

ADMINISTRATION & FINANCE COMMITTEE

Thursday, April 16, 2009

MINUTES

CALL TO ORDER

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:07 p.m. by Vice Chairperson Gage in Room B-104, VTA River Oaks Campus, 3331 North First Street, San Jose, California.

1. ROLL CALL

Attendee Name	Title	Status
David Casas	Board Member	Present
Don Gage	Board Member	Present
Liz Kniss	Board Member	Absent
Chuck Reed	Board Member	Present
Nora Campos	Alternate Board Member	N/A
Chris Moylan	Alternate Board Member	N/A
George Shirakawa	Alternate Board Member	N/A

* Alternates do not serve unless participating as a Member.

A quorum was not present and a Committee of the Whole was declared.

2. PUBLIC PRESENTATIONS

There were no Public Presentations.

3. ORDERS OF THE DAY

Vice Chairperson Gage noted a request to move the following Agenda Item from the Consent Agenda to the Regular Agenda: **Agenda Item #8**. Monthly Investment Report – February 2009.

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

4. RECESSED TO CLOSED SESSION at 12:09 p.m.

A. Conference with Labor Negotiators

[Government Code Section 54957.6]

VTA Designated Representatives:

Joseph Smith, Chief Financial Officer

Bill Lopez, Chief Administrative Officer

Robert L. Escobar, Human Resources Manager

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

Employee Organizations:

American Federation of State, County and Municipal Employees (AFSCME)
Amalgamated Transit Union (ATU), Local 265
Service Employees International Union, (SEIU), Local 521
Transportation Authority Engineers and Architects Association (TAEA), Local 21

Board Member Reed arrived at the meeting and entered Closed Session at 12:10 p.m.,
and a quorum was declared.

RECONVENED TO OPEN SESSION at 12:34 p.m.

5. CLOSED SESSION REPORT

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

VTA Designated Representatives:

Joseph Smith, Chief Financial Officer
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Employee Organizations:

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Service Employees International Union, (SEIU), Local 521
Transportation Authority Engineers and Architects Association (TAEA), Local 21

There was no reportable action taken during Closed Session.

CONSENT AGENDA

6. Regular Meeting Minutes of March 19, 2009

M/S/C (Casas/Reed) to approve the Regular Meeting Minutes of March 19, 2009.

7. Bicycle and Pedestrian Advisory Committee (BPAC) Appointment

M/S/C (Casas/Reed) to approve submitting a recommendation to the Board of Directors to ratify the appointments to the Bicycle Pedestrian Advisory Committee (BPAC) of Richard Ruh as the City of Monte Sereno representative and Paul Goldstein as the alternate representative of the Silicon Valley Bicycle Coalition.

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

Review the Report on Santa Clara Valley Transportation Authority Investments for the month of February 2009.

9. Monthly Legislative History Matrix

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

10. Authorization for Annual Operations Insurance Program Renewal

M/S/C (Casas/Reed) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to purchase insurance coverage for Fiscal Year 2009/2010 for Excess Liability, General and Auto Liability, Public Officials Errors and Omissions Liability, Property/ Boiler and Machinery, Inland Marine for Buses, Vans and Mobile Equipment, Inland Marine for Light Rail Vehicles, and Flood Exposures for the Annual Operations Program Insurance Renewal for an amount not to exceed \$2,118,693.

The Agenda was taken out of order.

REGULAR AGENDA

8. Monthly Investment Report - February 2009

Tammy Dhanota, Chief Steward of Services Employees International Union (SEIU), Local 521, referenced the bargaining units meeting related to FY 2010 and FY 2011 Recommended Budget with Michael T. Burns, General Manager, reflected a decline in sales tax revenues. Ms. Dhanota queried about the sales tax revenues discrepancy reported at the bargaining units meeting and the information included in the Monthly Investment Report related to General Market Conditions, where it states, “retail sales unexpectedly rose 1 percent after six months of decline.”

Joe Smith, Chief Financial Officer, responded the information is based on sales tax activity, which occurred in FY 2008 and FY 2009, noting VTA has not received the data regarding third quarter sales tax revenues at this time.

Kim Koenig, Fiscal Resources Manager, stated the retail sales information is included in the National Economic Indicators Gross Domestic Product (GDP) and not necessarily reflected in what occurs within Santa Clara County.

M/S/C (Reed/Casas) to review the Report on Santa Clara Valley Transportation Authority Investments for the month of February 2009.

11. VTA Governance Update

Jim Lawson, Senior Policy Advisor, reported on the Hay Group Organization and Financial Assessment recommendation in the area of governance, which identified Board Member turnover as a critical challenge to VTA’s Governance Structure. Mr. Lawson reported the turnover is particularly high for the small city groupings.

Mr. Lawson stated the Hay Group Assessment recommended the Board of Directors examine alternatives to lengthen member’s office term and to work with appointing authorities to ensure members are eligible to serve on the Board and include appropriate qualifications.

At the May 1, 2008 Board of Directors Regular Meeting, the Board approved the following recommendations: Eliminate the concept of city groups selecting their representatives through a rotation process and instead each of the city groupings will select their representative to serve on the Board; Directors will serve two-year terms but appointing authorities are encouraged to reappoint representatives to serve consecutive

terms; and include a process for selecting members within the city groups who have the required experience and qualifications in transportation.

Mr. Lawson noted the A&F Committee Meeting on October 16, 2008, where staff was directed to work with the cities on the governance changes and to provide a progress report back to the Committee. Staff has met with the small city groupings to present updates on VTA's Governance issue and recommended they develop a methodology to select their representatives for appointment to serve on VTA's Board in January 2010.

Mr. Lawson commented on Group 3 (Campbell, Cupertino, Town of Los Gatos, Monte Sereno, and Saratoga), which consists of one Member and one Alternate Member, the group agreed to continue their current policy to appoint a representative at their Mayor and Managers meeting with each city having an equal voice in the process.

Group 2 (Los Altos, Town of Los Altos Hills, Mountain View, Palo Alto, Santa Clara and Sunnyvale), which consists of three Members and one Alternate Member, the cities are currently in the process of seeking approval by their respective city councils appoint representatives by population weighted rank order vote.

Group 4 (Gilroy, Milpitas, and Morgan Hill), which consists of one Member and one Alternate Member, the group is attempting to develop a methodology to accommodate the significant regional differences within the grouping.

Mr. Lawson stated staff will continue to work with Groups 2 and 4 and provide an update report at the September 17, 2009 A&F Committee Meeting.

Vice Chairperson Gage suggested staff work to formulate a recommendation to be presented to the A&F Committee then forward to the Board of Directors for discussion and consideration.

On order of Vice Chairperson Gage and there being no objection, the Committee received the VTA Governance Update.

12. Bill Position: AB 798 (Nava)

Kurt Evans, Government Affairs Manager, reported Assembly Bill (AB) 798 (Nava) creates the California Transportation Financing Authority (CTFA) to assist local and regional agencies in obtaining financing through the issuance of revenue bonds for the construction of improvements to the State's Transportation Infrastructure.

Mr. Evans stated AB 798 (Nava) is identical to AB 3021 (Nava) from 2008, which was approved by the Legislature but vetoed by Governor Arnold Schwarzenegger. VTA Board of Directors supported AB 3021 (Nava) in 2008 and staff recommends the Board support AB 798 (Nava).

M/S/C (Reed/Casas) to approve submitting a recommendation to the Board of Directors to recommend the VTA Board of Directors adopt a support position for AB 798 (Nava), which creates the California Transportation Financing Authority to assist local and regional agencies in obtaining financing through the issuance of revenue bonds for the construction of improvements to the State's transportation infrastructure. This bill also allows the authority to permit local and regional agencies, as part of the financing plan for their projects, to impose tolls for the use of the facilities constructed.

13. Bill Position: AB 338 (Ma)

Kurt Evans, Government Affairs Manager, reported Assembly Bill (AB) 338 (Ma) allows local officials to divert property tax increment revenues to pay for new bonds for infrastructure within transit village development districts. Mr. Evans stated AB 338 (Ma) allows cities and counties to capture the fiscal benefits of new construction inside transit villages by connecting property tax increment financing for transit village development.

Mr. Evans reported the intention of AB 338 (Ma) is to remove a major roadblock to Transit Oriented Development (TOD) by encouraging cities and counties to combine transit village planning with property tax increment financing without having to setup redevelopment project areas.

Vice Chairperson Gage queried if the assembly bill could include certain development standards where planned TOD densities could not be reduced later. Mr. Evans responded staff would forward the information to the author of the bill for consideration.

M/S/C (Reed/Casas) to approve submitting a recommendation to the Board of Directors to recommend the VTA Board of Directors adopt a support position for AB 338 (Ma), which allows local officials to divert property tax increment revenues to pay for new bonds for infrastructure within transit village development districts.

OTHER ITEMS

14. Peer Performance – VTA/ATU Pension Investments

Kimberly Koenig, Fiscal Resources Manager, referenced Board Member Reed's request for investment performance information on VTA's peers, noting the information focuses on VTA/Amalgamated Transit Union (ATU) Pension Plan.

Ms. Koenig stated the comparison should be compared to funds with the same asset allocation, plan duration, and benefit structure. Staff working collaboratively with Mercer Investment Consulting, Inc., VTA's investment services consultant, was able to obtain investment performance data for nine plans of similar size, asset allocation mix, and plan duration. The nine plans consist of the following: Regional Transportation Authority located in Illinois and eight other plans that elected not to have their names identified.

Ms. Koenig reported VTA/ATU Pension Plan has exceeded its Policy Index and performance of similar plans for all the time periods considered. VTA/ATU Pension Plan investment performance was above the middle for all public funds with less than \$1 billion of assets in the Russell/Mellon Trust Universe®.

VTA forwarded a survey to the forty members of the California Association of Public Retirement Systems (CALAPRS) requesting current and historical investment performance data. CALAPRS members consist of statewide systems, counties, cities, and special districts, including a few transit agencies. Ms. Koenig reported eight out of the eleven agencies provided investment performance by calendar year, noting VTA/ATU Pension Plan outperformed the eight agencies during the last quarter of 2008.

Board Member Reed noted the importance for VTA to have the right asset allocation mix. Board Member Reed expressed appreciation to staff for the investment performance information, noting VTA has outperformed its peers.

Board Member Reed asked when VTA's contribution rates will be reviewed and if the information will be factored into FY 2010 and FY 2011 projections. Ms. Koenig responded the losses and gains experienced in the VTA/ATU Pension Plan are not recognized in the same year since they are amortized over a longer period of time.

On order of Vice Chairperson Gage and there being no objection, the Committee reviewed the Peer Performance - VTA/ATU Pension Investments.

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 Vice Chairperson Gage and there being no objection, the Committee reviewed the Committee Work Plan.

17. Committee Staff Report

Discussion regarding the Fiscal Year 2010 and Fiscal Year 2011 Budget Preparation

Joe Smith, Chief Financial Officer, provided a brief overview of the FY 2010 and FY 2011 Budget Preparation Process. Mr. Smith stated VTA has significant decreases in anticipated revenues, noting the State budget has eliminated all operating assistance funding, which VTA receives from the State Transportation Assistance (STA) Program. Mr. Smith stated VTA's intent is to preserve its service plan as well as job positions. The financial challenges facing VTA's budget is related to revenues and funding resources. VTA will have a deficit of \$28.4 million in FY 2010 and \$49.7 million in FY 2011.

Mr. Smith commented on VTA's strategies to offset revenue reductions in development of Preliminary Projections: maximize the use of Federal Preventive Maintenance Funds; maintain current vacancy rates; reduction in Travel; reduction in Outside Repair Services; reduction in Materials and Supplies; reduction in Professional Services; reduction in Security Contract; reduction in Telephone and Communications; reduction in Advertising and Printing; reduction in Office Supplies; and reduction in Paratransit Contract.

Mr. Smith commented on the following strategies to offset revenue reductions and minimize VTA's projected deficit: fare increases; labor savings; service modifications; align Paratransit Service coverage with Fixed Route Service; departmental non-labor savings; no increases in VTA's share from FY 2009 Caltrain Contribution and Altamont Commuter Express (ACE) Contribution; and reductions in light rail shuttles.

Mr. Smith commented on the following labor saving strategies: wage freeze and cuts; work furloughs; employee contribution to pension plan; employee contribution to retiree medical; and an increase in employee contribution to health care.

Mr. Smith stated staff is currently working on VTA's budget preparation process and provided an update to the bargaining units on April 14, 2009 as well as to the Advisory

Committee Chairs and Vice Chairs on April 15, 2009. VTA will conduct Employee Forums and present the information on April 17 through April 23, 2009. VTA's budget update will be presented at the April 24, 2009 Board of Directors Workshop Meeting. VTA's recommended budget is scheduled for review at community meetings and VTA's Advisory Committee Meetings in May 2009. VTA's final recommended budget will be presented at the May 21, 2009 Administration and Finance (A&F) Committee then will be forwarded for consideration at the June 4, 2009 Board of Directors Regular Meeting.

Board Member Casas expressed concern regarding the proposal to align Paratransit Service coverage with Fixed Route Service. Board Member Casas queried if the proposed fare increase could be increased by 20 percent to offset the proposed changes to the Paratransit Service coverage. Board Member Casas stressed the importance to be considerate of the senior/disabled individuals who utilize Paratransit Service and do our due diligence to not negatively affect the level and depth of their lives.

18. Chairperson's Report

There was no Chairperson's Report.

19. Determine Consent Agenda for the May 7, 2009 Board Meeting

CONSENT: Agenda Item #7, Ratify the appointments to the Bicycle Pedestrian Advisory Committee (BPAC) of Richard Ruh as the City of Monte Sereno representative and Paul Goldstein as the alternate representative of the Silicon Valley Bicycle Coalition;

Agenda Item #10, Authorize the General Manager to purchase insurance coverage for Fiscal Year 2009/2010 for Excess Liability, General and Auto Liability, Public Officials Errors and Omissions Liability, Property/ Boiler and Machinery, Inland Marine for Buses, Vans and Mobile Equipment, Inland Marine for Light Rail Vehicles, and Flood Exposures for the Annual Operations Program Insurance Renewal for an amount not to exceed \$2,118,693;

Agenda Item #12, Recommend the VTA Board of Directors adopt a support position for AB 798 (Nava), which creates the California Transportation Financing Authority to assist local and regional agencies in obtaining financing through the issuance of revenue bonds for the construction of improvements to the State's transportation infrastructure. This bill also allows the authority to permit local and regional agencies, as part of the financing plan for their projects, to impose tolls for the use of the facilities constructed; and

Agenda Item #13, Recommend the VTA Board of Directors adopt a support position for AB 338 (Ma), which allows local officials to divert property tax increment revenues to pay for new bonds for infrastructure within transit village development districts.

REGULAR: None

20. Announcements

Board Member Reed referenced a letter dated March 10, 2009 from Assembly Member Jim Beall Jr. regarding the creation of an advisory committee related to the development of the San Jose Diridon Station and High Speed Rail (HSR) Project.

21. ADJOURNMENT

On order of Vice Chairperson Gage and there being no objection, the meeting was adjourned at 1:22 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant
VTA Board of Directors