related to the organization and the need for staff to provide on-going information to the Board on debt levels and the relationship between interest rates and inflation. Further, he requested additional information on the policy and procedures of the issuance of bonds. Vice Chairperson Kerr noted the importance of addressing strategic concerns. Mr. Burns responded that staff would provide that information to the Board Members.

Chairperson Williams expressed support for approval of the Debt Policy and noted the importance of addressing Vice Chairperson Kerr's concerns.

Mr. Bishop expressed concern related to the number of bonds issued by VTA. Mr. Bishop urged the A&F Committee to authorize an RFP to allocate funding for a restraint system device. Mr. Bishop noted that he is a United States paralyzed American with 19 years of service to commissions and advisory boards representing individuals with disabilities. Mr. Bishop stated that he does not support the mandatory requirement to have mobility devices secured on the vehicles. Mr. Bishop noted that he would continue to protect and defend his position related to the securement issue.

**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 Debt Policy, which establishes guidelines for the issuance and management of VTA's debt.

**17. 2006 Sales Tax Revenue Bonds-Secured by 2000 Measure A Sales Tax**

Mr. Contreras introduced Kim Koenig, Fiscal Resources Manager, who provided a brief overview of the 2006 Sales Tax Revenue Bonds-Secured by 2000 Measure A Sales Tax.

Ms. Koenig commented that staff recommends that the Board of Directors adopt a resolution for VTA to issue bonds in an amount not to exceed \$440 million (2006 Bonds), the proceeds would refund VTA's 2003A, 2004A, and 2004B Measure A Sales Tax Revenue Bonds, fund additional 2000 Measure A Projects, and pay the cost of issuance. Ms. Koenig continued that the bond proceeds were used to fund the purchase of the right-of-way for the extension of the BART to San Jose extension project; purchase 70 low floor Light Rail Vehicles (LRV's); fund preliminary engineering costs for the BART extension, conceptual design, and preliminary engineering costs for the Downtown East Valley (DTEV) Transit Improvement Program; purchase of additional right-of-way for BART Extension and Caltrain; VTA Rail Corridor Study; and VTA's portion of the Dumbarton Rail Corridor Project Study.

Ms. Koenig stated that the Measure A bonds issued in 2003 and 2004 have a mandatory tender date for purchase of these obligations on October 2, 2006. The mandatory tender requires that VTA repurchase the bonds from the existing bondholders and either remarket or refund the bonds. If there is a failure to remarket or refund the 2000 Measure A bonds on the mandatory tender date, the bonds would continue to be owned by the current bondholders and would convert to an interest rate of 150 percent of one year USD London Interbank Offering Rate (LIBOR), currently calculated as approximately 8 percent until the bonds are remarketed or refunded plus an additional \$2 million to \$2.5 million for bond insurance premium.

Ms. Koenig continued that staff recommends refunding the 2000 Measure A bonds since refunding would allow VTA to re-amortize the outstanding debt to better take advantage of current market conditions and finance transaction costs. Ms. Koenig commented that \$371 million would be used to refund VTA's 2003A and 2004A Measure A Bonds; \$45 million would be used to fund additional 2000 Measure A Projects; and \$24 million would be used for the cost of issuance and potential debt service reserve fund.

Vice Chairperson Kerr queried if VTA has a debt service reserve fund. Ms. Koenig responded, "no" and noted that staff would conduct a financial analysis on whether to purchase the assurance or fund the debt service reserve fund. Ms. Koenig stated that

each time VTA issues bonds, staff would then conduct calculations to determine whether to purchase the assurance or fund the debt service reserve fund.

Ms. Koenig commented that VTA would issue all the bonds as variable rate sales tax revenue bonds since a variable rate structure allows for flexible prepayment of the reimbursement and Transportation Congestion Relief Program (TCRP) portions of the 2006 Bonds without the expensive early call features that would be required with a traditional fixed rate structure.

Ms. Koenig commented that \$50 million of the \$440 million of the 2000 Measure A Bonds would be used to reimburse the VTA Enterprise Fund and would remain in a variable rate mode related to prior debt service on the bonds since it is not a project expense and considered working capital.

Ms. Koenig commented that \$140 million of the \$440 million of the 2000 Measure A Bonds originally used to finance the BART preliminary engineering costs is anticipated to remain in a variable rate mode or a synthetically fixed rate. VTA requires flexibility with this component since the funds were used for the BART preliminary engineering costs. After the completion of the BART preliminary engineering staff anticipates submitting an allocation request to the California Transit Commission (CTC) requesting TCRP grant funds. The goal of the proposed structure is to achieve the lowest cost of financing possible while preserving the necessary flexibility to retire bonds relating to VTA's Enterprise reimbursement and TCRP portions in order to meet the requirements of the Federal tax law.

Ms. Koenig commented that staff recommends that the \$250 million remaining portion of the \$440 million of the 2000 Measure A Bonds be a synthetically fixed rate mode. Ms. Koenig stated that a variable rate debt provides a lower cost of financing and does not protect VTA against interest rate risks, especially with short-term interest rates. A synthetically fixed rate is used to provide protection against the short-term interest rates. The issuance of synthetically fixed rate bonds would allow VTA to borrow at an estimated interest rate of 4.04 percent in the current market as compared with approximately 4.64 percent for a traditional fixed interest rate. The lower synthetically fixed rate would produce an annual savings of approximately \$1.2 million or \$30 million net present value savings to the Measure A Program.

Ms. Koenig continued that the synthetic rate component of the transaction is similar to the transaction used in the 2005 Refunding Transaction. VTA issues variable rate bonds and pays bondholders a variable interest rate that is reset on a weekly basis. Then VTA enters into one or more swap agreements with counterparties. VTA swaps its variable rate obligation to a fixed rate debt, while the counterparties would want to receive fixed payments and are willing to pay variable rate in exchange. The counterparty becomes the financial intermediary or broker allowing each to achieve its respective financial objective. Ms. Koenig stated that the variable rate that VTA pays the bondholders and the variable rate the counterparties pay to VTA with the intent to offset one another, which produces the synthetically fixed rate. Ms. Koenig noted that synthetically fixed rate bonds are subject to counterparty, basis, and tax risks.

Ms. Koenig commented that counterparty risk is related to VTA bearing the risk that the counterparty would not be able to make its offsetting payments to VTA. VTA would

mitigate the counterparty risk by diversifying the swap with four highly rated counterparties as required by the VTA Interest Rate Swap Policy and VTA would include downgrade provision, which require the affected counterparty to post collateral in the event of rating downgrades and interest rates rise.

Ms. Koenig commented that basis risk is the potential mismatch between the variable rate payments VTA would pay on the 2006 Bonds and the variable rate payments received from the counterparties. VTA bears the risk that the variable rate payments it receives may be less than the variable rate it pays. VTA would mitigate the basis risk by first, VTA's swap payments would be based on a swap formula that closely matches the historical trading value of VTA's variable rate bonds in all markets; and secondly, VTA would create a "basis stabilization" fund, which would allow VTA to offset shortfalls in swap receipts with any positive payments received.

Ms. Koenig commented that tax risk is the risk of a change in tax law, such as a lower marginal tax rate, which could cause the value of VTA's tax-exempted bonds to decline or have no value, in turn, creating a basis risk. VTA would mitigate tax risk by VTA's ability to terminate at market value at any time.

Ms. Koenig commented that the Bay Area Toll Authority; California Housing Finance Agency; Los Angeles (LA) County Metropolitan Transportation Authority; and Metropolitan Water District of Southern California are the local transportation agencies and authorities that have entered into interest rate swap agreements.

Ms. Koenig commented that the proposed schedule related to the financing documents would be forwarded to the Board of Directors for consideration in June 2006 followed by rating agency presentations in mid June 2006 and the issue of bonds in mid July 2006. Ms. Koenig stated that the proposed schedule is aggressive; however, VTA must issue long-term refunding bonds no later than September 1, 2006 in order to provide sufficient noticing to the current bondholders of VTA's plans.

Vice Chairperson Kerr queried about the \$45 million for the new project expenditures. Ms. Koenig responded that the \$45 million is identified for clearing the right-of-way for the BART Project. Ms. Koenig stated that the Measure A sales tax revenues did not begin until April 1, 2006; therefore, VTA should receive revenue funds in the bank by mid-June with the first monthly advance in the amount of \$6.5 million. Ms. Koenig noted that the \$50 million would be used to reimburse VTA's Enterprise Fund and noted that back in 2003 the funding boosted VTA's revenues, which allowed VTA not to use the \$80 million that the Board approved for operations instead of reducing service and allowed VTA to keep the current service.

Vice Chairperson Kerr queried about issuing a five-year note using a variable rate. Mr. Contreras responded that under this economic environment, a short-term rate is higher compared to long-term rate.

Vice Chairperson Kerr queried if VTA had the funding to purchase the property. Mr. Lawson responded that the intent was to take advantage of the opportunity to move out some of the Union Pacific Railroad (UPRR) track work, move anything that would impede the operations of the BART Project, and overall to free-up the land for the BART Project.

Mr. Burns commented that there are timelines to complete certain items as part of the purchase agreement between VTA and UPRR. Jack J. Collins, Chief Construction Officer, commented that another advantage is that VTA has \$5 million as a cleanup credit with UPRR as well as clearing the right-of-way for the BART Project could move forward.

Mr. Grace queried about the purchase between VTA and UPRR. Mr. Lawson responded that VTA purchased the UPRR right-of-way from the Fremont area to San Jose since VTA intends to utilize the UPRR track in the future.

Mr. Bishop expressed appreciation and thanked everyone for their time and consideration related to the concerns with the mobility device securement restraint system.

**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 bonds in a par amount not to exceed \$440 million (2006 Bonds), the proceeds of which will refund VTA's 2003A, 2004A and 2004B Measure A Sales Tax Revenue Bonds, fund additional 2000 Measure A Projects and pay the cost of issuance; and further authorize the General Manager or Chief Financial Officer to enter into one or more interest swap agreements.

**18. Travel & Expense Reimbursement Policy**

Mr. Contreras provided a brief overview of the Travel & Expense Reimbursement Policy. Mr. Contreras commented that new legislation [Government Code Section 53232(b)] effective January 1, 2006, specifically requires that governing bodies adopt a written Expense & Reimbursement Policy. The Travel & Expense Reimbursement Policy is required to provide for payment of travel related and other business expenses for VTA employees, Board of Directors, and others in the service of VTA and uniform guidelines for authorization to travel for VTA employees and others.

Mr. Contreras commented that the Travel & Expense Reimbursement Policy defines the appropriate level of approval authority for employees requesting to travel on VTA business and establishes procedures for review and reimbursement of expenses. The Policy provides guidelines for reimbursement of transportation, food, lodging, and other business related expenses. The Travel & Expense Reimbursement Policy needs to be updated to reflect the increased costs of travel due to inflation as well as reflect advances in technology providing for Internet connections, international travel, international telephone allowance, and to facilitate the definition of local travel to be expanded to include the nine bay area counties as well as Santa Cruz and San Benito counties.

Mr. Contreras commented that in terms of administration, the Policy increases the time to submit expense reports from 30 to 60 days to accommodate employees with the difficulties associated with receiving receipts from credit cards.

Chairperson Williams queried about the expansion of the Policy. Mr. Burns responded that the update reflects current costs associated with travel due to inflation and the published federal government per diem rates so that no receipts will be required.

Mr. Burns noted that if the federal government per diem is utilized then it allows the individual to manage their meals and incidental expenses for their travel.

**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 the Travel & Expense Reimbursement Policy (“Policy”) for all VTA employees, Board Members, and others in the service of VTA.

## **19. Computer System Services Agreements**

George Barlow, Chief Technology Officer, provided a brief overview of the Computer System Services Agreements. Mr. Barlow commented that VTA has a contract with Compaq Computer Corporation for computer system services, which include routine maintenance and repairs for Windows computer servers, maintenance and repairs for Unix servers and operating system software running SAP, priority repair or replacement of hardware in the event of a disaster or other hazard, and remote monitoring of network equipment.

Mr. Barlow commented that the hardware and software covered in the contract provide a variety of vital services to VTA including internet and intranet access, electronic mail, file storage, print services, construction project management, bus driver Bid Dispatch Timekeeping (BDT), Advanced Communications System (ACS) for bus and light rail communications, SAP application processing including payroll and investment processing, and other fiscal and operational applications. Mr. Barlow continued that after the Hewlett-Packard Corporation (HP) merger with Compaq Computer Corporation, VTA’s contract agreement transferred to HP and the current contract agreement with HP is scheduled to expire on June 30, 2006.

Mr. Barlow commented that a Request for Proposals for Computer System Services was advertised and VTA received six proposals from vendors. Mr. Barlow stated that the vendors were allowed to propose on services for Windows servers and or SAP Unix servers as well as operating system software. Mr. Barlow noted that the vendors were allowed to propose on optional Priority Service.

Mr. Barlow stated that as a result of the RFP process the Review Board selected Computer Specialist Inc. (CSI) for Windows servers and Systems Services International (SSI) for Unix servers. Mr. Barlow commented that CSI and SSI were deemed to provide best value to VTA based on their technical expertise and pricing and based on the proposed pricing, VTA staff has elected to forego the option to purchase Priority Service from any of the vendors.

Vice Chairperson Kerr queried if staff evaluated the total energy use of the data center with an effort to be more cost efficient. Mr. Barlow responded that VTA has evaluated the energy use and recently upgraded the electrical system in the data center over the last couple of years. Mr. Barlow noted that VTA would be updating the Windows servers to be more energy efficient.

Vice Chairperson Kerr stressed the importance and noted the opportunity to manage data center energy use. Mr. Barlow responded that staff would look into the information technology related to manage data center energy use.

**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 execute separate contracts with Computer Specialists Inc. (CSI) and Systems Services International (SSI) to provide computer system hardware and software support services. The contract with Computer Specialists Inc. will be \$300,000 for the first two years and \$375,000 for two additional one-year options for service, for a total contract value of \$675,000. The contract with Systems Services International will be in the amount of \$235,000 for two years of service.

20. **Receive an update on current status of the Federal Disadvantage Business Enterprise Program (DBE)**

Suzanne B. Gifford, General Counsel, provided an update on current status of the Federal Disadvantage Business Enterprise Program (DBE).

Ms. Gifford provided background information and stated that in the summer of 2000 Western States Paving Co., a non-minority owned firm, submitted bids for subcontracting work on highway projects financed in part with federal transportation funds under the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21). Western States Paving Co. was the lowest responsible subcontractor bidder but was rejected by the prime contractor in favor of higher bids from minority owned firms.

Ms. Gifford continued that Western States Paving Co. sued Washington State Department of Transportation (WSDOT), claiming that TEA-21's minority preference program violated the equal protection clause of the United States. The lower court determined that the WSDOT DBE program as applied was not constitutional.

The case was appealed and in May of 2005 the federal 9<sup>th</sup> Circuit Court of Appeals upheld the lower court's ruling that the TEA-21 minority preference program was constitutional as it was written because it was "narrowly tailored" to remedy the effects of race and sex based discrimination within the transportation contracting industry. However, the court held that the Washington DBE program as applied was not constitutional because WSDOT did not independently establish the existence of racial/gender discrimination in Washington's transportation industry for each group included in the state DBE program.

Ms. Gifford commented that the 9<sup>th</sup> Circuit Court covers California, Oregon, Washington, Arizona, Nevada, Montana, Idaho, Alaska, and Hawaii, which mean that all of the states in the 9<sup>th</sup> Circuit are bound legally by the decision but the rest of the country is not bound legally.

Ms. Gifford continued that the U.S. Department of Transportation issued written guidance to recipients of Federal Transportation Association (FTA) funds in January 2006 addressing the status of DBE programs after the Western States Paving Co. decision. FTA stated that when recipients submit their overall annual DBE goal it must be submitted using race neutral means, which means that VTA cannot take into account race-conscious steps as done in the past. As a result, California Department of Transportation (Caltrans) has recently notified all subrecipients of Federal Highway Administration (FHWA) funds that FHWA recipients would be obligated to follow the Caltrans program or be deemed ineligible to receive highway funds. Ms. Gifford noted

that in May 2006, Caltrans adopted a race neutral program. Therefore, recipients of FTA and FHWA funds have to justify a race-conscious program that would involve conducting an analysis and disparity study to determine what the actual effects are on minorities with discrimination group by group including gender and race.

Ms. Gifford stated that VTA must submit a race neutral program for the 2007 fiscal year to Caltrans for FHWA grant funds in June 2006 and to FTA in August 2006.

Thomas Smith, Purchasing and Materials Manager, commented that future projects funded by FHWA and Caltrans and five current projects must adhere to the race neutral program. Mr. Smith stated that VTA must not apply a DBE goal and in parallel with Caltrans procedure, VTA would establish an Availability Advisory Percentage on each contract and take specific steps to ensure that prime contractors are aware of and encouraged to utilize DBE's. However, VTA cannot deny the low bidder the award of the contract if they do not achieve the Availability Advisory Percentage. Mr. Smith noted that failure to follow Caltrans directions would jeopardize federal funds. The five projects that VTA is looking at are Route 152/156 Interchange, Route 80/Coleman planting, Route 87 North and South planting, Route 280/880 Stevens Creek Interchange preliminary engineering, and Route 25/101 Interchange with total contracts value of \$28 million.

Mr. Smith commented that VTA is working with SamTrans, San Francisco Muni, BART, and other Bay Area transportation agencies to expedite the selection of a consultant to perform the mandated availability and disparity study so that VTA may apply to FHWA and FTA to resume a race-conscious DBE program as quickly as possible. Mr. Smith stated that due to the complexity of the study and the importance of having the results meet the requirements it is presently anticipated that the study would be completed by March of 2007. If current projections are achieved then VTA should be in a position to reestablish a race-conscious program for submission to the FTA and Caltrans for fiscal year 2008.

Mr. Smith commented that VTA's intention is to be proactive and encourage the minority contracting community to fully participate in the disparity study. Mr. Smith stated that VTA has identified the minority contracting firms from its DBE database and it is VTA's intention to work with them to ensure that their experiences are heard and included in the disparity study.

Chairperson Williams queried about the DBE goal requirement. Mr. Smith responded that VTA cannot establish a goal but can encourage prime contractors to utilize DBE goals on subcontracting projects but there is nothing that VTA can do if the low bidder does not achieve the goal.

Vice Chairperson Kerr queried about the cost of the mandated disparity study. Mr. Smith responded that VTA's share would be about \$100,000.

Ms. Gifford stated that VTA must conduct a mandated disparity study and noted that FTA through its guidance published in the federal register has stated that the recipients of FTA funds and FHWA funds must comply with the requirements established. Ms. Gifford commented that VTA will submit its goal and since VTA is a subrecipient of FHWA grant funds for highway projects, VTA must immediately adopt an interim race-

neutral DBE program or risk the loss of funding for anticipated highway projects in fiscal year 2007. Ms. Gifford commented that VTA would establish an annual overall DBE goal for fiscal year 2007 and submit the goal to Caltrans in June 2006 and to FTA in August of 2006. Ms. Gifford stated that Caltrans has submitted a Memorandum of Understanding to VTA to sign stating the VTA would comply with Caltrans requirements and have a race-neutral program, but FTA specifically requires that VTA and other transportation agencies in the Bay Area conduct a disparity study if they want to have their normal race-conscious program.

Mr. Burns commented that the court stated that the DBE program is valid. However, to be able to establish and enforce a goal there must be proof that a group has been affected and discriminated so the disparity study would provide that necessary information.

**On order of Chairperson Williams**, there being no objection, the Committee of the Whole received an update on current status of the Federal Disadvantage Business Enterprise Program (DBE).

**21. Resolution to Execute Program Supplements, Fund Exchange and Fund Transfer Agreements with the State of California for Federal-Aid Projects**

Ms. Gonot provided a brief overview of the Resolution to Execute Program Supplements, Fund Exchange and Fund Transfer Agreements with the State of California for Federal-Aid Projects. Ms. Gonot commented that the Master Agreement provides procedures and authority so VTA could receive federal transportation funds on projects administered by VTA. Ms. Gonot stated that the resolution would allow federal funds to be available for the State Route 152/156 Improvement Project and continue for other future projects.

**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 to execute Program Supplements, Fund Exchange and Fund Transfer Agreements with the California Department of Transportation (Caltrans) for federal-aid projects, as required by the Master Agreement pertaining to such Projects entered into between VTA and Caltrans in 1997.

**22. 1996 Measure B Highway Program – Transfer of Fee and Easement Parcels**

John Ristow, Programming and Project Development Deputy Director, provided a brief overview of the 1996 Measure B Highway Program – Transfer of Fee and Easement Parcels. Mr. Ristow commented that the authorization is to allow the General Manager to transfer the properties that VTA purchased as the implementing agency for the 1996 Measure B Transportation Improvement Program (MBTIP) Highway Program. Mr. Ristow stated that VTA acquired numerous fee parcels and easements for the construction of the highway projects, but now VTA is able to transfer the property back since construction is completed or nearing completion on all projects on the 1996 MBTIP Highway Program.

Mr. Ristow commented that per the Master Right-of-Way Cooperative Agreement with Caltrans for the 1996 MBTIP Highway Program, VTA is required to transfer to the State the properties used for the construction of the highway improvements. VTA is also

required to transfer like-kind property interests to affected utility companies where the facilities of the company were relocated due to a project. VTA typically transfers the property to the particular city where VTA had constructed sidewalks or street improvements for a 1996 MBTIP Highway Project for incorporation into the city street system.

Mr. Ristow stated that VTA would be transferring property with accompanying improvements to Caltrans and the City of Mountain View for incorporation into their respective highway and street systems since it is not necessary, practicable, or efficient for VTA to own or maintain state highway or city street property.

Chairperson Williams queried about the funding associated with the transfer of the properties. Mr. Ristow responded that the properties purchased were purchased with the funding allocated for that specific 1996 MBTIP Project. Mr. Ristow stated that it was always the intention to transfer the properties back after the construction of the project.

Mr. Ristow commented that this would authorize the General Manager to execute grants of fee and easement parcels to be transferred at no cost to Caltrans, the City of Mountain View, and the utility companies.

Mr. Grace asked if this refers to Pacific Gas and Electric (PGE) clean up of the freeway and highway system. Mr. Ristow responded, “no” but is the transfer of easements and grant deeds to the State and in some cases PGE for the utility easements to construct the projects. Chairperson Williams stated that easements were required during construction of the 1996 MBTIP Highway Projects but since construction is either completed or nearing completion those easements are no longer required by VTA. Chairperson Williams noted that those easements would be transferred back to the original owners of the properties.

**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 execute grants of fee parcels and easements (including utility, maintenance, access and street and highway easements) for 1996 Measure B Highway Program projects, at no cost, to Caltrans, the City of Mountain View, and various utility companies.

**23. Santa Clara Valley Habitat Conservation Plan/Natural Community conservation Plan Budget and Cost Allocation**

Ms. Gonot introduced Tom Fitzwater, Environmental Resources Planning Manager, who provided a brief overview of the Santa Clara Valley Habitat Conservation Plan/Natural Community conservation Plan Budget and Cost Allocation. Mr. Fitzwater commented that the City of San Jose, the County of Santa Clara, the Santa Clara Valley Water District (SCVWD), and VTA all agreed to review the budget and cost allocation annually to ensure that individual financial commitments would be available to assist with the development of the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan (HCP/NCCP). Mr. Fitzwater stated that the Cities of Gilroy and Morgan Hill have joined the partners in the preparation of an HCP/NCCP, which would support the United States Fish and Wildlife Service (USFWS).

Mr. Fitzwater commented that the HCP/NCCP has been successful in receiving USFWS Section 6 Grant funds to assist with the budget and cost allocations. VTA's total contribution is estimated at \$485,607, which does not include the costs of environmental review and permitting process. Mr. Fitzwater stated that the Board approved allocation of an estimated total participation of \$750,000 for VTA's contribution at the May 5, 2005 Board of Directors Regular Meeting. Mr. Fitzwater commented that the project is within budget projections and on schedule.

**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 budget and cost allocation for the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan.

**24. Lease with Nextel of California, Inc. for a Cellular Antennae Site at Branham Light Rail Station Park & Ride Lot**

Ms. Gonot provided a brief overview of the Lease with Nextel of California, Inc. for a Cellular Antennae Site at Branham Light Rail Station Park & Ride Lot.

Vice Chairperson Kerr queried if there was a requirement to allow the co-location. Mr. Ristow responded that at this time it is not being proposed. Ms. Gonot stated that VTA does have co-location in other locations.

Mr. Ristow commented that the Lease with Nextel of California, Inc. at this time does not include a proposal to require the co-location but the lease provides that VTA would receive some of the revenue from a co-locator and the co-locator would have to co-locate on the same antennae pole and same equipment.

Vice Chairperson Kerr stressed the importance to improve cellular communications. Vice Chairperson Kerr referenced the Town of Los Altos Hills, noting that a permit is needed to have an antennae tower in the community, which appear to look like trees and if someone else wanted to co-locate on the tower then accommodations would be made.

Vice Chairperson Kerr stated that the Town of Los Altos Hills receives some of the revenues generated from the antennae co-locator agreement and inquired if VTA has the same practice. Ms. Gonot responded that staff would review the information regarding a requirement within the lease as it relates to a request to co-locate on the antennae agreement.

Vice Chairperson Kerr recommended that VTA's cellular antennae site lease agreements agree to allow requests from other wireless communication companies to co-locate on a cellular antennae pole. Ms. Gonot responded that staff would look into that request.

**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 execute a five-year lease agreement, with year-to-year extensions after that time, with Nextel of California Inc. (dba Nextel Communications) to lease a cellular antennae site from VTA starting at \$2,500 per month with 3 percent annual increases thereafter.

25. **Cooperative Agreements with the Finalizing Transfer of Properties and Establishing Long-Term Maintenance and Use of Properties and Facilities Related to the Guadalupe Corridor Project**

Mr. Ristow provided a brief overview of the Cooperative Agreements with the Finalizing Transfer of Properties and Establishing Long-Term Maintenance and Use of Properties and Facilities Related to the Guadalupe Corridor Project. Mr. Ristow commented that the recommendation would allow VTA to enter into an agreement with the City of San Jose, Caltrans, and the County of Santa Clara, which were four primary agency partners in the original Guadalupe Corridor Project that included conversion of the Guadalupe Parkway into the new State Route 87 freeway and the construction of the Guadalupe Light Rail Transit Project in the median of the new freeway.

Mr. Ristow commented that previous agreements related to the project included a Joint Powers Agreement, which established oversight roles and responsibilities of all the parties as well as cooperative agreements for construction and funding of the improvements. Mr. Ristow stated that a major component of the project was the acquisition of approximately 900 properties required to construct the project. The right-of-way acquisition effort was shared between the City of San Jose, Caltrans, the County of Santa Clara, and VTA. The final disposition of the properties involved an extensive survey, mapping, and title documentation effort between the four primary agencies. The proposed cooperative agreements would establish the final ownership of all properties originally acquired for the project as well as establish maintenance and use rights for jointly shared properties and facilities. Mr. Ristow noted that agreement details each specific property and identifies the final ownership of each property and following the execution of the agreement each agency would be responsible to prepare property deeds and record each deed establishing title to the property.

Chairperson Williams asked about the timeline involved to complete the final ownership of all the properties. Mr. Ristow responded that following the execution of the agreement, each agency would be responsible to transfer the ownership of the properties, which may take a year to transfer and record the final ownership of the properties.

Mr. Grace queried about the transfer of the project properties. Chairperson Williams responded that the cooperative agreement would establish the final ownership of the properties between the four primary agencies involved in the Guadalupe Corridor 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 execute all necessary agreements with the City of San Jose, County of Santa Clara and California Department of Transportation (Caltrans) finalizing transfer of properties and establishing long-term maintenance and use of properties and facilities related to the Guadalupe Corridor Project.

26. **Cooperative Agreement with the City of Sunnyvale for the Frances Street Multimodal Transit Center Project**

Ms. Gonot provided a brief overview of the Cooperative Agreement with the City of Sunnyvale for the Frances Street Multimodal Transit Center Project. Ms. Gonot commented that the Federal Transit Administration (FTA) awarded VTA a Federal

Fiscal Year 2005 Section 5307 Formula Funds grant, which included Transit Enhancement funds for the City of Sunnyvale's Frances Street Transit Center Project. Ms. Gonot continued that VTA is the grantee for the federal funds and would transfer the federal funds to the City of Sunnyvale through a cooperative agreement, which would be utilized to fund transit enhancements at the Sunnyvale Multimodal Transit Station located at Frances Street in Sunnyvale.

**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 execute a cooperative agreement with the City of Sunnyvale for the transfer of Federal Transit Administration Federal Fiscal Year 2005 Section 5307 Transit Enhancement funds for the City of Sunnyvale's Frances Street Transit Center Project.

## **OTHER ITEMS**

### **27. Draft 1996 Measure B Program Revenue and Expenditure Plan for FY 2007**

Jack J. Collins, Chief Construction Officer, provided a brief overview of the Draft 1996 Measure B Program Revenue and Expenditure Plan for FY 2007. Mr. Collins commented that on June 2, 2006 the Santa Clara County Board of Supervisors and VTA Board of Directors would convene at an annual joint board meeting to review, consider, and adopt the 1996 Measure B Revenue and Expenditure Plan for Fiscal Year 2007.

Mr. Collins directed attention to the Draft 1996 Measure B Program Fiscal Year 2007 Revenue and Expenditure Plan – June 2, 2006, Financial Plan, Page 13, noting that the sales tax forecast projections are higher by \$7.7 million from the forecast in the December 2005 Semi-Annual Report, which contributed to a \$1.8 million increase in interest income.

Mr. Collins commented that VTA in managing the Highway and Rail Program resulted in an overall savings in excess of \$2 million and combined with the increase in sales tax revenues results in a \$10.8 million increase from December 2005. Mr. Collins stated that the net program ending balance for the 1996 Measure B Transportation Improvement Program is currently estimated at \$16 million.

Mr. Collins referenced Page 21 – Table 13, Measure B Deferred Project, noting there are three Caltrain Projects that were deferred: Caltrain – San Marin Station Parking Access, Caltrain – California Avenue Pedestrian Underpass, and Caltrain – Palo Alto Pedestrian Underpass. Mr. Collins stated that VTA staff is encouraging the Santa Clara County Board of Supervisors at the June 2, 2006 Joint Board Meeting to move forward with two of the Caltrain projects and to postpone the Caltrain – Palo Alto Pedestrian Underpass until the design work is completed by the Joint Powers Board (JPB) and VTA.

Chairperson Williams thanked staff for the update and expressed support of the encouraging net program ending balance for the 1996 Measure B Transportation Improvement Program.

**On order of Chairperson Williams**, there being no objection, the Committee reviewed the Draft 1996 Measure B Program Revenue and Expenditure Plan for FY 2007.

28. **Progress Report on Joint Development at Capitol Light Rail Station and West San Carlos Sites**

Ms. Gonot introduced David Miller, Commercial Development Manager, who provided a Progress Report on Joint Development at Capitol Light Rail Station and West San Carlos Sites. Mr. Miller commented that the VTA Board of Directors approved the Joint Development Program (JDP): Joint Development Policy and Developer Selection Process on December 9, 2004.

Mr. Miller continued that the Board approved a list of qualified developers to compete with a formal development proposal for the West San Carlos and Capitol Light Rail Station Park & Ride Lot sites. Proposals were received from developers for the Capitol Light Rail Park & Ride Site as well as for the West San Carlos Site. The Commercial Development Manager and consultants from Economic and Planning Systems (EPS) met with all the developers who submitted proposals to clarify the economic terms of the proposals as well as to set a minimum threshold for the land value and revenue anticipated from both sites based upon the appraisals received by VTA for each property, which resulted in an extension of the proposals to meet VTA's requirements.

Mr. Miller commented that the evaluation panel and EPS reviewed the final proposals that were received. The final scoring of the projects were evaluated on May 10, 2006, which resulted in the determination that the proposers did not score high enough in three of the prerequisite categories, which were the income, ridership, and urban design quality. There is a need for a final interview of final list of questions to the proposers to clarify the proposals and finalize scoring. The final rankings of the development proposals for both sites will be presented to the July 20, 2006 VTA Committee of the Whole then to the August 3, 2006 VTA Board of Directors Regular Meeting.

Mr. Grace queried about the size of the Capitol Light Rail area. Mr. Miller responded that staff is taking some of the parking area, which is not being used to convert the area into higher density residential and some retail projects.

Mr. Grace queried about the size and number of parking spaces at the Capitol Light Rail Station. Mr. Miller responded that VTA is using approximately 13 percent of the parking lot. Staff is recommending taking some of the parking area that is not been used to convert it to high density residential and some retail projects.

**On order of Chairperson Williams**, there being no objection, the Committee received a Progress Report on Joint Development at Capitol Light Rail Station and West San Carlos Sites.

29. **Resolutions of Necessity for the State Route 152/156 Improvement Project – Properties Owned by: Blackburn Farms III, L.P., Louis A. Scaglione Jr. and Louis A. Scaglione Jr., et at**

Ms. Gonot reviewed the Resolutions of Necessity for the State Route 152/156 Improvement Project – Properties Owned by: Blackburn Farms III, L.P., Louis A. Scaglione Jr. and Louis A. Scaglione Jr., et at. Ms. Gonot reported that in order to construct the State Route 152/156 Improvement Project, partial property acquisitions are

required from several property owners including Blackburn Farms III, L.P., Louis A. Scaglione Jr., and Louis A. Scaglione Jr., et al.

Mr. Ristow stated that these are the final property pieces need for the construction of the State Route 152/156 Improvement Project. Mr. Ristow stated that each of the property owners have received formal offers from VTA in February 2006 and staff has been working with each property owner over the last several months to address any concerns. The primary issue is the access to the Scaglione family properties, which is in front of State Route 152. Mr. Ristow commented that construction of the project would cut off access to two of the Scaglione family property driveways on State Route 152. Currently the Scaglione family leases the properties for agricultural farm fields to other farmers who have the ability to access the properties from Walnut Avenue. Mr. Ristow commented that the primary issue is the access to the properties since the property owners prefer to maintain access through State Route 152.

Mr. Ristow stated that staff anticipates that all three of the property owners would be in attendance at the VTA June 1, 2006 Board of Directors Regular Meeting. Mr. Ristow commented that there are no issues related to the Blackburn Farms III, L.P. property. Mr. Ristow noted that staff is scheduled to meet with the Scaglione family next week to address any other issues that can be resolved. Mr. Ristow stressed the importance of VTA having control of the property by June in order to be eligible and receive state funding for the improvement project.

**On order of Chairperson Williams**, there being no objection, the Committee received a report on the Resolutions of Necessity for the State Route 152/156 Improvement Project – Properties Owned by: Blackburn Farms III, L.P., Louis A. Scaglione Jr. and Louis A. Scaglione Jr., et al.

**30. Items of Concern and Referral to Administration**

There were no Items of Concern and Referral to Administration.

**31. Committee Work Plan**

Mr. Lawson responded that an item regarding the policy and procedures of the issuance of bonds would be placed on the A&F Workplan. Mr. Lawson noted that the Internet Wireless Connectivity will be presented to the A&F Committee in the August timeframe.

**On order of Chairperson Williams**, there being no objection, the Committee reviewed and noted some additions to the Committee Work Plan.

**32. Committee Staff Report**

There was no Committee Staff Report.

**33. Chairperson's Report**

Chairperson Williams expressed appreciation and thanked staff for their diligent work and effort within the organization. Chairperson Williams apologized for the extended length of time for the A&F Committee Meeting due to some challenges beyond the Committee's control.

**34. Determine Consent Agenda for the June 1, 2006 Board Meeting**

**CONSENT: Agenda Item # 11.**, Reaffirm the Investment Policy on Unrestricted and Restricted Funds; **Agenda Item # 12.**, Ratify the reappointments of Carl Hagenmaier, City of Los Altos; Bill Manry, City of Monte Sereno; Thomas Muniz, City of Gilroy; Bart Thielges, City of San Jose; Richard Swent, City of Palo Alto; and Herman Wadler, City of Campbell; and Jim Stallman, City of Saratoga to the Bicycle and Pedestrian Advisory Committee (BPAC) for the term ending June 30, 2008; **Agenda Item # 13.**, Augment the total value of contracts permitted under the previously approved Transportation Planning and Mass Transit Studies on-call list from \$1,000,000 to \$2,500,000; **Agenda Item # 14.**, Adopt a resolution to amend Section 4-28 (b) (3) of the VTA Administrative Code to replace the National Association of Industrial and Office Properties with Building Owners and Managers Association – Silicon Valley as a business and labor group representative on the Citizens Advisory Committee and further amend Section 3.1 (c) of the Citizens Advisory Committee bylaws to conform to this change; **Agenda Item # 15.**, Ratify the appointment of Robert Jacobvitz to the Citizens Advisory Committee position representing the Building Owners and Managers Association – Silicon Valley; **Agenda Item # 18.**, Adopt the Travel & Expense Reimbursement Policy (“Policy”) for all VTA employees, Board Members, and others in the service of VTA; **Agenda Item # 19.**, Authorize the General Manager to execute separate contracts with Computer Specialists Inc. (CSI) and Systems Services International (SSI) to provide computer system hardware and software support services. The contract with Computer Specialists Inc. will be \$300,000 for the first two years and \$375,000 for two additional one-year options for service, for a total contract value of \$675,000. The contract with Systems Services International will be in the amount of \$235,000 for two years of service; **Agenda Item # 21.**, Adopt a resolution authorizing the General Manager to execute Program Supplements, Fund Exchange and Fund Transfer Agreements with the California Department of Transportation (Caltrans) for federal-aid projects, as required by the Master Agreement pertaining to such Projects entered into between VTA and Caltrans in 1997; **Agenda Item # 22.**, Authorize the General Manager to execute grants of fee parcels and easements (including utility, maintenance, access and street and highway easements) for 1996 Measure B Highway Program projects, at no cost, to Caltrans, the City of Mountain View, and various utility companies;

**Agenda Item # 23.**, Approve the budget and cost allocation for the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan; **Agenda Item # 24.**, Authorize the General Manager to execute a five-year lease agreement, with year-to-year extensions after that time, with Nextel of California Inc. (dba Nextel Communications) to lease a cellular antennae site from VTA starting at \$2,500 per month with 3 percent annual increases thereafter; **Agenda Item # 25.**, Authorize the General Manager to execute all necessary agreements with the City of San Jose, County of Santa Clara and California Department of Transportation (Caltrans) finalizing transfer of properties and establishing long-term maintenance and use of properties and facilities related to the

Guadalupe Corridor Project; and **Agenda Item # 26.**, Authorize the General Manager to execute a cooperative agreement with the City of Sunnyvale for the transfer of Federal Transit Administration Federal Fiscal Year 2005 Section 5307 Transit Enhancement funds for the City of Sunnyvale's Frances Street Transit Center Project.

**REGULAR: Agenda Item # 16.**, Approve the Debt Policy, which establishes guidelines for the issuance and management of VTA's debt; **Agenda Item # 17.**, 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 bonds in a par amount not to exceed \$440 million (2206 Bonds), the proceeds of which will refund VTA's 2003A, 2004A and 2004B Measure A Sales Tax Revenue Bonds, fund additional 2000 Measure A Projects and pay the cost of issuance; and further authorize the General Manager or Chief Financial Officer to enter into one or more interest swap agreements; **Agenda Item # 20.**, Receive an update on current status of the Federal Disadvantage Business Enterprise Program (DBE); and **Agenda Item # 29.**, Receive a report on the Resolutions of Necessity for the State Route 152/156 Improvement Project – Properties Owned by: Blackburn Farms III, L.P., Louis A. Scaglione Jr. and Louis A. Scaglione Jr., et al.

**35. Announcements**

There were no Announcements.

**36. ADJOURNMENT**

**On order of Chairperson Williams**, there being no objection, the meeting was adjourned at 2:20 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant  
VTA Board of Directors