

## ADMINISTRATION & FINANCE COMMITTEE

Thursday, September 18, 2008

### MINUTES

#### 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.

#### 1. ROLL CALL

Attendee Name	Title	Status	Arrived
David Casas	Board Member	Present	
Don Gage	Board Member	Absent	
Chuck Reed	Board Member	Present	
Forrest Williams	Board Member	Present	
David Cortese	Alternate Board Member	Absent	
Pete McHugh	Alternate Board Member	Present	
Chris Moylan	Alternate Board Member	Absent	

#### 2. ADJOURNED TO CLOSED SESSION at 12:07 p.m.

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)

#### RECONVENED TO OPEN SESSION at 12:22 p.m.

#### 3. CLOSED SESSION REPORT

There was no reportable action taken during Closed Session.

#### **4. PUBLIC PRESENTATIONS**

There were no Public Presentations.

#### **5. ORDERS OF THE DAY**

Chairperson Williams deferred the following Item to the October 16, 2008 Administration and Finance (A&F) Committee Meeting: **Agenda Item #7.**, Regular Meeting Minutes of August 21, 2008.

Alternate Board Member McHugh requested that the following Item be removed from the Consent Agenda and placed on the Regular Agenda: **Agenda Item #9.**, Review the final results of the FY 2008 - 2009 Insurance Policy Purchase Transactions.

Alternate Board Member McHugh requested that the following Item be removed from the Regular Agenda and placed on the Consent Agenda: **Agenda Item #11.**, 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.

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

#### **CONSENT AGENDA**

#### **6. (Deferred to the October 16, 2008 Administration and Finance Committee Meeting.)**

Approve the Regular Meeting Minutes of August 21, 2008.

#### **7. Monthly Investment Report - July 2008**

**M/S/C (McHugh/Reed)** to review the Monthly Investment Report - July 2008.

#### **8. Monthly Legislative History Matrix**

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

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

Review the final results of the FY 2008 - 2009 Insurance Policy Purchase Transactions.

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

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

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

M/S/C (McHugh/Reed) 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.

**REGULAR AGENDA**

**9. Operations Insurance Renewal**

Alternate Board Member McHugh queried about the premium cost increase for the FY 2008 - 2009 Operations Insurance Program. Joseph Smith, Chief Financial Officer (CFO), responded that the increase premiums resulted from a series of recent losses involving serious injury accidents, bus fires, and property damage caused by derailment of a light rail vehicle.

Mr. Smith reported that light rail vehicles and community buses coverage limits and deductibles were adjusted to provide increased coverage, which resulted in higher costs. Mr. Smith stated that VTA does not assume the same increases will occur next year.

M/S/C (McHugh/Reed) to review the final results of the FY 2008 - 2009 Insurance Policy Purchase Transactions.

**10. VTA Governance**

Michael T. Burns, General Manager, provided a brief report, highlighting the steps to change the appointment and/or selection of members of the Santa Clara Valley Transportation Authority's (VTA) Board of Directors from the current existing city groupings.

Mr. Burns directed attention to the attachment entitled, "Required Approvals for Implementing Various Governance Options", highlighting the following four options:

- Current Groups Remain;
- Reconfigure City Groupings;
- Policy Advisory Committee (PAC) Selects; and
- Elected Board.

Mr. Burns continued that the four options detail the impact on the jurisdictions and the various governing authorities, such as the County Board of Supervisors, City Councils, VTA's Administrative Code, Joint Powers Agreement (JPA), the Public Utilities Commission (PUC), and California Legislature. He stated that there are three main legal documents that need to be reviewed if the Board considers changing the city groupings: VTA's Enabling Act, VTA's Administrative Code, and Joint Powers Agreement (JPA). He stated that among the three documents VTA's Enabling Act has precedence then the JPA since it is consistent with California Legislature.

Norman Kline, Governance Subcommittee and Citizens Advisory Committee (CAC) Member, spoke on behalf of Chris Moylan, PAC Chairperson, noting that the Policy Advisory Committee (PAC) voted 8 to 3 to endorse the Governance Subcommittee recommendation PAC Selects option with the directly elected Board option as the best solution.

Mr. Kline noted that the Hay Group Financial Assessment did not recommend that VTA implement a directly elected Board nor did it recommend the changing of city groupings. Mr. Kline stressed the importance to ensure that VTA's Board of Directors represents everyone.

Alternate Board Member McHugh stated that the long-term goal of the PAC was to endorse a directly elected Board, such as the County Board of Supervisors, which represent the County of Santa Clara in equally proportional areas.

Vice Chairperson Casas stated that the next step should be for he and Board Member Sellers to coordinate presentations to the cities and encourage an official weigh on the available options.

Member Reed stressed the importance to receive clear communication from the cities regarding the option they support in order to move the information forward to the VTA Board of Directors.

Chairperson Williams stated that the current governance system has been successful but noted the issues with Board Member turnover especially with the smaller cities. Chairperson Williams continued that the State Audit did not recommend the governance structure change. Chairperson Williams stated that the Board should request the smaller city groups to determine a methodology to resolve the stability problem.

Alternate Board Member McHugh stated that the stability issue is a concern but noted that many of the smaller cities are concerned about the frequency of having representation on the Board.

Chairperson Williams stated the city groupings select their representative and stressed the importance for the cities to meet regularly to discuss issues and formulate resolutions.

Alternate Board Member McHugh concurred with Vice Chairperson Casas to coordinate presentations to the cities and request formal action on the available options.

Vice Chairperson Casas commented that he would take the lead and coordinate with Board Member Sellers on the cities presentation and added that the presentations will include the following detail information:

- Background,
- Prior Board Action on the Governance Structure,
- Hay Group Recommendations,
- State Audit Report, and
- Recommendations from the Board on the governance standpoint.

Chairperson Williams stressed the importance for VTA staff and legal counsel to be involved with the cities presentation since they both play an essential role and should be available to answer questions. Chairperson Williams noted the importance for the information to be fairly and accurately presented to the cities.

Chairperson Williams noted that staff's role is to provide information to the Board and legal counsel provides information on the rules and procedures to ensure that the Board is on the right course.

Alternate Board Member McHugh agreed that Vice Chairperson Casas would coordinate the cities presentations but stressed the importance for staff and legal counsel to be involved to respond to questions and ensure that rules are adhered to.

Vice Chairperson Casas stressed the importance for the cities presentation to be accurate and neutral.

Board Member Reed requested that staff prepare the draft presentation and provide it to the Administration and Finance (A&F) Committee Members to review before it is presented to the cities to ensure that it has a neutral starting point to move forward.

Vice Chairperson Casas requested that the Governance Subcommittee Members have the opportunity to review the presentation to provide weigh in before the draft is finalized.

Vice Chairperson Casas stressed the importance to delineate and spell out that the direct elected board would be a distant option and not a near term option.

Mr. Burns stated that the draft presentation will be provided at the October 16, 2008 A&F Committee meeting.

**On order of Chairperson Williams**, there being no objection, the Committee received a report on VTA Governance.

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

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.

**12. Employee Health and Welfare Benefits**

Vice Chairperson Casas expressed concern regarding the three year contract period, noting that VTA is locked in with the same employee health and welfare benefits providers.

Vice Chairperson Casas expressed concern that any changes to the providers would require collective bargaining with VTA employee unions. Vice Chairperson Casas queried how VTA ensures that its receiving the best possible services with the health and welfare benefits providers. Bill Lopez, Chief Administrative Officer (CAO), responded that Arlen Group, VTA's employee benefits broker, is contracted to market, analyze, and

negotiate the best prices and services for VTA. Mr. Lopez stated that VTA contracts with an independent benefits auditor to verify the benefits broker's recommendations.

Mr. Lopez reported that there are not many other health and welfare benefits service providers, noting a lack of competition in the health care field.

**M/S/C (Reed/McHugh)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to renew benefit contracts with Kaiser, PacifiCare, Valley Health Plan, Delta Dental, Pacific Union Dental, Vision Service Plan, and Custom Benefits Administrators for VTA employees and retirees for calendar year 2009.

**13. Contract Amendment - Mercer Investment Consulting, Inc.**

Joseph Smith, Chief Financial Officer (CFO), reported that Mercer Investment Consulting, Inc. has completed seven quarterly performance reports for VTA operations and the Amalgamated Transit Union (ATU) Pension Plan assets and on-call services consisting of an asset liability study, portfolio restructuring, and one Investment Manager search.

Chairperson Williams queried about the investment services. Mr. Smith responded that Mercer provides ongoing investment services and quarterly performance reports as part of their scope of work for VTA.

**M/S/C (Casas/Reed)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to amend an existing contract with Mercer Investment Consulting, Inc. to provide investment related advisory services, increasing the approved contract value by \$91,000 for a new contract value of \$386,000.

**14. Amendments to Advisory Committee Bylaws**

Jim Lawson, Senior Policy Advisor, reported that the recommendation is to approve amendments to the following Advisory Committee bylaws: Bicycle and Pedestrian Advisory Committee (BPAC), Citizens Advisory Committee (CAC), Policy Advisory Committee (PAC), and Technical Advisory Committee (TAC).

Mr. Lawson highlighted the primary reasons for the amendment to the Advisory Committee Bylaws:

- Modifying the schedule for election of the Chairperson and Vice Chairperson from January as currently scheduled to the preceding December for the BPAC, CAC, and TAC; and
- Other minor administrative adjustments to provide consistency between all VTA Advisory Committees or to delete inapplicable provisions.

Mr. Lawson stated that the following Advisory Committees approved the recommendation: BPAC, CAC, and TAC; however, the PAC did not approve since their member representation appointments are not confirmed until January of the year.

Mr. Lawson noted that if the Committee approves the proposed recommendation then the item will be forwarded to the October 2, 2008 Board of Directors Regular meeting for consideration.

**M/S/C (Casas/Reed)** to approve submitting a recommendation to the Board of Directors to approve amendments to the bylaws of the Bicycle and Pedestrian Advisory Committee (BPAC), Citizens Advisory Committee (CAC), Policy Advisory Committee (PAC), and Technical Advisory Committee (TAC), consisting of: Modifying the schedule for election of the chairperson and vice chairperson from January as currently scheduled to the preceding December for the BPAC, CAC, and TAC; and Other minor administrative adjustments to ensure consistency between advisory committees or to delete inapplicable provisions.

## **OTHER ITEMS**

### **15. Items of Concern and Referral to Administration**

There were no Items of Concern and Referral to Administration.

### **16. Committee Work Plan**

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

### **17. Committee Staff Report**

Joseph Smith, Chief Financial Officer (CFO) and Staff Liaison, reported that Lehman Brothers, an innovator in global finance services, is the marketing agent for the following two VTA Variable Bonds: California Transit Finance Authority Bond and the 1976 VTA Enterprise Fund of 2008 Bonds.

Mr. Smith stated that Lehman Brothers has been acquired by Barclays Capital, noting that in the interim VTA will remain with Barclays. Staff will reassess the situation to determine if VTA will continue with Barclays or consider other investment banking firms.

Mr. Smith reported that American International Group, Inc (AIG) is the provider for VTA's excess liability insurance, noting that staff will reassess the situation to determine if VTA will continue with AIG or consider other providers.

Vice Chairperson Casas queried if the Lehman Brothers contract contained a resignation clause. Mr. Smith responded that VTA has given notice to Lehman Brothers; however, Lehman Brothers has waived the request.

Vice Chairperson Casas queried about the Lehman Brothers acquisition by Barclays Capital. Kim Koenig, Fiscal Resources Manager, responded that Lehman Brothers has been instructed to continue with business as usual during the acquisition process.

Kurt Evans, Government Affairs Manager, noted that VTA will support State Legislation Proposition 1A regarding the High-Speed Rail bond measure scheduled on the November ballot.

Mr. Evans commented on the status of the State Budget, noting that Governor Schwarzenegger intends to veto the proposed budget. He noted that the State Legislative has scheduled to meet on Thursday, September 18, 2008 to discuss the next steps.

**18. Chairperson's Report**

Chairperson Williams expressed his appreciation and thanked staff for their diligent work within the organization.

Board Member Reed left the meeting at 1:24 p.m.

**19. Determine Consent Agenda for the October 2, 2008 Board Meeting**

**CONSENT: Agenda Item #11.** 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 #12.** Authorize the General Manager to renew benefit contracts with Kaiser, PacifiCare, Valley Health Plan, Delta Dental, Pacific Union Dental, Vision Service Plan, and Custom Benefits Administrators for VTA employees and retirees for calendar year 2009; **Agenda Item #13.** Authorize the General Manager to amend an existing contract with Mercer Investment Consulting, Inc. to provide investment related advisory services, increasing the approved contract value by \$91,000 for a new contract value of \$386,000; and **Agenda Item #14.** Approve amendments to the bylaws of the Bicycle and Pedestrian Advisory Committee (BPAC), Citizens Advisory Committee (CAC), Policy Advisory Committee (PAC), and Technical Advisory Committee (TAC), consisting of: Modifying the schedule for election of the chairperson and vice chairperson from January as currently scheduled to the preceding December; and Other minor administrative adjustments to ensure consistency between advisory committees or to delete inapplicable provisions.

**REGULAR: None**

**20. Announcements**

There were no Announcements.

**21. ADJOURNMENT**

**On order of Chairperson Williams,** there being no objection, the meeting was adjourned at 1:25 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant  
VTA Board of Directors