

Administration & Finance Committee

Thursday, February 19, 2009

MINUTES

Call to Order

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:10 p.m. by Chairperson Kniss in Room B-104, VTA River Oaks Campus, 3331 North First Street, San Jose, California.

1. ROLL CALL

Attendee Name	Title	Status	Arrived
David Casas	Board Member	Absent	
Don Gage	Board Member	Present	
Chuck Reed	Board Member	Present	
Liz Kniss	Chairperson	Present	
Nora Campos	Alternate Board Member	Absent	
Chris Moylan	Alternate Board Member	Absent	

* Alternates do not serve unless participating as a Member.

2. PUBLIC PRESENTATIONS:

There were no Public Presentations.

3. ORDERS OF THE DAY

Chairperson Kniss moved the following Items to the end of the Agenda: **Agenda Item #4**, Closed Session and **Agenda Item #5**, Closed Session Report.

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

The Agenda was taken out of order.

Agenda Item #4., Closed Session and **Agenda Item #5.**, Closed Session Report were moved to the end of the Agenda.

4. RECESS TO CLOSED SESSION

Anticipated Litigation--Conference with Legal Counsel

Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9: (Three cases)

5. CLOSED SESSION REPORT

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

CONSENT AGENDA

6. **Regular Meeting Minutes of January 15, 2009**

M/S/C (Gage/Reed) to approve the Regular Meeting Minutes of January 15, 2009.

7. **Monthly Legislative History Matrix**

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

8. **Second Quarter FY 2009 Public Liability/Property Damage Claims Activity**

M/S/C (Gage/Reed) to review the 2009 Quarterly Public Liability Claims report.

9. **Second Quarter Report of Workers' Compensation Claims and Transitional Work Program**

M/S/C (Gage/Reed) to review Quarterly Workers' Compensation and Transitional Work Program Claims report.

10. **Quarterly Purchasing Report**

M/S/C (Gage/Reed) to review the Quarterly Purchasing Report for October 1 through December 31, 2008.

REGULAR AGENDA

11. **Monthly Investment Report - December 2008**

Kimberly Koenig, Fiscal Resources Manager, stated the investment report covered the investment performance for the month of December 2008, as well as calendar year 2008.

Ms. Koenig reported: 1) VTA operating portfolio ended the calendar year with a 5.3 percent return; 2) Retiree medical portfolio earned 2.7 percent in December, but ended the year down 21 percent; 3) VTA Amalgamated Transit Union (ATU) pension portfolio earned 4.1 percent in the month December, but ended the year down 20 percent; and 4) ATU spousal medical fund earned 3.4 percent in December, but ended the year down 21 percent. Ms. Koenig noted these losses were due to all asset allocations within the equities.

Chairperson Kniss questioned if the reported losses would initiate a procedural change going forward. Ms. Koenig recommended no changes be made to the long-term investment portfolios, noting the importance of focusing on the long-term goal of earning eight percent.

Member Reed questioned regarding benchmarking to other plans, funds, or agencies, noting a wide range of performance among investors and questioned how VTA measures against others. He then questioned whether information gleaned from benchmarking would suggest a change in the mix of portfolios or money managers.

Ms. Koenig referenced VTA's investment consultant, Mercer Consulting, who provides quarterly analysis on each money manager's performance and change recommendations. With one exception, VTA's money managers have been performing either better or equal to the median within each of their respective categories. In February, the Board approved replacing Brandywine with Wedge Capital, a replacement expected to be completed by the end of March.

Member Reed noted Ms. Koenig's comments reflected an internal evaluation and suggested an external evaluation would afford a comparative look at cities or other transit agencies to determine best practices. He suggested the evaluation encompass a 10-year performance period, noting some funds perform consistently better than others.

Ms. Koenig noted VTA has not performed peer comparisons for these funds. Member Reed suggested peer comparisons should be considered, noting the City of San Jose hopes to gain a better understanding of why others achieve better performance for similar types of funds through the use of peer comparisons.

Chairperson Kniss expressed her support of benchmarking, especially with transportation agencies.

Bill Lopez, Chief Administrative Officer, reported the ATU Pension Plan performs peer-to-peer comparisons and benchmarking, through which a report could be generated.

On order of Chairperson Kniss and there being no objection, the Committee reviewed the Amendment to the VTA Unrestricted and Restricted Funds Investment Policy.

12. Quarterly Revenue & Expense Statement

Carol Lawson, Fiscal Resources Manager, provided an update on the Statement of Revenues and Expenses year-to-date through December 31, 2008.

Ms. Lawson referenced Schedule 12A, entitled "Santa Clara Valley Transportation Authority Statement of Revenues and Expense Fiscal year 2009 through December 31, 2008." She reported total revenues for the first six month of the year were \$14 Million under budgeted revenues. Sales tax revenues, the majority of revenues earned, were made up of three components: 1) 1976 one-half cent sales tax; 2) Transportation Development Act (TDA) Funds; and 3) Operating Assistance derived from the Measure A Sales Tax.

Ms. Lawson reported total expenses for the first six-month period were budgeted at \$181 Million; Actuals were \$171 Million. The major function of that was with labor costs. Through active management of vacancies, labor costs have been kept low.

Joseph Smith, Chief Financial Officer and Staff Liaison, provided handouts entitled "Santa Clara Valley Transportation Authority Sources and Uses of Funds Summary - Preliminary FY10-FY12 Projections as of 2-12-09" and "VTA Transit Sales Tax Based & STA Revenues." Michael T. Burns, General Manager, noted this report was being brought to the attention of the committee and would be discussed during the February 27, 2009, Board of Directors Workshop.

Mr. Burns referenced the difference between projected revenues and expenses for fiscal years 2010, 2011 and 2012 and reported a \$28 Million operating deficit for fiscal year 2010 and an almost \$50 Million operating deficit for fiscal year 2011.

Budget proposals submitted by each department have been vetted and reduced. There is still a significant shortfall. The shortfall of Fiscal Year 2010 is covered by reserves. With the reserves then depleted, there is a shortfall in Fiscal Year 2011.

Mr. Burns reported this item will be discussed in more detail at the February 27, 2009, Board of Directors Workshop and in more detail with the A&F over the next four-month period as the budget is developed for Fiscal Years 2010 and 2011.

Mr. Burns stated these are unprecedented times, creating a challenge of preparing a two-year budget given the uncertainty of what will occur over the next two years. There has been consideration of a one-year budget, continually updated throughout the year. With a two-year budget, there would be a significant reduction in expenses. In the event this direction continues, these numbers will not be achieved without significant service cuts.

Mr. Burns noted VTA has been significantly affected by the economy and impacted by the State budget, just like every other municipality in the county. VTA will have more information on the stimulus funds at the Board of Directors Workshop. This will be a difficult budget process.

Member Gage questioned how this will affect capital projects. Mr. Burns stated capital projects will be reduced, noting the same trend is being seen in the Measure A program and in the sales tax revenues.

Mr. Burns stated this item will be discussed during the February 27, 2009, Board of Directors Workshop.

M/S/C (Gage/Reed) to review and accept the Fiscal Year 2009 Quarterly Statement of Revenues and Expenses for the period ending December 31, 2008.

13. Financial Policy Statements

Joseph Smith, Chief Financial Officer and Staff Liaison, stated the Board is being asked to reaffirm the summarization of VTA financial policies. The summarization provides a guideline of how financial affairs are conducted at VTA.

The mission of the Government Finance Officers Association of the United States and Canada (GFOA) is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices. GFOA recommends these fiscal policies be reviewed and reaffirmed annually during the budget process and these policies be summarized in the budget document.

Staff's goal is to submit the prepared budget document to the GFOA for review and consideration for the Distinguished Budget Presentation Award.

Chairperson Kniss referenced Page 3, noted under “Long-Range Planning” the phrase “long-term analysis and financial planning” and questioned the period of time defined by long-term analysis. Mr. Smith stated it was in reference to the annually updated 10-year short-range transportation plan. He noted it is part of the federal plan with financial cash-flow representing anticipated revenues, costs for operating expenses, as well as the capital expenditures. Chairperson Kniss suggested staff provide a better definition.

Chairperson Kniss questioned regarding the process for grant evaluation and whether there was something in the grants that provide information on their cost effectiveness. John Ristow, Chief Congestion Management Agency (CMA) Officer, reported the Transit Agency receives some grants on a formula basis. Grants that VTA pursues are against a project that is already in a capital improvement program.

M/S/C (Gage/Reed) to reaffirm VTA financial policies by approving a summarized version of financial policy statements for adoption and use in various VTA financial documents such as the biennial adopted budget book.

Board Member Reed recused himself per Government Code Section 84308 from the following Agenda Items: **Agenda Item #s 14, 15, and 16.**

Board Member Reed recused himself and left his seat at 12:25 p.m., the quorum was lost, and a Committee of the Whole was declared

14. Real Estate Consultant Services

Member Gage questioned regarding the number of items included on the Attachment entitled “Real Estate Consultant Services.” John Ristow, Chief Congestion Management Agency (CMA) Officer, defined the list as a qualification list containing experts within each individual area with costs incurred only if utilized.

On order of Chairperson Kniss and there being no objection, the Committee of the Whole approved forwarding the item without a recommendation to the Board of Directors for consideration at the March 5, 2009, VTA Board of Directors Regular Meeting and authorize the General Manager to establish a list of thirty-one qualified firms for the various categories of real estate consultant services as reflected on the attached Exhibit "A" including title and escrow, acquisition and eminent domain, relocation, real property appraisal, goodwill appraisal and appraisal review services. The list will be for a five-year period. The General Manager is authorized to enter into contracts of up to five years with an aggregate value not to exceed \$14,000,000. The specific value for each contract executed will be determined in accordance with an approved budget for the relevant capital project that requires the contracted services.

15. SJ Arena Parking Management Lease Extension

Roberta Notrangelo, Manager, Real Estate & Project Administration, stated arena management takes control of the San Jose Diridon Caltrain Station parking lot two and one-half hours prior to each event. Staff monitors and charges each vehicle entering at a parking rate predetermined by the City of San Jose. The revenue collected, less a management fee for San Jose Arena Management, is shared between the Peninsula Corridor Joint Powers Board (PCJPB) and VTA with 69 percent going to the PCJPB and

31 percent to VTA. The shares are based on the percentage of the 580 parking stalls each agency owns within the parking facility. (180 spaces are VTA owned and 400 spaces are PCJPB owned.) The terms and conditions would remain the same. Staff feels the terms and conditions are favorable. Approximately \$190,000 per year in revenue is generated from this agreement.

All of the terms in conditions remain in place. A 30-day cancellation clause is in place should VTA require the property for the Diridon BART station area.

On order of Chairperson Kniss and there being no objection, the Committee of the Whole approved forwarding the item without a recommendation to the Board of Directors for consideration at the March 5, 2009, VTA Board of Directors Regular Meeting and authorize the General Manager to execute a Second Amendment to the Cooperative Parking Agreement with the Peninsula Corridor Joint Powers Board (PCJPB) and San Jose Arena Management, LLC (SJAM) extending for an additional five years SJAM's management of the San Jose Diridon Caltrain Station parking lot for HP Pavilion (Arena) event parking.

16. Selection of ICMA Retirement Corporation as VTA's 457 Deferred Compensation Plan and 401(A) Money Purchase Plan Provider

Bill Lopez, Chief Administrative Officer, stated each plan has different features, but the primary purposes of both is to allow employees to contribute part of their salaries on a pre-tax basis and to defer taxes on that income and investment earnings to their benefit.

On order of Chairperson Kniss and there being no objection, the Committee of the Whole approved forwarding the item without a recommendation to the Board of Directors for consideration at the March 5, 2009, VTA Board of Directors Regular Meeting and:

- 1) Confirm the Deferred Compensation Committee's selection of International City Management Association - Retirement Corporation (ICMA-RC) as VTA's 457 Deferred Compensation Plan and 401(a) Money Purchase Plan Provider;
- 2) Adopt ICMA-RC's model plan documents for the 401(a) Plans and adopt a resolution confirming the pre-tax deferral of participant contributions to the 401(a) Plans;
- 3) Amend the 401(a) Plan for the General Manager to add the General Counsel to the Plan; and
- 4) Authorize staff to amend the Plan Documents whenever ICMA amends its model plan to ensure compliance with Internal Revenue Service regulations and changes in tax law.

OTHER ITEMS

Board Member Reed took his seat at 12:35 p.m. and the quorum was declared.

17. Revised Joint Development Policy

Bijal Patel, Deputy Director, Property Development & Management, provided an update on the Joint Development Program.

Ms. Patel noted over the past few months staff has reviewed a number of different areas where improvements can be made within the Joint Development Program and how the goals set forth can be achieved.

The Board has adopted and amended a Joint Development Policy. Staff has reviewed the policy to ensure it will take VTA in the direction it needs to go. Many areas have been identified for improvement. Staff's proposal is to replace the existing framework with one much more comprehensive and detailed. Staff has met with the Congestion Management Program & Planning (CMPP) Committee over the past few months, as a working group, discussing the areas of improvement on a conceptual level.

Ms. Patel noted the next step is the proposed text of the new framework, which consists of two parts. The first part is the policy itself, which is a high level guidance document for the program and the second is a more detailed information plan.

Ms. Patel discussed the proposed revisions with the document, noting the most significant difference is the proposed policy which is more comprehensive. The policy starts with how to identify assets that would be considered joint development assets, and how they are developed. She noted this leads to many steps of a participatory process. There are many outreach efforts requiring staff to work with the local jurisdictions, local stakeholders, and developer community to define what the development concept is and the community has some level on consensus. The goal is to have as much early input as possible before entering a Request for Proposals from Prospective Contractors (RFP) process. Once VTA is in the RFP process there will be well-defined concepts for what will be done site by site.

Ms. Patel noted the policy has three very clearly defined goals: 1) To provide a long-term, stable source of revenue for VTA; 2) To carry out transit-oriented development, where appropriate; and 3) To create development that results in ridership growth and/or infrastructure improvements. The emphasis will be to try and achieve all three as much as possible, but where there is a conflict the policy will consider revenue as the primary objective.

Ms. Patel stated the new policy contemplates the Board would actually approve the development concept of the RFP criteria before an RFP is issued so there is an organizational consensus on the path being taken on any major development project.

Michael T. Burns, General Manager, stated it would not just be organizational from VTA's prospective, but from the jurisdiction that has land-use responsibility. Ms. Patel agreed with Mr. Burns' comment and stated before it would be brought to the Board for approval, staff would have met with local jurisdictions, multiple times, including other key stakeholders ensuring the concepts being brought before the Board have been reviewed by those local jurisdictions and stakeholders.

Ms. Patel stated the implementation plan details information staff will provide to the Board for approval of the development concept. The Board will know with whom staff has met, the different analyses performed, and why staff has arrived at the concept they are proposing.

Mr. Ristow referenced a property transaction brought before the Board in 2008. The transaction illustrated areas of improvement needed within the overall program. The Board directed staff to review the program and identify areas for improvement. The areas requiring review, highlighted by the Board, were with the overall process and to involve the cities earlier in the development process. Mr. Ristow noted this direction from the Board was prior to Ms. Patel joining VTA. Ms. Patel has been able to take a fresh look at the process and to implement the Board's input.

Member Gage questioned when General Counsel would become involved in the process. Kevin Allmand, General Counsel, stated he has been involved and has discussed with Ms. Patel VTA's legal authority to do joint development, making sure what is proposed is consistent with the authority we have.

Member Gage stated the importance of Mr. Allmand being involved with all VTA joint development contracts, to ensure everything is completely defined and legal before an item is brought before the Board. Mr. Allmand noted his agreement.

Member Reed questioned regarding the long-term revenue strategy and whether this would primarily be with land leases. Ms. Patel stated this would be addressed site by site, noting the way the policy is drafted staff envisions long term revenue generation with ground leases. Ms. Patel noted there may be certain sites where long-term leasing does not make sense, particularly with for sale residential product, where VTA might have to consider certain areas where a site will be divided with portions sold and portions leased. She then noted this will have to be driven by the specific asset, but the overall goal is long-term leasing.

On order of Chairperson Kniss and there being no objection, the Committee reviewed and discussed the revised Joint Development Program policy framework.

18. Items of Concern and Referral to Administration

There were no Items of Concern and Referral to Administration.

19. Review Committee Work Plan

Agendize the voting to determine the A&F Committee's Vice Chairperson for calendar year 2009, for the March 19, 2009, A&F meeting.

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

20. Committee Staff Report

Joseph Smith, Chief Financial Officer and Staff Liaison, reported the budget would be discussed during the February 27, 2009, Board of Directors Workshop.

Mr. Smith noted there will also be a discussion regarding an annual budget for VTA in place of the two-year budget.

21. Chairperson's Report

There was no Chairperson's Report.

22. Determine Consent Agenda for the March 5, 2009 Board of Directors Meeting.

CONSENT:

Agenda Item #7, Review the Monthly Legislative History Matrix.

Agenda Item #12, Review and accept the Fiscal Year 2009 Quarterly Statement of Revenues and Expenses for the period ending December 31, 2008.

Agenda Item #13, Reaffirm VTA financial policies by approving a summarized version of financial policy statements for adoption and use in various VTA financial documents such as the biennial adopted budget book.

Agenda Item #14, Authorize the General Manager to establish a list of thirty-one qualified firms for the various categories of real estate consultant services as reflected on the attached Exhibit "A" including title and escrow, acquisition and eminent domain, relocation, real property appraisal, goodwill appraisal and appraisal review services. The list will be for a five-year period. The General Manager is authorized to enter into contracts of up to five years with an aggregate value not to exceed \$14,000,000. The specific value for each contract executed will be determined in accordance with an approved budget for the relevant capital project that requires the contracted services.

Agenda Item #15, Authorize the General Manager to execute a Second Amendment to the Cooperative Parking Agreement with the Peninsula Corridor Joint Powers Board (PCJPB) and San Jose Arena Management, LLC (SJAM) extending for an additional five years SJAM's management of the San Jose Diridon Caltrain Station parking lot for HP Pavilion (Arena) event parking.

Agenda Item #16, 1) Confirm the Deferred Compensation Committee's selection of International City Management Association - Retirement Corporation (ICMA-RC) as VTA's 457 Deferred Compensation Plan and 401(a) Money Purchase Plan Provider; 2) Adopt ICMA-RC's model plan documents for the 401(a) Plans and adopt a resolution confirming the pre-tax deferral of participant contributions to the 401(a) Plans; 3) Amend the 401(a) Plan for the General Manager to add the General Counsel to the Plan; and 4) Authorize staff to amend the Plan Documents whenever ICMA amends its model plan to ensure compliance with Internal Revenue Service regulations and changes in tax law.

23. ANNOUNCEMENTS

Member Reed reported on his trip to Washington last week to discuss the stimulus package with Secretary LaHood, noting it is clear that as soon as the stimulus package is out of the way, the United States House of Representative's Committee on Transportation and Infrastructure will address the surface transportation reauthorization work, noting that is where the real money is with regard to transportation.

4. RECESSED TO CLOSED SESSION at 12:50 p.m.

Anticipated Litigation - Conference with Legal Counsel

Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9: (Three cases)

Kevin Allmand, General Counsel, requested the record reflect the A&F Committee was recessing to close session for Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9.

RECONVENED TO OPEN SESSION at 1:11 p.m.

5. CLOSED SESSION REPORT

There was no reportable action taken during Closed Session.

24. ADJOURNMENT

On order of Chairperson Kniss and there being no objection, the meeting was adjourned at 1:12 p.m.

Respectfully submitted,

Susan E. Garcia, Board Assistant
VTA Board of Directors