

Date: February 6, 2008

Committee Meeting Date: February 21, 2008

Board Meeting Date: March 6, 2008

**BOARD MEMORANDUM**

ACTION ITEM

**TO:** Administration and Finance Committee  
Santa Clara Valley Transportation Authority  
Board of Directors

**THROUGH:** Michael T. Burns  
General Manager

**FROM:** Kurt Evans  
Government Affairs Manager

**SUBJECT:** Organizational and Financial Assessment Legislation

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**Policy-Related Action: Yes**

**Government Code Section 84308 Applies: No**

**RECOMMENDATION:**

Authorize VTA to sponsor legislation to memorialize a number of the key recommendations from the Organizational and Financial Assessment in the agency's enabling statutes.

**BACKGROUND:**

In March 2007, VTA received the results of an Organizational and Financial Assessment conducted by the Hay Group, an independent human resources and organizational development consulting firm with more than 60 years of experience assisting more than 7,000 clients worldwide. VTA undertook this review at its own initiative in an effort to identify areas needing improvement. Although this type of performance review is unusual for a public sector organization, it is a fairly common undertaking in the private sector and is considered to be an industry best practice. The Organizational and Financial Assessment also was the first such review of VTA since its inception in 1995, and provided a good opportunity for a fresh look at the agency's current business practices, organizational structure, governance, and financial situation.

At the outset of the assessment, both the Board of Directors and transportation stakeholders counseled the Hay Group to be bold, and the consultant team clearly accepted that challenge. The consultants also were encouraged to provide an independent and objective analysis of VTA's performance. While VTA has a well-deserved positive reputation for its delivery of capital projects and services, the assessment was structured to provide a critical analysis of the agency's flaws, weaknesses and gaps.

The Hay Group's report identifies areas in need of improvement and presents a comprehensive series of recommendations. The report's findings fall into three primary areas: (1) Financial

Management; (2) Organizational Structure; and (3) Governance. The 40-page Executive Report consolidates the major recommendations into nine areas, each of which includes additional components. The Executive Report is supplemented by a 400-page Technical Memorandum, which contains more detailed findings and recommendations from the consultant team's divisional and programmatic reviews.

### **DISCUSSION:**

It is recommended that VTA sponsor legislation to memorialize several of the key recommendations contained in the Organizational and Financial Assessment in the agency's enabling statutes. It is further recommended that this legislation include the following provisions, all of which would be appropriate to incorporate into VTA's enabling statutes:

- Adding to the list of duties of the Board of Directors a requirement that the Board annually assess its performance: (a) against VTA's mission; and (b) against the Board's policy and fiduciary responsibilities.
- Memorializing in statute an Orientation Program for new Board members.
- Memorializing in statute the Board's Audit Committee.
- Adding the auditor general to the list of officers of VTA.
- Stating that the Board's oath of office should include language about avoiding the appearance of conflict and taking a regional perspective with regard to policy decisions.
- Adding to the list of duties of the general manager the following: (a) developing an annual work plan for the Board; and (b) working with the Board to ensure that VTA remains financially sound.

Sponsoring such legislation would demonstrate a higher level of commitment on the part of VTA to implement the Organizational and Financial Assessment recommendations by making a number of these recommendations more permanent in terms of how the agency conducts its business.

### **ALTERNATIVES:**

The Board of Directors could recommend changes to the content of such legislation or decide not to have VTA sponsor a bill in this regard.

### **FISCAL IMPACT:**

There is no immediate fiscal impact associated with this recommendation.

Prepared by: Kurt Evans, Government Affairs Manager