



## ADMINISTRATION & FINANCE COMMITTEE

Thursday, August 17, 2006

### MINUTES

#### 1. CALL TO ORDER

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:07 p.m. by Chairperson Williams in Room 157, County Government Center, 70 West Hedding Street, San Jose, California.

#### ROLL CALL

##### Members Present

Don Gage  
Breene Kerr, Vice Chairperson  
Madison Nguyen  
Forrest Williams, Chairperson

##### Members Absent

None

##### Alternates Present

None

##### Alternates Absent

Jamie Matthews  
Pete McHugh  
Ken Yeager

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

**A quorum was present.**

Chairperson Williams requested a moment of silence in memory of Miriam Ayllon.

#### 2. PUBLIC PRESENTATIONS

Jerry Grace, Interested Citizen, expressed appreciation and support for Spare the Air Day.

#### 3. ORDERS OF THE DAY

Board Member Gage requested that the following Agenda Items be removed from the Regular Agenda and placed on the Consent Agenda: Item # 14., Report on Santa Clara Valley Transportation Authority Investments for the Month of June and quarter ending June 2006; Item # 15., Authorize the General Manager to increase the contract authority

for technology general consulting services by the amount of \$3.4 million for a new total contract authority of \$6.4 million. Additionally, authorize the General Manager to increase the capital budget by \$3.4 million. This additional budget and contract authority are for the purpose of implementing the TransLink® Consortium Information Management System (CIMS). VTA is serving as the contract manager for this task. The Metropolitan Transportation Commission (MTC) will pay all costs; Item # 16., Approve Regional Measure 2 (RM2) Initial Project Report (IPR) for the TransLink® Consortium Information Management System (CIMS) as presented in Attachment A and authorize the General Manager to execute all necessary agreements with the Metropolitan Transportation Commission and other TransLink® Consortium members to implement the CIMS; Item # 17., Authorize the General Manager to execute a contract in the amount of \$1,859,967 with Watkin & Bortolussi, Inc., the lowest responsible bidder, for construction of the Route 85/101 North Interchange Highway Planting project, a 1996 Measure B Transportation Improvement Program (MBTIP) project; and Item # 22., Authorize the General Manager to: (1) amend the contract with Ruth & Going, Inc. for design support during construction of the State Route 87 North HOV Lanes Widening Project, increasing the approved contract value by \$300,000 for a new total contract value of \$7,020,709; and (2) extend the term of the contract through September 30, 2007.

Chairperson Williams requested that Agenda Item # 28., Report on the VTA – Amalgamated Transit Union (ATU) Pension Plan (Plan) Actuarial Valuations as of January 1, 2006, be removed from Other Items and placed on the Regular Agenda before Agenda Item # 18., Authorize the General Manager to execute a contract in the amount of \$1,859,967 with Watkin & Bortolussi, Inc., the lowest responsible bidder, for construction of the Route 85/101 North Interchange Highway Planting project, a 1996 Measure B Transportation Improvement Program (MBTIP) project.

**M/S/F (Gage/Nguyen)** to accept the Orders of the Day.

## **CONSENT AGENDA**

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

**M/S/C (Gage/Nguyen)** to approve the Regular Meeting Minutes of April 20, 2006.

### **5. Regular Meeting Minutes of May 18, 2006**

**M/S/C (Gage/Nguyen)** to approve the Regular Meeting Minutes of May 18, 2006.

### **6. Committee of the Whole Meeting Record of July 20, 2006**

**M/S/C (Gage/Nguyen)** to receive the Committee of the Whole Meeting Record of July 20, 2006.

### **7. Quarterly Purchasing Report**

**M/S/C (Gage/Nguyen)** to review the Quarterly Purchasing Report.

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

**8. Monthly Legislative History Matrix**

M/S/C (Gage/Nguyen) to review the Monthly Legislative History Matrix.

**9. Fourth Quarter and FY 2006 Year-End Report of Public Liability/Property Damage and Owners Controlled Insurance Program (OCIP) Claims Activity**

M/S/F (Gage/Nguyen) to review the Fourth Quarter and FY 2006 Year-End Report of Public Liability/Property Damage and Owners Controlled Insurance Program (OCIP) Claims Activity.

**10. Fourth Quarter and FY 2006 Year-End Report of Workers' Compensation Claims, Transitional Work Program and Owners Controlled Insurance Program (OCIP) Claims Activity**

M/S/C (Gage/Nguyen) to review the Fourth Quarter and FY 2006 Year-End Report of Workers' Compensation Claims, Transitional Work Program and Owner Controlled Insurance Program (OCIP) Claims Activity.

**11. Bicycle and Pedestrian Advisory Committee Appointments and Reappointments**

M/S/F (Gage/Nguyen) to approve submitting a recommendation to the Board of Directors to ratify the new appointments of Bruce Entin representing the Town of Los Gatos and Anna Brunzell representing the Town of Los Altos Hills; and the reappointment of John Sullivan representing the City of Santa Clara to the Bicycle and Pedestrian Advisory Committee (BPAC) for the term ending June 30, 2008.

**12. Citizens Advisory Committee Reappointment**

M/S/C (Gage/Nguyen) to approve submitting a recommendation to the Board of Directors to ratify the reappointment of Laura Stuchinsky to the Citizens Advisory Committee (CAC) position representing the Silicon Valley Leadership Group.

**13. Revised List of Designated Positions in the Conflict of Interest Code**

M/S/C (Gage/Nguyen) to approve submitting a recommendation to the Board of Directors to adopt the amended Appendix of Designated Positions and Disclosure Categories of the Conflict of Interest Code for the Santa Clara Valley Transportation Authority (VTA) and direct the Board Secretary to forward the revised list of designated positions to the Santa Clara County Board of Supervisors for approval.

**14. Report on Santa Clara Valley Transportation Authority Investments for the Month of June and quarter ending June 2006**

M/S/C (Gage/Nguyen) to review the Report on Santa Clara Valley Transportation Authority Investments for the Month of June and quarter ending June 2006.

15. **Technology General Consulting Services – Increase in Contract Authority and Capital Budget Amendment**

M/S/C (Gage/Nguyen) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to increase the contract authority for technology general consulting services by the amount of \$3.4 million for a new total contract authority of \$6.4 million. Additionally, authorize the General Manager to increase the capital budget by \$3.4 million. This additional budget and contract authority are for the purpose of implementing the TransLink® Consortium Information Management System (CIMS). VTA is serving as the contract manager for this task. The Metropolitan Transportation Commission (MTC) will pay all costs.

16. **Approve the Regional Measure 2 Initial Project Report for Translink Consortium Information Management System**

M/S/C (Gage/Nguyen) to approve submitting a recommendation to the Board of Directors to approve Regional Measure 2 (RM2) Initial Project Report (IPR) for the TransLink® Consortium Information Management System (CIMS) as presented in Attachment A and authorize the General Manager to execute all necessary agreements with the Metropolitan Transportation Commission and other TransLink® Consortium members to implement the CIMS.

17. **1996 Measure B Transportation Improvement Program – Route 85/101 North Interchange Highway Planting Construction Contract Award**

M/S/C (Gage/Nguyen) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute a contract in the amount of \$1,859,967 with Watkin & Bortolussi, Inc., the lowest responsible bidder, for construction of the Route 85/101 North Interchange Highway Planting project, a 1996 Measure B Transportation Improvement Program (MBTIP) project.

22. **Contract Amendment with Ruth & Going, Inc. for Design Support during Construction of the State Route 87 North HOV Lanes Widening Project**

M/S/C (Gage/Nguyen) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to: (1) amend the contract with Ruth & Going, Inc. for design support during construction of the State Route 87 North HOV Lanes Widening Project, increasing the approved contract value by \$300,000 for a new total contract value of \$7,020,709; and (2) extend the term of the contract through September 30, 2007.

## **REGULAR AGENDA**

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

Report on Santa Clara Valley Transportation Authority Investments for the Month of June and quarter ending June 2006.

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

Authorize the General Manager to increase the contract authority for technology general consulting services by the amount of \$3.4 million for a new total contract authority of \$6.4 million. Additionally, authorize the General Manager to increase the capital budget by \$3.4 million. This additional budget and contract authority are for the purpose of implementing the TransLink® Consortium Information Management System (CIMS). VTA is serving as the contract manager for this task. The Metropolitan Transportation Commission (MTC) will pay all costs.

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

Approve Regional Measure 2 (RM2) Initial Project Report (IPR) for the TransLink® Consortium Information Management System (CIMS) as presented in Attachment A and authorize the General Manager to execute all necessary agreements with the Metropolitan Transportation Commission and other TransLink® Consortium members to implement the CIMS.

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

Authorize the General Manager to execute a contract in the amount of \$1,859,967 with Watkin & Bortolussi, Inc., the lowest responsible bidder, for construction of the Route 85/101 North Interchange Highway Planting project, a 1996 Measure B Transportation Improvement Program (MBTIP) project.

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

## **OTHER ITEMS**

**28. VTA – Amalgamated Transit Union (ATU) Pension Plan (Plan) Actuarial Valuations as of January 1, 2006**

Roger Contreras, Chief Financial Officer, introduced Bob McCrory, Financial Service Advisor, who provided a report on the VTA – Amalgamated Transit Union (ATU) Pension Plan (Plan) Actuarial Valuations as of January 1, 2006. Mr. McCrory commented that EFI Actuaries works solely with governmental pension plans. Mr. McCrory stated that he is the auditing actuary for the California Public Employees' Retirement System (CalPERS) conducting the modeling and simulation work. EFI Actuaries works with the four transit districts in California: San Diego, Sacramento, Alameda-Contra Costa Transit District (AC), and VTA.

Mr. McCrory directed attention to VTA ATU Pension Plan Actuarial Valuations as of January 1, 2006, referenced Slide 2 – Introduction, noting that the report would include a brief status report, history of contribution rates and funding, the meaning of funding ratio, the misconceptions about funding ratio, and a comparison with other transit districts.

Mr. McCrory referenced Slide 3 – History of Contribution Rates, noting that the report is a history of the contribution rates of the plan from the period January 1, 1998 through January 1, 2006. Mr. McCrory commented that VTA’s employer contribution for fiscal year 2007 will be 15.6 percent. VTA was able to hold down the unfunded liability in 2000 due to a good investment market, decreases in costs, and special payments made by VTA to help the funding ratio. In 2001, there were increases in costs due to plan improvements. In 2003 and 2004, increases were due to losses in the investment market and VTA had a significant number of layoffs, which resulted in a demographic shift, which changed the costs of the plan.

Chairperson Williams inquired about the increases in 2003 and 2004. Mr. McCrory responded that those increases were mainly due to the layoffs. Staff was reduced from 1,911 to 1,477 during that period of time, which is a 25 percent loss.

Mr. McCrory referenced Slide 4 – History of Funding Ratio, noting that the funding ratio is the actuarial value of plan assets by the actuarial accrued liability. The Actuarial Accrued Liability is not an actual liability but an asset target by the actuarial to payout a smooth and reasonable funding of the plan. The Actuarial Accrued Liability is the asset the organization would have on hand if they had always been funding the plan exactly as it should be funded with the 8 percent return assumption.

Mr. McCrory commented that every year the asset figure is computed and if the agency’s figure is below the computed amount then the agency makes an extra contribution to catch up; however, if the agency’s figure is above the computed amount then the agency makes a reduction in the contribution. Mr. McCrory stated that the plan consists of two parts: the normal costs, the amount the agency is paying for employee accruals and employee benefits plus a contribution to catch up if the agency is below the actuarial accrued liability. The actuarial value of assets is constrained to be no more than 110 percent of the market value and no less than 80 percent of market value. At this time VTA is at 80 percent of the target assets.

Mr. McCrory stated that 100 percent funding is attainable, noting that an agency would get to 110 percent funding or 95 percent funding because the market is changing. Mr. McCrory commented that what would happen over time is that an agency would attain 110 percent funding then the plan would be 10 percent over funded, so the agency would reduce their contribution. If an agency attains 95 percent funding then the plan would be under-funded, so the agency would increase their contribution. Mr. McCrory stated that the over-funding and under-funding is part of the normal life cycle, but stressed the importance that an over funding of the plan does not mean that the agency has an extra 10 percent to spend.

Mr. McCrory referenced Slide 5 – History of Unfunded Liability, noting that at this time VTA has an unfunded liability of \$74.3 million, which reflects how far below VTA is from the target funding.

Mr. McCrory referenced Slide 6 – “What does the funding ratio mean?”, noting that the Plan assets are divided by the “Actuarial Accrued Liability”. Actuarial Accrued Liability is a target level of assets and VTA’s assets are 80 percent of target. Mr. McCrory commented that the contributions increase to catch up with asset target. About half of

VTA's contribution is devoted to funding the actuarial accrued liability, while the remaining half is the normal costs.

Board Member Gage inquired about what happens in the scenario if something dramatic happens, such as massive layoffs, which would result in a deficit and asked if the funding would have to be replaced. Mr. McCrory responded, "yes".

Board Member Gage expressed concern regarding the unfunded liability, noting the importance to have a plan in the event if something dramatic happens, such as funding from the State stops or there is a downturn in the economy. He inquired about what VTA would do to make that funding up. Mr. McCrory responded that if an agency has a defined benefit plan with a declining active workforce then the agency has an existing liability for retirees and a smaller active base, which would spread the cost of that liability.

Mr. McCrory stated that there are things that an agency can do to address concerns. For example, if there are concerns related to the elimination of State funding, then the agency could start funding the plan on a more conservative basis. Mr. McCrory added that the agency should try to work on moving the inactive liabilities out of the system. Mr. McCrory stated that "certainty costs money" and if the agency wants to guarantee coverage of the employees then there are steps that the agency can take, but the steps are expensive.

Board Member Gage asked what would be the comfort zone in terms of percentage of liability. Mr. McCrory responded that VTA is at an 80 percentile. Board Member Gage asked if 80 percent is a comfortable place for VTA to be. Mr. McCrory responded that it is a fairly typical and reasonable but noted that the agency needs to be aware of the cost implications of the unfunded liability.

Mr. McCrory stated that a sound plan needs to have reasonable projectable benefits and a practical way of funding those benefits. Mr. McCrory stressed the importance for an agency to watch their costs because the funding ratio would manifest itself, so the costs is what an agency needs to pay attention to.

Board Member Gage expressed appreciation and thanked staff for the good information presented. Board Member Gage stressed the importance to ensure that VTA sets some benchmarks in order to monitor the plan, address concerns, and act wisely.

Mr. McCrory commented that the United States Federal Government Judges Retirement plan and the City of Portland Oregon with a dedicated property tax levee are two plans that are absolutely unfunded, do not have a dime of assets, and have been in operation for more than 100 years. Mr. McCrory added that these two plans have a sound system even though there are no assets.

Chairperson Williams stated that the VTA ATU Pension Plan is totally paid by VTA, which is a very generous program for the employees. Chairperson Williams noted if the program gets to a point where there are difficulties in paying for the program then VTA has the option to go back and address the issue by changing the plan to a shared program.

Chairperson Williams noted that VTA's medical benefits at one time were totally paid by VTA, but there were difficulties in paying the total costs, so the employees now have a co-pay. Chairperson Williams stressed the importance to be open to options that would help the situation in the future. Mr. McCrory responded that some of the options are limited to existing employees.

Mr. Burns commented that with Service Employees International Union (SEIU) Local 715 in negotiations it was agreed to extend the vesting period from five to eight years, which has a benefit for future years. Mr. Burns stated that the 85 percent benefit rate has been built into VTA's Expenditure Plan, and VTA is committed to stay within that 85 percent. Mr. Burns commented that as VTA approaches the 85 percent benefit rate, if it looks like VTA is going to exceed the benefit rate then actions would be taken to address the situation.

Vice Chairperson Kerr inquired about how the VTA ATU Pension Plan compares with the CalPERS plan. Mr. McCrory responded that VTA is approximately 25 percent more generous in its plan than CalPERS.

Vice Chairperson Kerr asked if the VTA ATU Pension Plan is something that VTA should be asking about in contract negotiations. Mr. Burns responded that VTA pays the costs of the entire plan. Mr. Burns stated that VTA's plan is very competitive with all of the other counties but there are other areas, such as Campbell and San Francisco, where the employees pay a percentage.

Mr. McCrory referenced Slide 7 – Misconceptions about the Funding Ratio, noting that just because the funding ratio is below 100 percent does not mean that VTA is behind in the funding or that it has not made the full contributions. Mr. McCrory stated that VTA has made all the required contributions, but may be below the target because investment returns were less than the 8 percent, or because of benefit increases, or a combination of both. Mr. McCrory stressed the importance for an agency to have a solid and sound plan with affordable contributions. Mr. McCrory added that just because the agency funding ratio is 110 percent does not mean that the agency has extra money to spend.

Mr. McCrory referenced Slide 8 – “What if return is below 8 percent?” noting that the annual rate of return is based on the assumption that assets will return the exact amount assumed year after year; however, this will not happen every year. Mr. McCrory commented that gains or losses in any year are spread out over a five-year period, so that the agency does not recognize the investment change all at once. The intent is to smooth out the rate of return in order to smooth out the employer contribution.

Mr. McCrory referenced Slide 9 – Impact of Spreading Investment Gain/Loss, noting that by spreading out investment gains or losses the agency is able to spread out and mitigate cost impacts by smoothing out the plan contributions.

Mr. McCrory referenced Slide 10 – Comparison with other Districts, noting that Alameda-Contra Costa Transit District (AC Transit) is 19.46 percent of the cost percentage pay and 76.6 percent funding ratio, Sacramento Regional Transit (Sacramento RT) is 16.96 percent of the cost percentage pay and 79.7 percent funding ratio, and VTA is 15.62 percent of the cost percentage pay and 79.5 percent funding ratio. Mr. McCrory

commented that AC Transit is currently engaged in a program to pull down their actuarial assumptions, which these costs and liabilities are based on a 7.7 percent return assumption and a 3.2 percent cost of living assumption. VTA has an 8 percent return assumption and a 3.5 percent cost of living assumption. CalPERS has a 7.75 percent return assumption and a 3 percent cost of living assumption. Mr. McCrory stated that nationwide all plans are at about an 8 percent rate return and 3.5 percent inflation, so VTA is right on target.

Chairperson Williams expressed appreciation and thanked staff for the excellent presentation.

## **REGULAR AGENDA** (continued)

### **18. Cooperative Agreement with City of Fremont to Allow Use of Temporary Construction Easements for City's Washington Boulevard and Paseo Padre Parkway Grade Separation Project**

Jack J. Collins, Chief Construction Officer, provided a brief overview of the Cooperative Agreement with City of Fremont to Allow Use of Temporary Construction Easements (TCE) for City's Washington Boulevard and Paseo Padre Parkway Grade Separation Project. Mr. Collins commented that in 2002 VTA purchased the Western Pacific (WP) Milpitas line from Union Pacific Railroad (UPRR) to preserve the corridor for the future BART Extension to San Jose and Santa Clara. VTA is currently not using the TCE property, which is planned to be sold to BART for the Warm Springs Extension of the SVRT project.

Mr. Collins commented that the City of Fremont plans to begin construction of the Paseo Padre Parkway and Washington Boulevard grade separation project within the next year. VTA owns the property that the City of Fremont requires for the TCE for their grade separation project and typically, VTA would charge for the TCE use. However, the City of Fremont has proposed that VTA waive compensation for the use of the TCE's in exchange for the City of Fremont's permission to temporarily close Kato Road for the benefit of the Silicon Valley Rapid Transit (SVRT) project construction. Mr. Collins stated that the temporary closure of Kato Road during the SVRT project construction would shorten the construction time and provide significant SVRT project cost savings.

Mr. Collins stated that the Cooperative Agreement provides that if the City of Fremont uses the TCE for the grade separation project and then does not allow Kato Road to be closed during the SVRT project construction the City of Fremont would compensate VTA for the use of the TCE's at the agreed value of \$1,880,000.

Mr. Collins continued that the Fremont City Council has approved the agreement and authorized the City Manager to forward the executed agreement to VTA for the Board of Director's consideration.

**M/S/C (Gage/Nguyen)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute a Cooperative Agreement with the

City of Fremont, granting the City use of Temporary Construction Easements (TCE) on VTA's WP Milpitas line property, at no cost, in exchange for City's permission to temporarily close Kato Road for future construction of the Silicon Valley Rapid Transit (SVRT) project.

**19. Sale of Property to the City of Fremont for the Washington Boulevard/Paseo Padre Parkway Grade Separation Project**

Roberta Notrangelo, Real Estate and Project Administration Manager, provided a brief overview of the Sale of Property to the City of Fremont for the Washington Boulevard/Paseo Padre Parkway Grade Separation Project. Ms. Notrangelo commented that the City of Fremont plans to construct grade separation improvements at Washington Boulevard and Paseo Padre Parkway, which would require strips of land on the WP Milpitas line property. Portions of the City of Fremont grade separation project will transverse under VTA's property, so the City of Fremont will require approximately 2.39 +/- acres of fee and 1,319 +/- square feet of land for a maintenance easement.

Ms. Notrangelo commented that BART and VTA have engaged in discussions regarding the sale of the entire northern portion of the WP Milpitas line to BART for the future Warm Springs Extension project but the negotiations are ongoing. VTA has agreed to enter into an agreement with the City of Fremont in order to move their grade separation project forward. VTA will agree to sell the property to the City of Fremont if VTA has not entered into final negotiations with BART within a three-year term or no later than September 30, 2009.

Ms. Notrangelo stated that the City of Fremont entered into a property exchange agreement with BART that covers various properties associated with the grade separation improvements and would accommodate the Warm Springs Extension project, so the City of Fremont did not budget funding for the purchase of the properties required for the grade separation project. The purchase agreement between VTA and the City of Fremont provides that VTA defer payment of the purchase price of \$1,574,303 for a period of up to three-years, but no later than September 30, 2009. In exchange for the deferral of payment of the purchase price for the properties, the City of Fremont agrees to pay VTA interest on the purchase price at a loan rate equal to the actual rate of VTA's Measure A Bond refunding, but no greater than 5.09 percent.

Ms. Notrangelo stated if BART and VTA close the sale of the entire 3.66-mile corridor prior to September 30, 2009, the City of Fremont will have no obligation to make any payment to VTA and will obtain the property directly from BART.

**M/S/C (Gage/Nguyen)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute all the documents necessary to sell to the City of Fremont fee title to land totaling approximately 2.39 +/- acres, and a maintenance easement over 1,319 +/- sq. ft. of land, for a total purchase price of \$1,574,303 plus interest for the Washington Boulevard/Paseo Padre Parkway Grade Separation Project.

**20. State Legislative Positions: Proposition 1A**

Kurt Evans, Government Affairs Manager, provided a brief overview of the State Legislative Positions: Proposition 1A. Mr. Evans commented that Proposition 1A appears on the November general election ballot as part of the Infrastructure Bond package. Proposition 1A limits the ability of the Governor and the California State Legislature to use Proposition 42 funds for non-transportation purposes. Mr. Evans commented on the four key provisions in Proposition 1A: 1) allows proposition 42 to be suspended, but any suspension must be treated as a loan and must be repaid with interest within three-years, 2) allows proposition 42 suspensions to occur only twice in any ten consecutive fiscal years, 3) a second suspension could not occur until the first loan has been repaid in full, and 4) provides a constitutional guarantee to repay all prior year Proposition 42 loans to the General Fund.

Mr. Evans commented that Proposition 1A is very similar to the local government solution that was approved in 2004. VTA recommends that the Board of Directors support Proposition 1A to provide further protection for Proposition 42 gasoline sales tax revenues for transportation.

**M/S/C (Gage/Nguyen)** to approve submitting a recommendation to the Board of Directors to adopt a support position for Proposition 1A, which amends the California Constitution to limit the conditions under which the Proposition 42 transfer of gasoline sales tax revenues for transportation uses could be suspended by the Governor and the California State Legislature. Proposition 1A appears on the November 2006 general election ballot and requires a majority vote in order to be approved.

## **21. State Legislative Positions: Proposition 1B**

Mr. Evans provided a brief overview of the State Legislative Positions: Proposition 1B. Mr. Evans commented that Proposition 1B appears on the November general election ballot as part of the Infrastructure Bond package. Proposition 1B is part of the \$37 billion Infrastructure Bonds, which focuses on transportation, levees and flood protection, affordable housing, and education.

Mr. Evans commented that if Proposition 1B is approved by the voters it would allow the state to sell \$20 billion in General Obligation bonds over a 10-year period for transportation purposes. The General Obligation bonds revenue proceeds would flow to the following 13 different transportation program categories: Public Transit Capital for \$3.6 billion, Intercity Rail for \$400 million, Corridor Mobility for \$4.5 billion, State Route 99 for \$1 billion, State Transportation Improvement Program (STIP) for \$2 billion, State Highway Operation and Protection Program (SHOPP) for \$750 million, State-Local Partnership Program for \$1 billion, Goods Movement for \$3.1 billion, Air Quality: School Bus Diesel Retrofit for \$200 million, Transit Safety, Security and Disaster Response for \$1 billion, Local Bridge Seismic Retrofit for \$125 million, Highway-Railroad Grade Separations for \$250 million, and Local Streets and Roads for \$2 billion, which \$92 million would be allocated to Santa Clara County.

Mr. Evans commented on the State-Local Partnership Program, noting that it has not been funded for a number of years, but was set up with the intent to reward the counties that provide significant amounts of local funding for transportation purposes.

Board Member Gage queried about the funding and if it was for future or past program projects. Mr. Evans responded that VTA could use the funding for the 2000 Measure A Program projects. Also, the funding could be used for existing programs that the counties currently under funded. Some of the bond proceeds would be used for new transportation projects that the Governor and Legislature identify as the State's key emerging transportation needs.

Mr. Evans commented on the Corridor Mobility a congestion relief program on key State Highway Corridors, which would be a competitive grant program administered by the California Transportation Commission (CTC).

Mr. Evans commented on the Public Transit Capital where funding would be allocated by a formula to Transit Operators across the state, noting that VTA's share would be estimated at \$145 million.

Mr. Evans commented on the Goods Movement where funding would be allocated for key trade corridors, air quality improvements at ports, and port security.

Mr. Evans commented on the Public Transit Security, which the funding allocation would be determined through a subsequent piece of legislation if the bonds pass.

Mr. Grace inquired about Proposition 1B and what would occur if the voters approved Proposition 1B. Mr. Evans responded that if Proposition 1B appears on the November 2006 general election ballot and if approved by the voters it would authorize the State to sell \$20 billion in general obligation bonds to fund transportation projects to relieve traffic congestion, facilitate the movement of goods, improve air quality, and enhance the safety and security of the state's transportation system.

Mr. Grace queried about the safety and security portion included in Proposition 1B. Mr. Evans responded that \$1 billion is allocated for Transit Safety, Security and Disaster Response in Proposition 1B. Mr. Evans continued that projects to increase protection against a security threat and to improve the disaster response capabilities of public transit systems.

**M/S/C (Gage/Kerr)** to approve submitting a recommendation to the Board of Directors to adopt a support position for Proposition 1B, which authorizes the state to sell \$19.925 billion in general obligation bonds to fund transportation projects to relieve traffic congestion, facilitate the movement of goods, improve air quality, and enhance the safety and security of the state's transportation system. Proposition 1B appears on the November 2006 general election ballot and requires a majority vote in order to be approved.

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

**M/S/C (Gage/Nguyen)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to: (1) amend the contract with Ruth & Going, Inc. for design support during construction of the State Route 87 North

HOV Lanes Widening Project, increasing the approved contract value by \$300,000 for a new total contract value of \$7,020,709; and (2) extend the term of the contract through September 30, 2007.

**23. Contract with URS Corporation for the US 101/State Route 25 Interchange Project**

Carolyn M. Gonot, Chief Development Officer, provided a brief overview of the Contract with URS Corporation for the US 101/State Route 25 Interchange Project. Ms. Gonot commented that the project proposal is to widen US 101 from Monterey Highway to State Route 25 to six lanes and upgrade the facility to a fully accessed controlled freeway.

Ms. Gonot stated that the contract would be awarded to URS Corporation. URS Corporation is included on the VTA Highway Program list of planning and engineering consultants and has performed well on previous design contracts. URS Corporation is currently working on the Council of San Benito County Governments (SBCOG) on the State Route 25 Interchange Safety Project.

The recommended URS Corporation contract is for a total value of \$750,000 for the following scope of services: begin traffic studies, start surveys and mapping, collect project data, develop project concepts, and lead overall project coordination. The project may also be a potential candidate for funding from the State Infrastructure Bond on the ballot in November 2006.

Chairperson Williams queried about the project area. Board Member Gage responded that State Route 25 is about 2.5 miles away before connecting to US 101.

**M/S/C (Gage/Kerr)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute a contract with URS Corporation to begin preliminary engineering and environmental studies for the US 101/State Route 25 Interchange Project for a total contract value of \$750,000; and approve the use of \$1 million of Local Program Reserve funds to provide funding for this contract and associated staff costs.

**24. Funding for State Route 25 Improvement Project Environmental Review Process**

Ms. Gonot provided a brief overview of the Funding for State Route 25 Improvement Project Environmental Review Process. Ms. Gonot commented that the State Route 25 Improvements Project is managed by the Department of Transportation (Caltrans) District 5 (San Luis Obispo), which they have been working on the Environmental Document for the last seven-years. VTA and the SBCOG agreed to share in the cost of the project funding for the Environmental Review Process for the proposed improvements to the State Route 25 project effort on a 50/50 basis.

Ms. Gonot commented that the Environmental Review Process for the State Route 25 project is moving forward and is scheduled to be completed by the end of 2008. Caltrans District 5 recently informed VTA that an additional \$1,000,000 is required to complete the Environmental Review Process. SBCOG agreed to provide Caltrans with an additional \$800,000 in federal earmark funds for the Environmental Review Process, so

Caltrans has requested that VTA provide an additional \$200,000 to match the federal funds for the project.

Ms. Gonot stated VTA would benefit from the proposed improvements to the State Route 25 project.

**M/S/C (Gage/Kerr)** to approve submitting a recommendation to the Board of Directors to approve the use of \$200,000 of Local Program Reserve funds as the VTA share of the State Route 25 Improvement Project Environmental Review Process, and authorize the General Manager to execute an amendment to the Cooperative Agreement with Caltrans to transfer the funds.

## **OTHER ITEMS** (continued)

### **25. Report on the Status of Strategy to Replace the Telephone System with Voice over Internet Protocol (VoIP) Technology**

Doug Beley, Acting Chief Technology Officer, provided a report on the Status of Strategy to Replace the Telephone System with Voice over Internet Protocol (VoIP) Technology. Mr. Beley commented that VTA upgraded the River Oaks telephone system and installed a network management system in 2002. Mr. Beley continued that in May 2006, the VTA Board of Directors authorized the General Manager to extend Advantel's contract for vendor support through fiscal year 2009 providing VTA with a supportable and stable system.

Mr. Beley commented that prior to 2009 VTA needs to assess the options regarding the existing telephone system. Option #1 – maintain the status quo and continue to service the existing system as required, Option #2 - upgrade the exiting system, and Option #3 – replace the entire system with state-of-the-art technology.

Vice Chairperson Kerr expressed his appreciation and satisfaction with the information contained within the report. Vice Chairperson Kerr requested assurance that VTA will provide a convenient and accessible way for committee members to conference call into the meetings. Vice Chairperson Kerr expressed concern about the existing difficulties related to conference calling interface in meetings. Vice Chairperson Kerr asked if VTA could facilitate Board Members with conference calling into Board Meetings.

Vice Chairperson Kerr asked fellow Committee Members if this request was an appropriate activity for staff to allocate time to research and if other Committee Members share his concerns.

Board Member Gage inquired as to whether there was an amount of funding allocated for the telephone system and what requests could be accommodated within that amount of funding. Board Member Gage queried if the telephone system would be able to accommodate what the members were requesting without additional funding being required. Mr. Lawson responded that staff would have to coordinate with the County or meeting facility in order to facilitate the conference call in meetings, which may require

additional expenses. Mr. Lawson commented that staff would forward the information to the Board Members.

Board Member Gage stated that the County has a similar problem and suggested that the County participate with VTA in upgrading the telephone system within the County since the Board meetings are conducted in the County Board of Supervisors Chambers.

Board Member Nguyen queried about conference calling as it relates to a quorum. Mr. Lawson responded that conference calling is acceptable, but noted there are requirements that would have to be properly noticed in accordance with the Brown Act.

Board Member Gage stressed the importance to explore the costs involved with conference calling. Mr. Burns responded that there are a couple of options available and staff would bring that information to the Board of Directors in 90 days.

**On order of Chairperson Williams**, there being no objection, the Committee received the Report on the Status of Strategy to Replace the Telephone System with Voice over Internet Protocol (VoIP) Technology.

**26. Report on Status of Internet Wireless Connectivity**

Mr. Beley provided a brief overview of the Report on Status of Internet Wireless Connectivity. Mr. Beley commented that staff estimates that it would require 18 months and cost \$600,000 in capital funding to provide wireless Internet connectivity at the Light Rail Stations. Wireless access points installed at Transit Center locations would require another means to connect to the Internet, which would cost approximately \$45,000 for a total three-year period. Staff has determined only high speed cellular service is viable for VTA and light rail options available only include a satellite/cellular system installed on each train with continuous connectivity along the entire right-of-way.

Mr. Beley referenced the Capitol Corridor Joint Powers Authority (CCJPA), which has used a similar satellite/cellular system on their trains. Studies conducted by CCJPA indicate that the satellite/cellular system service would primarily benefit riders with trip times greater than 30 minutes. Staff has determined that express bus service, Bus Rapid Transit (BRT) including Rapid 522 Line, and light rail service are the best routes for VTA to consider for the pilot. Mr. Beley commented that staff is recommending that VTA examine the cellular technology as a six-month pilot of wireless Internet connectivity using Line 522 to evaluate the feasibility, cost, technical considerations, and use by the riding public.

Board Member Gage noted that Caltrain has investigated providing wireless Internet access along their right-of-way and suggested that VTA coordinate and work collaboratively with Caltrain in an effort to reduce the costs involved since both agencies would benefit from the service. Mr. Beley responded that staff has begun a dialogue with Caltrain but the details have not been discussed at this point.

Chairperson Williams referenced the Joint Venture Silicon Valley whose intent is to have the entire County and region wireless and suggested that staff work and partner with them in this effort.

Vice Chairperson Kerr expressed his support and noted that Rapid 522 Line is an excellent line to conduct the pilot since many college students utilize the service line. Vice Chairperson Kerr stated that the wireless Internet connectivity pilot program shows a lot of value and benefit for VTA.

Mr. Burns stated that staff would report and forward information to the Board of Directors for their consideration regarding the results of the wireless Internet connectivity pilot program.

Mr. Grace requested clarification and queried if Agenda Item # 25., Report on the Status of Strategy to Replace the Telephone System with Voice over Internet Protocol (VoIP) Technology and Agenda Item # 26., Report on Status of Internet Wireless Connectivity were the same item. Chairperson Williams responded, “no”.

**On order of Chairperson Williams**, there being no objection, the Committee received the Report on Status of Internet Wireless Connectivity.

**27. Report on Video On-Demand**

Mr. Beley provided a brief overview of the Report on Video On-Demand. Mr. Beley commented that staff examined how VTA could provide Real Time Video on bus or light rail vehicles. Mr. Beley noted that three options are available with the wireless Internet connectivity for light rail, but there would be some additional equipment required for the service. Mr. Beley commented that the three options available for light rail include: Option #1 – install a high-speed wireless network along the light rail right-of-way, upgrade the wireless equipment on the vehicles, and provide software utilities for added security and video download, Option #2 – leverage future attempts by municipalities and other ventures providing free wireless access throughout the region, and Option #3 – use emerging technologies that provide a wireless Internet connection using a high-speed cellular data connection. Mr. Beley stated that the cost of the three options range from \$800,000 to \$6 million.

Mr. Beley commented that the only option available for the bus vehicles is to provide the pilot program on Rapid 522 Line with some additional costs associated with providing the coverage and software to manage the video on demand. Mr. Beley stated that the two options that exist for the bus vehicles are: Option #1 – upgrade the system for \$2.5 million or Option #2 – replace the system for \$4.4 million.

Mr. Beley commented that in addition to the various option costs to provide video on demand for the buses and light rail vehicle there would be added costs, which have not been included in the various option totals. The additional costs include a secure video monitoring control room, multiple monitors and desktop workspace, digital archival storage and networking equipment, and video reproduction equipment.

Mr. Beley commented that staff reviewed the current costs, benefits, and risks associated with the security in comparison to a future investment in video on demand on all VTA revenue vehicles. VTA’s current security costs are estimated to be \$2.1 million over the next three-years. The costs associated with the video on demand system for buses and light rail vehicles are estimated to be \$4.7 million over the next three-years.

Mr. Beley stated that currently VTA's buses have the Advance Communication System (ACS) with an alert button, which provides instant audio monitoring of the operator's station. VTA's light rail operators are behind lock doors with an alert button, which notifies Operations Control Center (OCC) of incidents. Mr. Beley noted that there are procedures in place for how to respond to the incidents on both buses and light rail vehicles. Mr. Beley commented that OCC receives about 5 to 10 notifications per month for buses and 20 to 30 for light rail, and security supervisors are sent out to investigate every notification reported.

Mr. Beley commented on the benefits of VTA's current security environment, which include: video to support identification and prosecution, crime deterrence due to presence of cameras, video to provide information on industrial injuries and accidents, constant radio communications to report incidents on both bus and light rail vehicles, real time video monitoring at selected light rail stations and transit centers, systems to secretly notify OCC of incidents on both bus and light rail vehicles, remote audio monitoring of driver's station, and systems to inform OCC of precise location of bus and light rail vehicles to direct response.

Vice Chairperson Kerr asked how OCC receives the video signal from the buses and light rail vehicles. Mr. Beley responded that it is a direct line since OCC is a stationary facility. Mr. Beley stated that staff would be able to complete a video feed similar to the audio feed currently used at the OCC facility.

Mr. Beley commented that the benefits and risks of VTA's current environment and VTA with video on demand for bus and light rail vehicles are similar, but the cost comparison is different by as much as \$2.5 million higher for the video on demand.

Vice Chairperson Kerr and Board Member Gage noted the expense involved and suggested that the item be revisited when VTA has available funding.

Chairperson Williams noted the importance of the safety and security benefits associated with the cost of the video on demand.

Mr. Grace requested clarification on Agenda Item # 27., Report on Video On-Demand. Board Member Gage responded that the video on demand would allow for Real Time video monitoring at selected light rail stations, transit centers and VTA revenue vehicles.

**On order of Chairperson Williams**, there being no objection, the Committee received the Report on Video On-Demand.

**28. (Removed from Other Items and placed on the Regular Agenda.)**

Report on the VTA – Amalgamated Transit Union (ATU) Pension Plan (Plan) Actuarial Valuations as of January 1, 2006.

**29. Proposed Outline for December 1, 2006 Board Workshop**

Mr. Contreras provided a brief overview of the Proposed Outline for December 1, 2006 Board Workshop. Mr. Contreras commented that at the June 1, 2006 Board of Directors

Meeting the Board expressed a desire to address issues regarding VTA's Debt Management Policy and overall debt issuance strategy to be discussed in detail in a Board Workshop. Mr. Contreras stated that a Board of Directors Workshop has been scheduled for December 1, 2006 to discuss debt related topics.

Mr. Contreras stated that staff is requesting comments from the Committee to refine the outline to ensure that the workshop addresses the Board of Directors' key areas of interest relating to VTA's debt program.

**On order of Chairperson Williams**, there being no objection, the Committee received the Proposed Outline for December 1, 2006 Board Workshop.

**30. 2005 – 2006 VTA Passenger Survey**

Kevin Connolly, Transportation Planning Manager, provided a brief overview of the 2005 – 2006 VTA Passenger Survey. Mr. Connolly summarized the Key Findings, including: 59 percent of the VTA riders are 34 years of age or under, 37 percent are Hispanic/Latino, 38 percent are employed full-time, 56 percent have incomes less than \$25,000, 65 percent of the surveyed do not have an automobile available for the trip, 75 percent of the surveyed ride four days per week or more, and 71 percent of the surveyed walk to the bus stops.

Board Member Gage asked if there were comparisons from other transit agencies. Mr. Connolly responded that staff is comparing VTA results from 2005 to 2000, so VTA is comparing VTA to itself five years ago. Mr. Connolly commented that a comparison between other transit agencies is difficult since much of the data is based on time scale. Mr. Connolly stated that the last BART rider survey was conducted in 1998, so it is very difficult to compare numbers.

Mr. Connolly commented that Metropolitan Transportation Commission (MTC) is in the process of conducting a whole Bay Area wide survey on passenger demographics.

Board Member Gage expressed appreciation to staff for the excellent presentation.

Vice Chairperson Kerr queried on the number of students surveyed. Mr. Connolly responded that 25 percent of the surveyed were students. Mr. Connolly commented that 83 percent of VTA passengers are employed or students.

Mr. Connolly noted that the survey was conducted from October 2005 through March 2006 where 13,718 surveys were completed with an overall response rate of 29 percent. The Passenger Survey achieved a system-wide confidence level of 95 percent with a +/- 0.8 percent margin of error, which is equivalent to VTA's survey conducted in 2000, so statistically it is the same.

Chairperson Williams queried about how VTA's 2005 Survey compares to the 2000 Survey. Mr. Connolly responded that there are few differences between VTA's 2000 and 2005 Survey data information. Mr. Connolly commented that there are some areas where the information is different, such as the method of fare payment has changed. In 2000 the predominant method of fare payment was the purchase of monthly passes; however, the current predominant method is cash payment.

Mr. Connolly commented that the survey information is unfiltered data since staff is in the process of analyzing the data.

Mr. Burns commented that the mode split in the county is about 3 percent, so there are about 97 percent of the trips taken by other than transit. VTA is currently conducting several surveys for the Comprehensive Operations Analysis (COA) to determine VTA's market, target, and how to increase ridership. Mr. Burns stressed the importance to recognize existing customers who are largely transit dependent and low-income and the need to preserve highly utilized transit service.

Board Member Gage stressed the importance to attract more riders. Board Member Gage stated that the added technological benefits through implementation of the wireless Internet connectivity program and the increased safety provided by the video on demand system would make it beneficial for customers to continue to use public transportation.

Chairperson Williams noted the importance for VTA's Marketing Department to be involved in developing strategies for ridership improvements.

**On order of Chairperson Williams**, there being no objection, the Committee received the report on the 2005 – 2006 VTA Passenger Survey.

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

There were no Items of Concern and Referral to Administration.

**32. Committee Work Plan**

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

**33. Committee Staff Report**

Mr. Lawson announced the I-880/Coleman Avenue Interchange Project grand opening ceremony is scheduled for Monday, September 18, 2006. Mr. Lawson stated that VTA brought the Community Bus service in-house on July 3, 2006. VTA will complete mechanical and cosmetic upgrades to the Community Buses and return the vehicles back into service by September 1, 2006. Mr. Lawson commented that the combined numbers on the new express bus Line 522 and regular Line 22 show increase ridership of 15.8 percent.

Vice Chairperson Kerr requested information on the farebox recovery ratio and asked if it was an expensive proposition to achieve the additional riders. Mr. Lawson responded that staff would compile the information and provide it to the Committee.

Mr. Lawson announced that the service honoring the life of Miriam Ayllon is scheduled for Monday, August 21, 2006.

**34. Chairperson's Report**

Chairperson Williams expressed appreciation and thanked fellow Committee Members for their attendance and participation in the meeting.

**35. Determine Consent Agenda for the August 31, 2006 Board Meeting**

**CONSENT: Agenda Item # 11.**, Ratify the new appointments of Bruce Entin representing the Town of Los Gatos and Anna Brunzell representing the Town of Los Altos Hills; and the reappointment of John Sullivan representing the City of Santa Clara to the Bicycle and Pedestrian Advisory Committee (BPAC) for the term ending June 30, 2008; **Agenda Item # 12.**, Ratify the reappointment of Laura Stuchinsky to the Citizens Advisory Committee (CAC) position representing the Silicon Valley Leadership Group; **Agenda Item # 13.**, Adopt the amended Appendix of Designated Positions and Disclosure Categories of the Conflict of Interest Code for the Santa Clara Valley Transportation Authority (VTA) and direct the Board Secretary to forward the revised list of designated positions to the Santa Clara County Board of Supervisors for approval; **Agenda Item # 15.**, Authorize the General Manager to increase the contract authority for technology general consulting services by the amount of \$3.4 million for a new total contract authority of \$6.4 million. Additionally, authorize the General Manager to increase the capital budget by \$3.4 million. This additional budget and contract authority are for the purpose of implementing the TransLink® Consortium Information Management System (CIMS). VTA is serving as the contract manager for this task. The Metropolitan Transportation Commission (MTC) will pay all costs; **Agenda Item # 16.**, Approve Regional Measure 2 (RM2) Initial Project Report (IPR) for the TransLink® Consortium Information Management System (CIMS) as presented in Attachment A and authorize the General Manager to execute all necessary agreements with the Metropolitan Transportation Commission and other TransLink® Consortium members to implement the CIMS; **Agenda Item # 17.**, Authorize the General Manager to execute a contract in the amount of \$1,859,967 with Watkin & Bortolussi, Inc., the lowest responsible bidder, for construction of the Route 85/101 North Interchange Highway Planting project, a 1996 Measure B Transportation Improvement Program (MBTIP) project; **Agenda Item # 18.**, Authorize the General Manager to execute a Cooperative Agreement with the City of Fremont, granting the City use of Temporary Construction Easements (TCE) on VTA's WP Milpitas line property, at no cost, in exchange for City's permission to temporarily close Kato Road for future construction of the Silicon Valley Rapid Transit (SVRT) project; **Agenda Item # 19.**, Authorize the General Manager to execute all the documents necessary to sell to the City of Fremont fee title to land totaling approximately 2.39 +/- acres, and a maintenance easement over 1,319 +/- sq. ft. of land, for a total purchase price of \$1,574,303 plus interest for the Washington Boulevard/Paseo Padre Parkway Grade Separation Project; **Agenda Item # 20.**, Adopt a support position for Proposition 1A, which amends the California Constitution to limit the conditions under which the Proposition 42 transfer of gasoline sales tax revenues for transportation uses could be suspended by the Governor and the California State Legislature. Proposition 1A appears on the November 2006 general election ballot and requires a majority vote in order to be approved; **Agenda Item # 21.**, Adopt a support position for Proposition 1B, which authorizes the state to sell \$19.925 billion in general obligation bonds to fund transportation projects to relieve traffic congestion, facilitate the movement of goods, improve air quality, and enhance the safety and security of the state's transportation system. Proposition 1B appears on the

November 2006 general election ballot and requires a majority vote in order to be approved; **Agenda Item # 22.**, Authorize the General Manager to: (1) amend the contract with Ruth & Going, Inc. for design support during construction of the State Route 87 North HOV Lanes Widening Project, increasing the approved contract value by \$300,000 for a new total contract value of \$7,020,709; and (2) extend the term of the contract through September 30, 2007; **Agenda Item # 23.**, Authorize the General Manager to execute a contract with URS Corporation to begin preliminary engineering and environmental studies for the US 101/State Route 25 Interchange Project for a total contract value of \$750,000; and approve the use of \$1 million of Local Program Reserve funds to provide funding for this contract and associated staff costs; and **Agenda Item # 24.**, Approve the use of \$200,000 of Local Program Reserve funds as the VTA share of the State Route 25 Improvement Project Environmental Review Process, and authorize the General Manager to execute an amendment to the Cooperative Agreement with Caltrans to transfer the funds.

**REGULAR: None**

**36. Announcement**

There were no Announcements.

**37. ADJOURNMENT**

**On order of Chairperson Williams**, there being no objection, the meeting was adjourned at 1:40 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant  
VTA Board of Directors