



ADMINISTRATION & FINANCE COMMITTEE

Thursday, August 16, 2007

MINUTES

1. CALL TO ORDER

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:04 p.m. by Chairperson Kerr in Room 157, County Government Center, 70 West Hedding Street, San Jose, California.

ROLL CALL

Members Present

Don Gage, Vice Chairperson
Breene Kerr, Chairperson
Chuck Reed
Forrest Williams

Members Absent

None

Alternates Present

None

Alternates Absent

Dominic Caserta
Judy Chirco
Pete McHugh

* Alternates do not serve unless participating as a Member.

A quorum was present.

The Agenda was taken out of Order.

2. (Placed towards the end of the A&F Committee Meeting Agenda.)

ADJOURN TO CLOSED SESSION

A. Conference with Real Property Negotiator [Government Code 54956.8]

Property: Block bounded by North First Street, North Market Street, Santa Clara Street and West St. John Street located in downtown San Jose.

Negotiator for VTA: Roberta Notrangelo, Manager of Real Estate

Negotiating parties: The Mitchell Family, Owners, acting through an exclusive listing by CB Richard Ellis.

Under negotiation: Price and terms of payment.

- B.** Conference with Labor Negotiators
[Government Code Section 54957.6]

VTA Designated Representatives:

Jerry Mikolajczyk, Chief Financial Officer
Bill Lopez, Chief Administrative Officer
Robert Escobar, Manager, Office of Employee Relations

Employee Organization:

American Federation of State, County, and Municipal Employees (AFSCME)

RECONVENE TO OPEN SESSION

- 3. (Placed towards the end of the A&F Committee Meeting Agenda.)**

CLOSED SESSION REPORT

- A.** Conference with Real Property Negotiator
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- 4. PUBLIC PRESENTATIONS**

There were no Public Presentations.

- 5. ORDERS OF THE DAY**

Chairperson Kerr requested that the following Agenda Items be placed towards the end of the Agenda: **Agenda Item # 2.**, Adjourn to Closed Session and **Agenda Item # 3.**, Closed Session Report.

Chairperson Kerr requested that the following Agenda Item be deferred to the September 20, 2007 A&F Committee Meeting: **Agenda Item # 17.**, Authorize staff to discuss and implement a new Homeless Pass program structure to be worked out with the County of Santa Clara (County) as to how recipients would be screened, type of identification to be used, program limits and controls, pricing and generally, the roles of VTA, and the County; and further, authorize that if the above efforts are successful, the existing Homeless Pass Program (HPP) be replaced with an Eco Pass type program, which would provide at least \$111,000 to replace VTA's existing revenues from the HPP.

Chairperson Kerr requested that the following Agenda Item be deferred to a future A&F Committee Meeting: **Agenda Item # 21.**, Authorize the General Manager to execute real property purchase and possession and use agreements for the Capitol Expressway Light Rail Project, where the purchase price for the property equals the appraised value or does not exceed \$100,000.

M/S/C (Gage/Williams) to accept the Orders of the Day.

6. **Hearing – Notice of Intention of the Peninsula Corridor Joint Powers Board to Issue 2007 Series A Farebox Revenue Bonds**

Jerry G. Mikolajczyk, Chief Financial Officer, introduced Kim Koenig, Business Strategy and Analysis/Debt Management Manager, who provided a brief overview of the Hearing – Notice of Intention of the Peninsula Corridor Joint Powers Board to Issue 2007 Series A Farebox Revenue Bonds. Ms. Koenig commented that the Peninsula Corridor Joint Powers Board (PCJPB) intends to issue up to \$22 million of fixed rate farebox revenue bonds to finance a portion of the purchase of the eight railcars.

Ms. Koenig reported that the additional railcars are needed to support the increase in ridership as a result of the implementation of the Caltrain Baby Bullet service in June 2004. Projections indicate that in fiscal year 2008 ridership will increase 42 percent over fiscal year 2005. It is currently estimated that Caltrain seats in the peak hour will be at capacity in two years.

Ms. Koenig commented that the funding for the purchase of the railcars is expected to come from a combination of federal grants, matching local funds, and bond proceeds. The PCJPB intends to structure the 2007 Bonds as traditional fixed rate bonds secured by farebox revenue from Caltrain system operations.

Ms. Koenig stated that the PCJPB predicts that debt service on the 2007 Bonds will increase its operating budget by \$1.2 million. PCJPB staff has stated there is no anticipated impact on the member agencies since the increase will be absorbed within negotiated annual operating subsidy increases of three percent annually.

Ms. Koenig commented that staff recommends that the Board of Directors determine that there is significant public benefit in the acquisition of the eight railcars and approve the proposed financing.

Chairperson Kerr opened the public hearing to allow members of the public an opportunity to provide their comments.

Board Member Williams queried about the impact on the debt service. Gigi Harrington, San Mateo County Transit District (SamTrans) representative, responded that the actual impact on the debt service budget will not be known until the bonds are priced.

Vice Chairperson Gage stated that the PCJPB member agencies do not have any other choice, but to purchase the railcars to support the increase in ridership. He stressed the importance for the PCJPB to borrow the entire \$22 million for the procurement of the railcars since the funding will come from the farebox recovery.

Chairperson Kerr queried if it were possible to borrow less money than the \$22 million in order to repay the money faster. Vice Chairperson Gage responded that the PCJPB does not have available funding in their operating budget.

Vice Chairperson Gage expressed concern and stated that this year's funding was taken from the reserves in order to keep the railroad operating. He expressed concern if expenses increase next year and ridership is affected that there is no plan in place to address the situation.

Vice Chairperson Gage stated that this is the only available option at this time and stressed the importance for the Committee to move the recommendation forward for Board consideration.

Chairperson Kerr closed the public hearing.

M/S/C (Williams/Gage) to close the public hearing and approve submitting a recommendation to the Board of Directors to adopt a resolution determining that there is a significant public benefit in the acquisition, by the Peninsula Corridor Joint Powers Board (PCJPB), of eight passenger bi-level railcars (railcars) to enhance its service levels; and, approving the issuance of the PCJPB 2007 Series A Farebox Revenue Bonds, the proceeds of which will be used to purchase railcars and refund outstanding 1999 Farebox Revenue Bonds.

7. VTA's Financial Update

Michael T. Burns, General Manager, reported that VTA has engaged an executive recruiter for the new Chief Financial Officer. Mr. Burns stated that Jerry G. Mikolajczyk, Chief Financial Officer, has currently reached the middle of his contract agreement. He stated that VTA's Financial Update will be forwarded to the August 30, 2007 Board of Directors Regular meeting along with a recommendation to consider and implement Phase 2 of the Organizational and Financial Assessment Recommendations.

Board Member Reed took his seat at 12:16 p.m.

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

Jerry G. Mikolajczyk, Chief Financial Officer, provided a brief overview of VTA's Financial Update.

Financial Highlights

- Fiscal Year (FY) 2008 and FY 2009 Adopted Biennial Budget, which maintains for healthy operating reserves and provides for reduction of passenger fares for selected fare media and categories.
- 2000 Measure A outstanding debt reduced by \$54.7 million, which will provide an overall savings of \$35 million of interest over the life of the bond.
- VTA's credit rating upgraded by two of the national credit rating agencies.
- Implemented various cash management procedure improvements resulting in increased cash balances and interest income, such as:
 - Accounts Payable terms and conditions enforced on contracts with annual potential savings of \$200,000.
 - Accelerated billings on grants resulting in receipt of \$150 million in less than 90 days providing VTA with accelerated investment income of \$2.5 million.
- Reduce variable interest rate risk on portion of outstanding debt.
- Portion of Long-Term debt refunded with savings of \$1.6 million.

Financial Status of VTA

On June 30, 2007, VTA had a cash position, including investments, of \$609,911,773. The Operating and Capital are equivalent to \$341,410,252 and Obligated is equivalent to \$268,501,521.

Mr. Mikolajczyk stated that the obligated cash position consists of obligations, such as: Debt Service payments, Workers Compensation, Retiree Medial, General Liability, Compensated Absences, and Ancillary Measure B Payments.

Mr. Mikolajczyk reported that Capital Assets less depreciation is equivalent to \$2,555,050,596 and Other Assets including accounts receivable and inventories are equivalent to \$200,059,207. He stated that VTA's total cash, investments, and assets on June 30, 2007 were approximately \$3,365,021,576.

Mr. Mikolajczyk commented that VTA had a cash position, including investments of \$609,911,773 on June 30, 2007. He stated that VTA's Operating and Capital are equivalent to \$341,410,252 and Obligated is equivalent to \$268,501,521.

Mr. Mikolajczyk reported that on June 30, 2007, VTA had debt of \$1,050,930,070, which consisted of Bonds Outstanding equivalent to \$746,128,228 and Other Liabilities equivalent to \$304,801,842. He stated that included in the Bonds Outstanding are the 2006 Measure A, Series E Bonds, which were redeemed on August 2, 2007.

Chairperson Kerr requested that VTA's Financial Update report presented at the August 30, 2007 Board of Directors meeting include information on how VTA has increased its cash position, reduced its debt position, and increased its net worth.

Board Member Williams queried if there were other cost saving opportunities for VTA. Mr. Mikolajczyk responded that VTA formed two Task Forces on June 29, 2007 with the intent to determine cost saving opportunities for VTA: 1) A Materials Procurement Task Force consisting of VTA Buyers for materials and commodities, and accounting members was created to review the procurement process at VTA; and 2) A Contracts

Procurement Task Force consisting of VTA Senior Contract Administrators and accounting members was created to review and redesign the contract procurement process to streamline the process with increased controls and lower process costs for procurement of contracts including those for construction, maintenance, and professional services.

Mr. Mikolajczyk stated that recently three Professional Services contracts bid as Cost Plus Fixed Fee contracts totaling \$14,807,680, which were converted to Lump Sum contracts. Two of the three engineering firms have agreed to the conversion citing that the conversion will lower administrative costs for them. Mr. Mikolajczyk noted that VTA will achieve savings on the administration of the contract in both the Project Managements office and in Fiscal Resources. The conversion of the Cost Plus Fixed Fee contract to Lump Sum contracts transfers the risk of the contract from VTA to the engineering firm.

Board Member Reed referenced Page 8 of 8 and queried about VTA's Pension obligations table footnote stating: "Does not reflect impact of Governmental Accounting Standards Board (GASB) 45 implementation. VTA will implement GASB 45 in FY 2008." Mr. Mikolajczyk responded that VTA will apply the new GASB 45 account rule when it becomes effective next fiscal year.

Board Member Reed asked about the percentage of the annual payroll unfunded for retiree medical. Mr. Mikolajczyk responded that the Unfunded Actuarial Accrued Liability (UAAL) for retiree medical is 82 percent of covered payroll.

Ali Hudda, Disbursements and Revenue Services Fiscal Resources Manager, stated that VTA is well positioned relative to other entities since VTA has been funding this obligation for a period of time. Mr. Hudda stated that GASB 45 requires VTA to recognize the cost of the retired employees as part of the same group as an active employee in the plan. Mr. Hudda stated that GASB 45 does not require VTA to report the unfunded liability in the record book, but requires VTA to post the difference between the Annual Required Contribution (ARC) and what was actually contributed. He stated that VTA's plan is to amortize the gap between the ARC and actual contribution over a twenty-year period. Mr. Hudda noted that the contribution rate for all VTA's obligations include an amortization component.

On order of Chairperson Kerr, there being no objection, the Committee reviewed VTA's Financial Update.

CONSENT AGENDA

8. Regular Meeting Minutes of May 17, 2007

M/S/C (Gage/Williams) to approve the Regular Meeting Minutes of May 17, 2007.

9. Special Meeting Minutes of May 23, 2007

M/S/C (Gage/Williams) to approve the Special Meeting Minutes of May 23, 2007.

10. **Board of Directors Committee of the Whole (COW) Meeting Record of July 19, 2007**

M/S/C (Gage/Williams) to receive and file the Board of Directors Committee of the Whole (COW) Meeting Record of July 19, 2007.

11. **Report on Santa Clara Valley Transportation Authority Investments for the Month of June and quarter ending June 2007**

M/S/C (Gage/Williams) to receive the Report on Santa Clara Valley Transportation Authority Investments for the Month of June and quarter ending June 2007.

12. **Quarterly Purchasing Report**

M/S/C (Gage/Williams) to receive the Quarterly Purchasing Report.

13. **Monthly Legislative History Matrix**

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

14. **Fourth Quarter and FY 2007 Year-End Report of Public Liability/Property Damage and Owner Controlled Insurance Program (OCIP) Claims Activity**

M/S/C (Gage/Williams) to review the Fourth Quarter and FY 2007 Year-End Report of Public Liability/Property Damage and Owner Controlled Insurance Program (OCIP) Claims Activity.

15. **Fourth Quarter and FY 2007 Year-End Report of Workers' Compensation Claims and Transitional Work Program**

M/S/C (Gage/Williams) to review the Fourth Quarter and FY 2007 Year-End Report of Workers' Compensation Claims and Transitional Work Program.

REGULAR AGENDA

16. **Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A**

Kim Koenig, Business Strategy and Analysis/Debt Management Manager, provided a brief overview of the Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A. Ms. Koenig commented that the recommendation is to adopt a resolution authorizing the issuance of up to \$140,000,000 of 2000 Measure A Sales Tax Revenue Refunding Bonds, which will be used to refund a portion of the outstanding VTA's 2000 Measure A Sales Tax Revenue Bonds 2006 Series F and Series G to pay the costs of issuance.

Ms. Koenig reported that VTA had planned to redeem the 2006 Series F and G Bonds with funds it would receive through the State Traffic Congestion Relief Program (TCRP) for reimbursement of preliminary engineering (PE) activities related to the Silicon Valley Rapid Transit (SVRT) Project. Ms. Koenig reported that the 2006 Series F and G Bonds were issued as variable rate auction rate securities to facilitate the potential for early repayment.

Ms. Koenig stated that long-term interest rates are still at historically low levels, staff recommends that the 2006 Series F and G Bonds remain outstanding to allow for the recently received TCRP funds to be used in support of 2000 Measure A capital needs and delay the need to issue additional bonds. She commented that staff recommends a refunding transaction be accomplished for programmatic reasons to convert the existing variable rate bonds into traditionally fixed rate bonds, which will be at a level under the interest rate assumption used in the adopted 2000 Measure A Expenditure Plan.

Ms. Koenig reported that VTA anticipates achieving fixed rates ranging approximately 3.85 percent to 4.75 percent. She noted that staff recommends a negotiated sale process due to extreme volatility in the market in recent weeks, which provides VTA with the ability to structure coupon payments together with bond pricing to meet investor needs and reduce VTA's interest process.

Ms. Koenig stated that the resolution recommended for Board approval describes the 2007 Refunding Bonds, the parameters for the sale of the 2007 Refunding Bond and the following transaction documents: Second Supplemental Indenture, Purchase Contract, Official Statement, Escrow Agreement, and Continuing Disclosure Agreement.

Ms. Koenig commented that the Board could approval the recommendation or choose one of the following alternatives: not to issue the 2007 Refunding Bonds at this time and maintain the 2006 Series F and G bonds as variable rate auction rate securities; redeem either the 2006 Series F or 2006 Series G Bonds and refund the remaining series; or redeem either the 2006 Series F or 2006 Series G Bonds and maintain the remaining series as variable rate auction securities.

Chairperson Kerr queried about the existing bonds. Ms. Koenig responded that the existing bonds mature in 2032 and the proposed structure is 2036. Staff recommends extending the period in order to take advantage of the low interest rate environment and level debt service.

Chairperson Kerr queried about the benefit to VTA by extending the period. Ms. Koenig responded that the benefit is to secure a fixed low interest rate of approximately 3.75 percent to 4.85 percent.

Mr. Mikolajczyk stated that VTA has decided to maintain the funding received from the State TCRP for the reimbursement of PE activities related to the SVRT Project and refinance the 2006 Series F and G Bonds by securing a lower fixed interest rate. He stated that the reimbursement received from the TCRP funds have been invested at a higher interest rate, which translates to a 1.5 percent arbitrage for VTA.

M/S/C (Williams/Gage) to approve submitting a recommendation to the Board of Directors to adopt a resolution authorizing the General Manager or his designee to take all necessary actions to offer, via negotiated sale, up to \$140,000,000 of 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A (2007 Refunding Bonds) to refund \$137,800,000 aggregate principal amount of VTA's 2000 Measure A Sales Tax Revenue Bonds, 2006 Series F and Series G (2006 Series F and G Bonds) and to pay the costs of issuance.

17. (Deferred to the September 20, 2007 A&F Committee Meeting.)

Authorize staff to discuss and implement a new Homeless Pass program structure to be worked out with the County of Santa Clara (County) as to how recipients would be screened, type of identification to be used, program limits and controls, pricing and generally, the roles of VTA, and the County; and further, authorize that if the above efforts are successful, the existing Homeless Pass Program (HPP) be replaced with an Eco Pass type program, which would provide at least \$111,000 to replace VTA's existing revenues from the HPP.

18. Valley Transportation Plan Route 87 (North) HOV Project Construction Contract Amendment

Jack J. Collins, Chief Engineering and Construction Officer, provided a brief overview of the Valley Transportation Plan Route 87 (North) High Occupancy Vehicle (HOV) Project Construction Contract Amendment. Mr. Collins commented on the Route 87 HOV Lanes Project Ribbon Cutting Ceremony on August 15, 2007 in San Jose. The project widens the existing freeway segment between I-280 and Julian Street from a four-lane to a six-lane freeway with the addition of a HOV lane in each direction.

Mr. Collins reported that RGW Construction was awarded the construction contract for the Route 87 (North) HOV Project in September 2004; however, over the course of construction change orders have been identified in an amount that exceeds VTA's General Manager authority. The increase in the contract amount is required to compensate the contractor for the change order work related to the overhead signs.

Mr. Collins stated that sign G structure and its accessories have to be re-fabricated due to deficient design plans that did not match the field conditions. The re-fabrication of the sign truss required resubmittal of shop drawings by the contractor and approval by Caltrans; therefore, resulting in a delay to the project.

Mr. Collins commented that VTA has contacted the project design consultant regarding the design deficiencies. VTA will probably file an error of omission claim against the project design consultant. VTA expects to recover the bulk of the amount required for the change work orders, but not all the funds. The remainder of the change work orders and extra work required to close out the project will be resolved, but the project contract amount will cost more. Once the project is complete, VTA will turn it over to Caltrans and the City of San Jose to maintain.

Board Member Williams asked where the additional funding would be billed for the change work orders. Mr. Collins responded that the contract amendment will be funded from Grant Anticipation Revenue Vehicle (GARVEE) Bonds.

M/S/C (Williams/Gage) to approve submitting a recommendation to authorize the General Manager to amend the Route 87 (North) High Occupancy Vehicle (HOV) construction contract with RGW Construction by an amount of \$1,250,000 for a new contract amount of up to \$28,972,178, and authorize an adjustment to the current Highway Program Capital Budget appropriation for fiscal year 2008.

19. **Contract Amendment with Nolte Associates for additional engineering services on the Calaveras Boulevard Widening Project**

John H. Ristow, Acting Chief CMA Officer, provided a brief overview of the Contract Amendment with Nolte Associates for additional engineering services on the Calaveras Boulevard Widening Project. Mr. Ristow reported that the recommendation is to authorize the General Manager to amend the contract with Nolte Associates to perform additional traffic studies and prepare final design plans, extend the term of the contract through December 31, 2008, and execute an amendment to the cooperative agreement with the City of Milpitas for the project funding.

Mr. Ristow reported that VTA entered into a cooperative agreement with the City of Milpitas for the Calaveras Boulevard Widening Project Study Report (PSR). The purpose of the project is to evaluate the replacement and widening of the Calaveras Viaduct spanning Union Pacific Rail Road (UPRR) tracks and Main Street in the City of Milpitas. The completion of the PSR is required in order to be eligible for future federal and State funding.

Mr. Ristow stated that the City of Milpitas has asked VTA to include additional traffic studies and prepare final design plans to construct the Carlo Street ramp conversion improvements as part of the Calaveras Boulevard Widening Project study report contract. The project will convert the eastbound Calaveras Boulevard State Route (SR) 237 on ramp from Carlo Street to an off ramp without adversely impacting operations on Calaveras Boulevard or adjacent local streets. He stated that the recommendation is to approve the contract amendment with Nolte Associates to complete the work request. The funding for both the recommended contract amendment with Nolte Associates and VTA for support services is provided through the cooperative agreement with the City of Milpitas.

M/S/C (Gage/Williams) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to: 1) Amend the contract with Nolte Associates to perform additional traffic studies and prepare final design plans for the Carlo Street ramp conversion improvements as part of the Calaveras Boulevard Widening Project, increasing the approved contract value by \$138,700 for a new total contract value of \$461,693; and 2) Extend the term of the contract through December 31, 2008; and
3) Authorize the General Manager to execute an amendment to the cooperative agreement with the City of Milpitas for project funding.

20. **Section 5339 Grant Application for Funding Santa Clara Valley Transportation Authority Bus Rapid Transit Strategic Plan**

John H. Ristow, Acting Chief CMA Officer, provided a brief overview of the Section 5339 Grant Application for Funding Santa Clara Valley Transportation Authority Bus Rapid Transit Strategic Plan. Mr. Ristow reported that the recommendation is to authorize VTA to submit an application for the preparation of the Santa Clara Valley Transportation Authority (VTA) Bus Rapid Transit Strategic Plan and if successful to

obtain grant funds, and enter into agreements with the Federal Transit Administration (FTA) to accept the grant funds.

M/S/C (Williams/Gage) to approve submitting a recommendation to the Board of Directors to authorize staff to submit an application for \$480,000 in §5339 funds (SAFETEA-LU) for the preparation of the Santa Clara Valley Transportation Authority Bus Rapid Transit Strategic Plan; and if successful in obtaining funds, authorize the General Manager to enter into all necessary agreements with the Federal Transit Administration (FTA) to accept the grant.

21. (Deferred to a future A&F Committee Meeting.)

Authorize the General Manager to execute real property purchase and possession and use agreements for the Capitol Expressway Light Rail Project, where the purchase price for the property equals the appraised value or does not exceed \$100,000.

22. Lease with T-Mobile for Cellular Tower Site at Chaboya Bus Division

M/S/C (Gage/Williams) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute a five-year lease agreement, with an option for year-to-year extensions after the original lease term, with T-Mobile USA, Inc. (dba Omnipoint Communications, Inc.) for placement of wireless telecommunications equipment and co-location antenna on VTA property, at a rate of \$2,500 a month with 3 percent annual increases thereafter.

OTHER ITEMS

23. Valley Transportation Authority (VTA – Amalgamated Transit Union (ATU) Pension Plan (Plan) Actuarial Valuation as of January 1, 2007

Ali Hudda, Disbursements and Revenue Services Fiscal Resources Manager, introduced Greg Stump, FSA EFI Actuaries, who provided a brief overview of the Valley Transportation Authority (VTA) – Amalgamated Transit Union (ATU) Pension Plan (Plan) Actuarial Valuation as of January 1, 2007. Mr. Stump referenced the “Valley Transportation Authority ATU Pension Plan Actuarial Valuation and Actuarial Experience Study,” highlighting: 1) Plan Costs; 2) Funding Progress; and 3) Peer Group Comparison.

Definitions

- Normal Cost (NC) – The actuarially determined annual benefit cost associated with current service accruals.
- Actuarial Accrued Liability (AAL) – The actuarially determined benefit obligation associated with past service.
- Actuarial Value of Assets (AVA) – The smoothed value of assets used to determine funding levels and annual costs (5 year smoothing for VTA).
- Unfunded Accrued Liability (UAL) – The amount of the AAL not covered by the AVA.

- Amortization Cost – Annual cost required to amortize the UAL over a specified period of time (20 years for VTA). Normal Cost + Amortization Cost = Total Cost.
- California Public Employees' Retirement System (CalPERS) – Statewide system covering many California employers and over 2,000,000 plan participants.

Review

- Actuarial valuation completed as of January 1, 2007 – computed plan cost and funding ratio, under same assumptions as prior valuation, and continuation with the same plan provisions as prior valuation.
- Experience study conducted covering the period ending December 31, 2006 – changes in assumptions recommended and the valuation re-computed as of January 1, 2007 under proposed assumptions.

Summary of Assumption changes

- Reviewed all Actuarial Demographic Assumptions relating to retirement, termination, disability, transfer, death, and merit pay.
- Reviewed all Actuarial Economic Assumptions relating to investment return, Consumer Price Index (CPI), and productivity.
- Recommended several changes in Demographic Assumptions to retirement, termination, salary and disability, and mortality. There were no recommended changes in the Economic Assumptions.

Board Member Reed queried about the termination assumptions. Mr. Stump responded that VTA experienced a large termination several years ago. He stated that termination demographics tend to be cyclical; therefore, the demographics are expected to occur every eight to ten years. Mr. Stump stated that the goal is to monitor the demographics each year.

Impact on Plan Costs

- Combination of assumption changes ends up decreasing costs slightly approximately 0.6 percent of pay due to higher number of assumed terminations.
- Valuation as of January 1, 2007 with current assumption cost approximately 16.2 percent of pay and proposed assumption cost approximately 15.6 percent of pay, which is the same as the prior year.

Plan Costs: The Future

- Assumes no future benefit increases, 8 percent asset return each year, and all experience consistent with actuarial assumptions.
- Decreases expected with recognition of gains and amortization of unfunded liabilities.
- Expected to level out to close to Normal Cost (NC).

Board Member Reed queried about the amount of contribution the employee's pay to the plan. Mr. Stump responded that the employee's contribution to the plan is zero.

Funding Progress

- Funding Ratio equals Actuarial Assets divided by Actuarial Liabilities. Liabilities estimated based on past service only and is specific to Cost Method.
- The Current Ratio is approximately 79 percent and virtually unaffected by new assumptions.
- Assumes no future benefit increases, 8 percent asset return each year, and all experience consistent with actuarial assumptions.
- Unfunded Accrued Liability (UAL) is amortized, funding expected to improve.
- Open amortization period causes leveling out below 100 percent.

Peer Group Comparison related to Return and Inflation Assumptions

- VTA assumes 8 percent return assumptions and 3.5 percent inflation assumptions. Sacramento Regional Transit and San Diego Transit use the same assumptions as VTA.
- AC Transit assumes 7.7 percent return assumptions and 3.2 percent inflation assumptions.
- CalPERS including 10 transit districts assume 7.75 percent return assumptions and 3 percent inflation assumptions.

Peer Group Comparison related to Mortality Assumptions

- VTA adopted 1994 Group Annuity Mortality (GAM) based on recent experience.
- Sacramento Regional Transit and San Diego Transit both use 1983 or 1984 tables.
- AC Transit currently uses 1971 and 1983 tables.
- CalPERS use a customer table, which is comparable to 1994 GAM.

Peer Group Comparison related to Funding Ratios

- 15 plans including 10 in CalPERS.
- Aggregate and average ratios for the group are both about 87 percent.

Peer Group Comparison related to Contribution Rates

- 15 plans including 10 in CalPERS.
- Average rate for the group is about 14 percent.

Peer Group Comparison

- VTA assumptions in line with peer group.
- VTA current funding status and contribution rates comparable to peer group.

On order of Chairperson Kerr, there being no objection, the Committee received the Valley Transportation Authority (VTA – Amalgamated Transit Union (ATU) Pension Plan (Plan) Actuarial Valuation as of January 1, 2007.

24. WiFi Internet Access on the 180 Bus Line

Doug Beley, Acting Chief Technology Officer, introduced George Sandoval, Technology Communications Manager, who provided a brief overview of the WiFi Internet Access on the 180 Bus Line. Mr. Sandoval reported that the Technology Department performed a test study six months ago on Line 522 to determine the benefits and cost associated with providing WiFi Internet Access on VTA buses.

Mr. Sandoval commented that the Comprehensive Operations Analysis (COA) identified the Route 180 as the best route to implement the WiFi Internet Access Service. Survey data demonstrated that the riders on Route 180 were interested in WiFi Internet Access Service, carry laptops, and the route takes over thirty minutes. Staff determined that the equipment was reliable and the internet access service quality excellent.

Mr. Sandoval reported that the Joint Venture Silicon Valley Network (JVSVN) announced that they were building a meshed WiFi Internet Network Access throughout the Santa Clara Valley in one-year timeframe. The JVSVN planned to offer no cost WiFi Internet Network Access to the public and pay the cost by selling advertisement; therefore, VTA staff placed the WiFi Internet Network Access on Route 180 vehicle project on hold four months ago.

Mr. Sandoval reported that the JVSVN has not been able to meet the aggressive WiFi Internet Network Access Service schedule; therefore, staff is uncertain when the JVSVN service will be available along Route 180. He stated that VTA intends to purchase and install a WiFi Internet Access Service on the Express Route 180 and forward the vendor information to the Board for consideration.

Staff has determined that 35 buses must be prepared with the equipment in order to provide WiFi Internet Access Service on the Route 180. He continued that staff estimates that the cost to purchase and install the necessary equipment will range around \$100,000 with a monthly recurring wireless service cost ranging between \$3,000 and \$3,750.

Chairperson Kerr queried about the bandwidth connection. Mr. Sandoval responded that the bandwidth depends on the carrier service.

Chairperson Kerr asked if the technology was capable to provide security real-time video. Mr. Sandoval responded, "yes."

Chairperson Kerr asked what portion of VTA's fleet is used for Route 180. Mr. Sandoval responded that Route 180 serves the area from Fremont to Diridon Station.

Mr. Beley stated that Route 180 utilizes about 12 percent of VTA's fleet.

Michael T. Burns, General Manager, stated that Route 180 utilizes 35 buses for the route.

Board Member Reed asked if riders are willing to pay for the WiFi Internet Access Service on VTA's buses. Mr. Sandoval responded that customers have not been surveyed about this WiFi Internet Access Service option.

Mr. Sandoval stated that the cost would be more than what VTA would recoup from customers. He stated that staff could research the cost and benefit if riders paid for the WiFi Internet Access Service on VTA's buses.

Chairperson Kerr stated that the service would positively impact ridership. Mr. Burns responded that research suggests that providing internet access on public transportation does not increase ridership, but enhances the current riders' experience.

Board Member Williams expressed concern regarding the monthly recurring wireless service cost associated with the WiFi Internet Access Service. Mr. Sandoval responded that staff will examine all proposals and determine the best option for VTA.

Board Member Reed queried if the WiFi Internet Access Service was a Board directed project, if the project was budgeted, and queried about the project status. Mr. Beley responded, "no" that the next steps would be to prepare a Request for Proposal (RFP) and project request, which would be forwarded to the Board of Directors for consideration.

Board Member Reed expressed concern related to the WiFi Internet Access Service project since there is no measurable benefit to VTA.

On order of Chairperson Kerr, there being no objection, the Committee received the WiFi Internet Access on the 180 Bus Line.

25. Items of Concern and Referral to Administration

There were no Items of Concern and Referral to Administration.

26. Committee Work Plan

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

27. Committee Staff Report

Jim Lawson, Government Affairs Manager and Staff Liaison, provided a brief report, highlighting: 1) VTA has taken over operating the Great American and River Oaks Shuttles; 2) August 6, 2007, VTA began operating the Downtown Area Shuttle (DASH) with new vehicles and improved service frequency throughout downtown San Jose; 3) August 17, 2007, VTA celebrated the Highway 87 High Occupancy Vehicle (HOV) lanes grand opening; 4) Regional Rail and High-Speed Rail public meetings scheduled for August 24, 2007; and 5) Assembly Bill position AB 1077 to create a Plug-in Electric Hybrids Coordinating Council will be forwarded to the August 30, 2007 Board of Directors Regular meeting for an adopt support position.

28. Chairperson's Report

Chairperson Kerr reported on the Dumbarton Rail Authority Policy Advisory Board (PAB) meeting, noting that the Dumbarton Rail project remains unfunded, but continues to move forward with concerns from Menlo Park being addressed.

29. Determine Consent Agenda for the August 30, 2007 Board Meeting

CONSENT: Agenda Item #18., Authorize the General Manager to amend the Route 87 (North) High Occupancy Vehicle (HOV) construction contract with RGW Construction by an amount of \$1,250,000 for a new contract amount of up to \$28,972,178, and

authorize an adjustment to the current Highway Program Capital Budget appropriation for fiscal year 2008; **Agenda Item #19.**, Authorize the General Manager to: 1) Amend the contract with Nolte Associates to perform additional traffic studies and prepare final design plans for the Carlo Street ramp conversion improvements as part of the Calaveras Boulevard Widening Project, increasing the approved contract value by \$138,700 for a new total contract value of \$461,693; and 2) Extend the term of the contract through December 31, 2008; and 3) Authorize the General Manager to execute an amendment to the cooperative agreement with the City of Milpitas for project funding; **Agenda Item #20.**, Authorize staff to submit an application for \$480,000 in §5339 funds (SAFETEA-LU) for the preparation of the Santa Clara Valley Transportation Authority Bus Rapid Transit Strategic Plan; and if successful in obtaining funds, authorize the General Manager to enter into all necessary agreements with the Federal Transit Administration (FTA) to accept the grant; and **Agenda Item #22.**, Authorize the General Manager to execute a five-year lease agreement, with an option for year-to-year extensions after the original lease term, with T-Mobile USA, Inc. (dba Omnipoint Communications, Inc.) for placement of wireless telecommunications equipment and co-location antenna on VTA property, at a rate of \$2,500 a month with 3 percent annual increases thereafter.

REGULAR: Agenda Item #6., Adopt a resolution determining that there is a significant public benefit in the acquisition, by the Peninsula Corridor Joint Powers Board (PCJPB), of eight passenger bi-level railcars (railcars) to enhance its service levels; and, approving the issuance of the PCJPB 2007 Series A Farebox Revenue Bonds, the proceeds of which will be used to purchase railcars and refund outstanding 1999 Farebox Revenue Bonds; **Agenda Item #7.**, VTA's Financial Update; and **Agenda Item # 16.**, Adopt a resolution authorizing the General Manager or his designee to take all necessary actions to offer, via negotiated sale, up to \$140,000,000 of 2000 Measure A Sales Tax Revenue Refunding Bonds, 2007 Series A (2007 Refunding Bonds) to refund \$137,800,000 aggregate principal amount of VTA's 2000 Measure A Sales Tax Revenue Bonds, 2006 Series F and Series G (2006 Series F and G Bonds) and to pay the costs of issuance.

30. Announcement

There were no Announcements.

2. ADJOURNED TO CLOSED SESSION at 1:14 p.m.

A. Conference with Real Property Negotiator
[Government Code 54956.8]

Property: Block bounded by North First Street, North Market Street, Santa Clara Street and West St. John Street located in downtown San Jose.

Negotiator for VTA: Roberta Notrangelo, Manager of Real Estate

Negotiating parties: The Mitchell Family, Owners, acting through an exclusive listing by CB Richard Ellis.

Under negotiation: Price and terms of payment.

B. Conference with Labor Negotiators

[Government Code Section 54957.6]

VTA Designated Representatives:

Jerry Mikolajczyk, Chief Financial Officer

Bill Lopez, Chief Administrative Officer

Robert Escobar, Manager, Office of Employee Relations

Employee Organization:

American Federation of State, County, and Municipal Employees (AFSCME)

RECONVENED TO OPEN SESSION at 1:26 p.m.

3. CLOSED SESSION REPORT

A. Conference with Real Property Negotiator

[Government Code 54956.8]

Property: Block bounded by North First Street, North Market Street, Santa Clara Street and West St. John Street located in downtown San Jose.

Negotiator for VTA: Roberta Notrangelo, Manager of Real Estate

Negotiating parties: The Mitchell Family, Owners, acting through an exclusive listing by CB Richard Ellis.

Under negotiation: Price and terms of payment.

There was no reportable action taken during Closed Session.

B. Conference with Labor Negotiators

[Government Code Section 54957.6]

VTA Designated Representatives:

Jerry Mikolajczyk, Chief Financial Officer

Bill Lopez, Chief Administrative Officer

Robert Escobar, Manager, Office of Employee Relations

Employee Organization:

American Federation of State, County, and Municipal Employees (AFSCME)

There was no reportable action taken during Closed Session.

31. ADJOURNMENT

On order of Chairperson Kerr, there being no objection, the Committee meeting was adjourned at 1:26 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant
VTA Board of Directors