

ADMINISTRATION & FINANCE COMMITTEE

Thursday, May 15, 2008

MINUTES

1. CALL TO ORDER

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:06 p.m. by Chairperson Williams in Room 157, County Government Center, 70 West Hedding Street, San Jose, California.

ROLL CALL

Members Present

David Casas, Vice Chairperson
Chuck Reed
Forrest Williams, Chairperson

Members Absent

Don Gage

Alternates Present

None

Alternates Absent

David Cortese
Pete McHugh
Chris Moylan

* Alternates do not serve unless participating as a Member.

A quorum was present.

The Agenda was taken out of order.

5. ORDERS OF THE DAY

Chairperson Williams made the following changes to the Agenda: 1) Removal of **Agenda Item #2.**, Closed Session and **Agenda Item #3.**, Closed Session Report; and 2) Defer **Agenda Item #6.**, Minutes of April 17, 2008.

M/S/C (Casas/Reed) to accept the Orders of the Day.

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

2. **ADJOURN TO CLOSED SESSION**

Conference with Labor Negotiators
[Government Code Section 54957.6]

VTA Designated Representatives:

Joseph Smith, Chief Financial Officer
Bill Lopez, Chief Administrative Officer
Robert Escobar, Manager, Office of Employee Relations

Employee Organization:

Amalgamated Transit Union (ATU)

There was no Closed Session.

3. **CLOSED SESSION REPORT**

There was no Closed Session Report.

4. **PUBLIC PRESENTATIONS**

There were no Public Presentations.

CONSENT AGENDA

6. **(Deferred to the August 21, 2008 A&F Committee Meeting.)**

Regular Meeting Minutes of April 17, 2008.

7. **Monthly Investment Report**

M/S/C (Casas/Reed) to review the Monthly Investment Report.

8. **Quarterly Purchasing Report**

M/S/C (Casas/Reed) to review the Quarterly Purchasing Report.

9. **Third Quarter FY 2008 Report of Public Liability/Property Damage Claims Activity**

M/S/C (Casas/Reed) to review the Third Quarter FY 2008 Report of Public Liability/Property Damage Claims Activity.

10. **Third Quarter FY 2008 Report of Workers' Compensation Claims and Transitional Work Program**

M/S/C (Casas/Reed) to review the Third Quarter FY 2008 Report of Workers' Compensation Claims and Transitional Work Program.

11. Bicycle & Pedestrian Advisory Committee Appointment

M/S/C (Casas/Reed) to ratify the appointment of Marian Sacco to the Bicycle & Pedestrian Advisory Committee representing the City of Morgan Hill for the terms ending June 30, 2008 and June 30, 2010.

12. Monthly Legislative History Matrix

M/S/C (Casas/Reed) to review the Monthly Legislative History Matrix.

REGULAR AGENDA

13. Fiscal Year 2008 Quarterly Statement of Revenues and Expenses for the Period Ending March 31, 2008

Joseph Smith, Chief Financial Officer, provided a brief report that highlighted the following: 1) ½ Cent Sales Tax Revenue remains constant for the first three quarters; 2) Growth of \$1 million in Fare Revenue; 3) Significant vacancy savings on Labor Costs; 4) Delay in receiving reimbursements due to unimplemented Capital Projects; and 5) Fuel budget is projected to be over by \$958,000 due to the continuous increase in diesel fuel cost.

Mr. Smith noted that the revenue shortfall of \$8.8 million will be mitigated by the savings on expenses of \$15.8 million, resulting in a positive cash flow by the end of the year.

Michael T. Burns, General Manager, commented that staff is developing an action plan that would address the revenue shortfall. He noted that the plan would be presented to the Board of Directors Committee of the Whole meeting on July 17, 2008.

Vice Chairperson Casas queried about the savings on labor costs. He stressed the importance of employee training and development. Mr. Smith responded that in the Fiscal Department, savings on labor cost was incurred by reallocating resources that avoided the need to fill open positions.

Mr. Burns stated that staff would present a plan of having hiring freeze on certain classifications at a future Administration and Finance Committee meeting.

M/S/C (Casas/Reed) to review and accept the fiscal Year 2008 Quarterly Statement of Revenues and Expenses for the period ending March 31, 2008.

14. Measure A Revenue and Expenditure Plan Policy Guidance

Carolyn Gonot, Chief SVRT Program Officer, provided a report that highlighted the following: 1) Focused review by Standing Committees; 2) Maintain financial Integrity of Organization; 3) Financial Feasibility Test; 4) Measure A Sales Tax Projection;

5) Measure A Revenue Applied to Debt Service; 6) Capital Capacity; 7) Risk Analysis; 8) Model Various Financial Conditions; and 9) Implement the Intent of Measure A.

Board Member Reed commented that the level of risk taking would depend on the amount of reserves. He inquired on VTA's policy regarding maintaining reserves. Mr. Burns responded that a \$50 million debt reduction reserve was established this fiscal year. He noted that staff will come back to the Committee with information on reserve policy.

Vice Chairperson Casas suggested staff to provide the Board of Directors with recommendations that depict their risk tolerance. He noted that this would guide the Board in their policy making decisions.

Board Member Reed stressed the significance of having reserves when the target minimum coverage of 1.25 is not reached. He suggested that policies be placed to maintain and manage reserves.

Board Member Reed inquired if amendments to the sales tax would be projected in the Expenditure Plan. Ms. Gonot responded that the Expenditure Plan would be recalculated if the sales tax were amended.

Board Member Reed referenced page 5 of the handout and expressed concern on the line that states "Maintain Current Transit Service Levels as a Priority." He recommended including the word "aggregate" to the statement. Ms. Gonot explained that the statement meant maintaining the annual service hours. She noted that an additional word would be added to the statement.

Vice Chairperson Casas recommended including other ways of reducing greenhouse gas emissions in the Expenditure Plan.

Board Member Reed recommended including the effects of implementing Measure A projects to the community in the Expenditure Plan.

M/S/C (Casas/Reed) to recommend the Board of Directors adopt the Measure A Revenue and Expenditure Plan Policy Guidance in Attachment A.

15. Network Equipment Replacement

Bill Lopez, Chief Administrative Officer, reported that network devices that need replacement are over seven years old and are no longer supported by their manufacturers. He added that the declining performance of aging equipments have reached an unacceptable level and could impact operations significantly.

Mr. Lopez reported that under the Western States Contracting Alliance and Calnet agreements, VTA would acquire significant discount on the purchase of network devices.

M/S/C (Reed/Casas) to authorize the General Manager to purchase up to \$359,000 in electronic network equipment from approved vendors under cooperative purchasing agreements with the State of California.

16. Freight Rail Relocation Project FY 2009 Budget Amendment

Mark Robinson, Acting Chief Engineering & Construction Officer, provided a report that highlighted the following: 1) Project Location; 2) Freight Rail Relocation Project Limits; 3) Combined Projects; 4) Individual Agency Objectives; 5) Freight Rail Relocation FY 2009 Supplemental budget Request; and 6) Recommendation.

Chairperson Williams inquired if an environmental study was conducted. Mr. Robinson responded that the Project performed an independent environmental assessment that addressed the environmental issues in the creeks.

Vice Chairperson Casas expressed concern regarding the negotiation and the physical challenges on the extension to Warm Springs. Mr. Burns responded that the negotiation is almost complete and a funding strategy was identified. He added that a subway box will be utilized under the lake.

Vice Chairperson Casas inquired about the agreement between the City of Fremont and VTA on the grade separation. Mr. Robinson responded that the agreement is still under negotiation.

M/S/C (Reed/Casas) to approve amendment increasing the 2000 Measure A FY 2009 Capital budget by \$72 million for the Freight Rail Relocation Project. This augmentation will be funded from 2000 Measure A, Alameda County Transportation Authority, the City of Fremont and the Santa Clara Valley Water District.

17. Transportation Advisory Measure for November 2008 Ballot

Jim Lawson, Senior Policy Advisor, provided a brief background on the Transportation Advisory Measure.

Mr. Lawson reported on the following options for consideration to meet the intent of the 1976 Transit District Sales Tax Advisory Measure:

- Option One – Place the matter before the voters this November as previously approved and pay the estimated \$1.2 million.
- Option Two – Place the matter before the voters this November as previously approved and add language designating this responsibility to the VTA's Citizens' Watchdog Committee. This too would require payment of \$1.2 million.
- Option Three – Delay the vote to the next general election in anticipation of a better overall financial condition. This would give time to consider other options for meeting the intent of the voters in the 1976 election.

Board Member Reed stressed that this matter should go to the November 2008 Ballot. He suggested staff to prepare two versions of the resolution depending if the Board of Directors selects any option to move the matter to the November 2008 Ballot.

Vice Chairperson Casas requested staff to present this Item on the July 17, 2008 Committee of the Whole meeting to inform the Board Members prior the policy-related action on the August 7, 2008 Board of Directors meeting. Mr. Lawson responded that staff would present it to the Board of Directors on the July 17, 2008 Committee of the Whole meeting.

M/S/C (Casas/Reed) to consider options for meeting the intent of the 1976 Transit district Sales Tax Advisory Measure and recommend a fiscally prudent alternative to the Board of Directors.

OTHER ITEMS

18. Open Governance Proposal

Jim Lawson, Senior Policy Advisor, reported on the suggestions received from the public, preliminary analysis conducted, and staff's recommendations regarding Open Governance.

First suggestion - Notices for all VTA-sponsored meetings must be advertised on all VTA buses and light rail vehicles. The notices should be posted at least ten days in advance.

Mr. Lawson reported that staff recommends expending the limited resources on newspaper placement and using VTA's website. He added that the Board may consider a pocket calendar that includes meeting dates, VTA's website and customer service contact information.

Second suggestion - Closed session agenda items occurring at VTA Board and Committee meetings should be taped and records made public when their reason for secrecy no longer exists.

Mr. Lawson reported that taping of closed sessions of the Board would incur costs and risk of improper release of confidential information. He noted that records of closed session decisions are currently maintained.

Third suggestion - VTA Board members, staff and management emails should be made public unless there is a specific reason that releasing them would harm the public interest. This is already being done at the City of Palo Alto, which has all emails from City Council members, staff and management publicly available.

Mr. Lawson reported that email correspondence between VTA and its Board members is available on the VTA website.

Board Member Reed recommended adding language on VTA maps, flyers, and literatures that would provide contact information and direct customers to the VTA website to obtain information regarding public meetings.

Vice Chairperson Casas recommended adding an option in the phone system that would provide customers with information on public meetings every time they call customer service.

Michael T. Burns, General Manager, stated that VTA is prepared to show the adopted Board of Directors meeting schedule on car cards.

Chairperson Williams recommended flashing the VTA website and contact information on the screen when Board meetings are conducted.

On order of Chairperson Williams, there being no objection, the Committee received the Open Governance Proposal.

19. Items of Concern and Referral to Administration

There were no Items of Concern and Referral to Administration.

20. Committee Work Plan

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

21. Committee Staff Report

Joseph Smith, Chief Financial Officer, provided a brief update on the following pending bond refunding: 1) 2006 Option Rate Bonds; and 2) 2005 Variable Rate Bonds.

Mr. Smith noted that VTA negotiated with two liquidity providers, JP Morgan and Banco Bilbao Vizcaya Argentaria, to assist in the purchase agreement and remarketing of the 2006 Option Rate Bonds.

Mr. Smith reported that negotiation with Dexia bank is being finalized on the 2005 Variable Rate Bonds.

22. Chairperson's Report

Chairperson Williams expressed appreciation and thanked staff for their diligent work.

23. Determine Consent Agenda for the June 5, 2008 Board Meeting

CONSENT: Agenda Item #11. Ratify the appointment of Marian Sacco to the Bicycle & Pedestrian Advisory Committee representing the City of Morgan Hill for the terms ending June 30, 2008 and June 30, 2010; **Agenda Item #13.** Review and accept the Fiscal Year 2008 Quarterly Statement of Revenues and Expenses for the period ending

March 31, 2008; **Agenda Item #15.** Authorize the General Manager to purchase up to \$359,000 in electronic network equipment from approved vendors under cooperative purchasing agreements with the State of California; and **Agenda Item #17.** Consider options for meeting the intent of the 1976 Transit District Sales Tax Advisory Measure and recommend a fiscally prudent alternative to the Board of Directors.

REGULAR: Agenda Item #14. Recommend the Board of Directors adopt the Measure A Revenue and Expenditure Plan Policy Guidance in Attachment A; and **Agenda Item #16.** Approve amendment increasing the 2000 Measure A FY 2009 Capital Budget by \$72 million for the Freight Rail Relocation Project. This Augmentation will be funded from 2000 Measure A, Alameda County Transportation Authority, the City of Fremont and the Santa Clara Valley Water District.

24. Announcement

Vice Chairperson Casas announced that the Governance Subcommittee met and would continue to meet for the next six weeks. He noted that the Subcommittee is developing a work plan that outlines criteria, framework and output. He added that the Subcommittee would be reaching out to City Councils and prepare a recommendation to the Board in August 2008. He reported that the Subcommittee invited two members from the Policy Advisory Committee and the Citizens Advisory Committee to become members of the Subcommittee.

Vice Chairperson Casas expressed appreciation and thanked Karen Antion, Transformation Officer, Jim Lawson, Senior Policy Advisor, and staff for their diligent work on the Governance Subcommittee.

Vice Chairperson Casas requested staff to address him as David and not Board Member Casas.

23. ADJOURNMENT

On order of Chairperson Williams, there being no objection, the meeting was adjourned at 1:43 p.m.

Respectfully submitted,

Michael Diaresco, Board Assistant
VTA Board of Directors