

## ADMINISTRATION & FINANCE COMMITTEE

Thursday, April 16, 2009  
12:00 PM

VTA Conference Room B-104  
3331 North First Street  
San Jose, CA

### AGENDA

#### CALL TO ORDER

**1. ROLL CALL**

**2. PUBLIC PRESENTATIONS:**

This portion of the agenda is reserved for persons desiring to address the Committee on any matter not on the agenda. Speakers are **limited to 2 minutes**. The law does not permit Committee action or extended discussion on any item not on the agenda except under special circumstances. If Committee action is requested, the matter can be placed on a subsequent agenda. All statements that require a response will be referred to staff for reply in writing.

**3. ORDERS OF THE DAY**

**4. RECESS TO CLOSED SESSION**

**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

Employee Organizations:

American Federation of State, County and Municipal Employees (AFSCME)

Amalgamated Transit Union (ATU), Local 265

Service Employee International Union, (SEIU), Local 521

Transportation Authority Engineers and Architects Association (TAEA), Local 21

#### RECONVENE TO OPEN SESSION

**5. CLOSED SESSION REPORT**

## CONSENT AGENDA

6. Approve the Regular Meeting Minutes of March 19, 2009.
7. ACTION ITEM - 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. INFORMATION ITEM – Monthly Investment Report – February 2009.
9. INFORMATION ITEM - Review the Monthly Legislative History Matrix.
10. ACTION ITEM - 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.

## REGULAR AGENDA

11. INFORMATION ITEM – VTA Governance Update.
12. ACTION ITEM - 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. ACTION ITEM - 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. INFORMATION ITEM - Peer Performance - VTA/ATU Pension Investments.
15. Items of Concern and Referral to Administration.
16. Review the Committee Work Plan.
17. Committee Staff Report. (J. Smith)
  - **Discussion** regarding the Fiscal Year 2010 and Fiscal Year 2011 Budget Preparation. (Verbal Report) (J. Smith)
18. Chairperson's Report. (Kniss)
19. Determine Consent Agenda for the May 7, 2009 Board Meeting.

**20. ANNOUNCEMENTS**

**21. ADJOURN**

**NOTE COMMITTEE MEMBERS:** In order to establish a quorum for this meeting, members are asked to call the Board Secretary's Office at (408) 321-5680 or E-mail: [board.secretary@vta.org](mailto:board.secretary@vta.org) before 5:00 p.m. on the day prior to the meeting. Thank you for your cooperation.

In compliance with the Americans with Disabilities Act (ADA), those requiring accommodations or accessible media for this meeting should notify the Board Secretary's Office 48 hours prior to the meeting at (408) 321-5680 or e-mail: [board.secretary@vta.org](mailto:board.secretary@vta.org), TDD (408) 321-2330. VTA's Homepage is located on the Web at: <http://www.vta.org/>.

All reports for items on the open meeting agenda are available for review in the Board Secretary's Office, 3331 North First Street, San Jose, California, (408) 321-5680, the Monday, Tuesday, and Wednesday prior to the meeting. This information is available on VTA's website at <http://www.vta.org/> and also at the meeting.

**NOTE: THE BOARD OF DIRECTORS MAY ACCEPT, REJECT OR MODIFY  
ANY ACTION RECOMMENDED ON THIS AGENDA.**

**ADMINISTRATION & FINANCE COMMITTEE**

Thursday, March 19, 2009

**MINUTES**

**CALL TO ORDER**

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:15 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
David Casas	Board Member	Absent
Don Gage	Board Member	Present
Liz Kniss	Board Member	Present
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 present.**

**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.**

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

6. **Election of Administration and Finance (A&F) Committee Vice Chairperson for 2009**

Chairperson Kniss opened the nominations from the floor for the position of Administration and Finance Committee Vice Chairperson for 2009.

Member Reed nominated Member Gage for the position of Administration and Finance Committee Vice Chairperson for 2009.

M/S/C (Reed/Kniss) to close the nominations and elect Member Gage as Administration and Finance (A&F) Committee Vice Chairperson for 2009, on a white ballot.

## **CONSENT AGENDA**

7. **Regular Meeting Minutes of February 19, 2009**

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

8. **Monthly Investment Report - January 2009**

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

9. **Monthly Legislative History Matrix**

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

10. **2009 Quarterly Attendance Report**

M/S/C (Gage/Reed) to review the 2009 Quarterly Attendance Report.

11. **Citizens Advisory Committee (CAC) Appointment**

M/S/C (Gage/Reed) to approve submitting a recommendation to the Board of Directors to ratify the nomination of Erik Larsen to the Citizens Advisory Committee (CAC), representing the South Bay AFL-CIO Labor Council.

## **REGULAR AGENDA**

12. **Bill Position: AB 266 (Carter)**

Kurt Evans, Government Affairs Manager, reported Assembly Bill (AB) 266 (Carter) an attempt to identify a solution to the states transportation funding problem. The last assessment was conducted in 1999 by the California Transportation Commission (CTC) at the direction of the Legislature, which was completed in response to the passage of SR 8 (Burton).

Mr. Evans reported the CTC assessment noted, "The report demonstrates substantial unfunded need for reinvesting in California's existing transportation systems. It also demonstrates the substantial funding requirements to expand those systems, both through lower cost operational improvements and more costly capacity increases. These costs,

while substantial, reflect the challenges of aging transportation systems and ‘catching up’ with three decades of population growth that out-paced highway and roadway capacity increases by a factor of over two, and growth in vehicle miles of travel that out-paced population by a factor of nearly three.”

Based on the 1999 CTC assessment study, it was determined that California’s 10-year funding need for transportation purposes was close to \$120 billion, which may now be closer to \$200 billion over the next 10 years. Mr. Evans stated the CTC determined that it would be beneficial to conduct an assessment of the State’s unfunded transportation needs on a regular basis to have an idea of the magnitude of the real problem.

**M/S/C (Gage/Reed)** to approve submitting a recommendation to the Board of Directors to adopt a support position for AB 266 (Carter), which requires the California Transportation Commission (CTC) to do an assessment of the State's unmet transportation needs every five years.

### **13. BART Plus Ticket Program Agreement**

Ali Hudda, Deputy Director of Accounting, reported the recommended agreement is to continue the BART Plus multi-agency ticket program in cooperation with BART and nine other Bay Area transit agencies through December 2009 with the option to extend up to three years in annual increments. The most recent program agreement was executed in 2006 for a two year term, which was extended through December 2008.

The BART Plus multi-agency ticket program consists of the following agencies: VTA, BART, SamTrans, San Francisco Municipal Transportation Agency (SFMTA), Union City Transit, Central Contra Costa Transit Authority, Eastern Contra Costa Transit Authority, Western Contra Costa Transit Authority, Livermore Amador Valley Transit Authority, the City of Benicia, and the Dumbarton Bridge Service Consortium.

Mr. Hudda stated it was determined a new agreement should be executed based on the following changes: a ticket price increase for the “bus share” from \$48 per month to \$58 per month effective July 2009, the removal of Benicia, and the inclusion of the City of Rio Vista to the multi-agency program.

Mr. Hudda commented VTA has a small share of the program, about 1.8 percent; therefore, VTA received \$22,115 from the BART Plus Program for fiscal year ending June 30, 2008.

**M/S/C (Reed/Gage)** to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute an agreement to continue the BART Plus multi-agency ticket program in cooperation with BART and nine other Bay Area transit agencies through December 2009 with the option to extend up to three years in annual increments.

## **OTHER ITEMS**

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

There were no Items of Concern and Referral to Administration.

**15. Committee Work Plan**

Joe Smith, Chief Financial Officer, noted a presentation is scheduled for April 16, 2009 Administration and Finance (A&F) Committee Meeting regarding a peer evaluation on the pension plan.

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

**16. 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. VTA anticipated receiving \$12 million from the State Transportation Assistance (STA) Program; however, the State budget has eliminated all operating assistance funding.

Mr. Smith commented on VTA's strategies to offset revenue reductions in development of Preliminary Projections: maximize the use of Preventive Maintenance Funds; maintain current vacancy rates and fill only the positions considered critical to maintaining VTA's core mission and service plan; and severely limit program enhancement or scope increases.

VTA will have a deficit of \$28.4 million in FY 2010 and \$49.7 million in FY 2011. Mr. Smith commented on the following strategies to offset revenue reductions and minimize VTA's projected deficit: fare increases; savings identified in Annual Service Plan, which will not be reinvested in additional service; adjustments to VTA's Light Rail Service Plan with a reduction in the number of rail cars; Workers' Compensation reserve reductions since it is currently over-funded; Wage freeze for administrative employees; elimination of program enhancements or scope increases; elimination of some "premium" Paratransit Services; 15 percent reduction in non-labor budgets throughout each division; and further labor savings, such as work furloughs.

Michael T. Burns, General Manager, stressed the importance to increase revenues and reduce costs, noting VTA's approach is to manage head count, preserve workforce, and not decrease transit system service based on budgetary reasons.

Vice Chairperson Gage stressed the importance to keep the community apprised of VTA's budget challenges and service reductions that may affect them.

Mr. Burns stated staff is currently working on VTA's budget preparation process and provide an update at the April 16, 2009 Administration and Finance (A&F) Committee Meeting and 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 then VTA's final recommended budget will be forwarded for consideration at the June 4, 2009 Board of Directors Regular Meeting.

**17. Chairperson's Report**

There was no Chairperson's Report.

**18. Determine Consent Agenda for the April 2, 2009 Board Meeting**

**CONSENT: Agenda Item #11**, Ratify the nomination of Erik Larsen to the Citizens Advisory Committee (CAC), representing the South Bay AFL-CIO Labor Council; **Agenda Item #12**, Adopt a support position for AB 266 (Carter), which requires the California Transportation Commission (CTC) to do an assessment of the State's unmet transportation needs every five years; and

**Agenda Item #13**, Authorize the General Manager to execute an agreement to continue the BART Plus multi-agency ticket program in cooperation with BART and nine other Bay Area transit agencies through December 2009 with the option to extend up to three years in annual increments.

**REGULAR: None**

**19. Announcements**

There were no Announcements.

**4. RECESSED TO CLOSED SESSION at 12:48 p.m.**

Anticipated Litigation - Conference with Legal Counsel

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

**RECONVENED TO OPEN SESSION at 1:00 p.m.**

**5. CLOSED SESSION REPORT**

Anticipated Litigation - Conference with Legal Counsel

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

**There was no reportable action taken during Closed Session.**

**20. ADJOURNMENT**

**On order of Chairperson Kniss** and there being no objection, the meeting was adjourned at 1:00 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant  
VTA Board of Directors



Date: April 6, 2009  
 Current Meeting: April 16, 2009  
 Board Meeting: May 7, 2009

## **BOARD MEMORANDUM**

**TO:** Santa Clara Valley Transportation Authority  
 Administration & Finance Committee

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

**FROM:** Chief CMA Officer, John Ristow

**SUBJECT:** BPAC Appointments

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**Policy-Related Action:** No

**Government Code Section 84308 Applies:** No

## **ACTION ITEM**

### **RECOMMENDATION:**

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.

### **BACKGROUND:**

The Bicycle & Pedestrian Advisory Committee (BPAC) advises the VTA Board of Directors on planning and funding for bicycle and pedestrian projects and issues. The BPAC consists of 16 voting members, one appointed by each of VTA's 16 Member Agencies (the 15 cities in the county and the County of Santa Clara), and one non-voting ex-officio member (the Silicon Valley Bicycle Coalition).

The BPAC bylaws specify that each Member Agency appoints one representative to the BPAC and that the SVBC appoints one representative and one alternate. The bylaws also specify that the appointment term is two years and that members may be appointed to successive terms. Committee members must live, work or both in Santa Clara County during their term. Voting members of the Committee must also be a representative of the Member Agency's local bicycle advisory committee or, for Member Agencies without a local bicycle advisory committee, their representative must be an individual who lives or works in the local jurisdiction and is interested in bicycle or pedestrian issues. BPAC members are also precluded from representing a Member Agency that is their employer.

In accordance with the bylaws, the process to fill BPAC vacancies is that VTA staff notifies the appointing authority of the vacancy and current membership requirements. The appointing authority then appoints one member for the designated membership position. For vacancies

occurring in mid-term, the bylaws specify that they be filled for the remainder of the term by the appointing authority. In both cases, the VTA Board must ratify the appointment.

**DISCUSSION:**

In February 2009, BPAC member Bill Manry representing the City of Monte Sereno submitted his resignation. At the March 2, 2009 City Council meeting, the City of Monte Sereno appointed Richard Ruh to serve as representative to the VTA BPAC. Mr. Ruh has lived in Monte Sereno for twenty years and he regularly commutes to work by bicycle. He is also a valued member of the Silicon Valley Bicycle Coalition (SVBC).

In addition, the SVBC has appointed Paul Goldstein as its alternate representative. Mr. Goldstein replaces Celia Chung who resigned in February. Mr. Goldstein has been active in many bicycling organizations including serving as the chair of the City of Palo Alto's Bicycle Advisory Committee. A Palo Alto resident for years, Mr. Goldstein is a member of the SVBC and served on its Board of Directors for ten years.

Due to the qualifications, experience and knowledge of bicycle and pedestrian issues of these individuals, staff recommends that the Board ratify these appointments.

**ALTERNATIVES:**

The Board could choose to not to ratify one or both of these appointments.

**FISCAL IMPACT:**

There is no fiscal impact as a result of this action.

Prepared by: Michelle DeRobertis



Date: April 7, 2009  
 Current Meeting: April 16, 2009  
 Board Meeting: N/A

## **BOARD MEMORANDUM**

**TO:** Santa Clara Valley Transportation Authority  
 Administration & Finance Committee

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

**FROM:** Chief Financial Officer, Joseph T. Smith

**SUBJECT:** Monthly Investment Report - February 2009

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### **FOR INFORMATION ONLY**

#### **BACKGROUND:**

Santa Clara Valley Transportation Authority funds are invested in accordance with the asset allocation and diversification strategies described in the Investment Policies amended February 5, 2009.

#### **DISCUSSION:**

##### **General Market Conditions**

The real gross domestic product (GDP - the output of goods and services produced by labor and property located in the United States) shrank at a revised -6.2% in the 4<sup>th</sup> quarter of 2008, the most since 1982 and deeper than the original estimate of -3.8%. The revision reflected weaker domestic investment, reduced consumer spending, and further declines in exports. On the employment front, employers cut 651,000 jobs during the month of February, taking the national unemployment rate up to 8.1%, the worst since 1983. The latest figures brought the total job losses to 3.1 million over the last six months, the largest since the end of World War II. Meanwhile, retail sales unexpectedly rose 1% after six months of decline. Consumer prices rose for the first time since July, climbing 0.3% for the month, in-line with consensus forecasts.

### **VTA Enterprise Funds**

Pursuant to VTA's adopted Investment Policy, 100% of surplus assets, held in the operating portfolio, are invested in Domestic Fixed Income. Funds are split between three portfolios managed by Payden & Rygel (Payden), LAIF (State Pool - Local Agency Investment Fund) and interest bearing checking accounts.

In February, total market return for both the Payden composite portfolio and the benchmark composite fell -0.1%. On a calendar year-to-date basis, the Payden composite portfolio outperformed their composite benchmark by 0.1%. The current yield for the Payden long-term portfolio is 3.0%, mid-term portfolio is 1.6%, and short-term portfolio is 1.5%. The current yield for funds invested in LAIF is 1.9%.

Market performance for each Payden account is summarized in the following table.

Asset Class	Money Manager	February Return	Calendar YTD	Benchmark	February Benchmark Return	Calendar YTD
Long-Term Fixed Income	Payden & Rygel	-0.2%	-1.2%	Barclays Cap US Govt. Intermediate Index	-0.2%	-1.4%
Mid-Term Fixed Income	Payden & Rygel	-0.2%	-0.2%	Merrill Lynch 1 to 3 Year Treasury Index	-0.1%	-0.1%
Short-Term Fixed Income	Payden & Rygel	0.1%	0.3%	iMoneynet Money Market Index	0.1%	0.3%
Composite Total Return (Weighted)		-0.1%	-0.4%		-0.1%	-0.5%

### **VTA Retirees' Other Post Employment Benefits (OPEB) Trust**

VTA's adopted Investment Policy requires the following asset allocation for Retirees' OPEB funds:

<u>Asset Allocation</u>	<u>Range</u>	<u>Actual</u>	<u>Ongoing Target</u>
Domestic Fixed Income	25-60%	51%	38%
Domestic Large Cap Index	35-70%	48%	60%
Cash	0-05%	1%	2%

The Retirees' OPEB portfolio underperformed the composite benchmark by -0.2% in February but outperformed its composite benchmark by 0.5% on calendar year-to-date. The current yield in the fixed income portfolio for February is 5.9%. Market performance by money manager is

summarized in the following table.

Asset Class	Money Manager	February Retiree Return	Calendar YTD	Benchmark	February Benchmark Return	Calendar YTD
Fixed Income	Dodge & Cox	-0.7%	-0.1%	Barclays Capital US Aggregate	-0.4%	-1.3%
Large Cap Index	State Street	-10.6%	-18.1%	S&P 500	-10.7%	-18.2%
Composite Total Return (Weighted)		-5.5%	-9.2%		-5.3%	-9.7%

Dodge & Cox - Fixed Income portfolio manager underperformed their benchmark by -0.3% in the current month but outperformed their benchmark by 1.2% on calendar year-to-date due to January price appreciation of corporate bonds and high quality mortgage and asset backed securities and then losing some of the same price advantage back to Treasuries in February.

Historic Portfolio Performance (calendar year) for the last six calendar years:

Year	Performance	Year	Performance
2003	17.2%	2006	11.7%
2004	7.6%	2007	6.1%
2005	3.9%	2008	-21.0%

A 7.75% annual return assumption is used in the annual actuarial analysis for the Retiree's OPEB. The results of the actuarial analysis determine VTA's annual contribution rates. Any difference between actual investment returns and the 7.75% assumed annual return is recognized in the same year.

Inception-to-date (April 2000 to February 2009) performance is a gain of 9.0% versus the composite benchmark of 8.6%. Average composite annual return is 1.03% for Retirees' OPEB versus 0.98% for benchmarks.

### **VTA/ATU Pension Plan Assets**

It is the policy of the VTA/ATU Board of Pension to have a well-managed investment program that provides for the financial needs of the pension plan and allows the investments to be appropriately diversified and prudently invested to protect the safety of the principal while maintaining a reasonable return. Assets are invested within the following investment guidelines:

<u>Asset Allocation</u>	<u>Range</u>	<u>Actual</u>	<u>Ongoing Target</u>
Domestic Fixed Income	35-45%	49%	39%
Domestic Large-Cap Value	15-25%	17%	20%
Domestic Large-Cap Index	10-20%	12%	15%
Domestic Small-Cap Value	5-15%	7%	10%
International Equity	10-20%	14%	15%
Cash	0-5%	1%	1%

In February, allocation of the Domestic Fixed Income portfolio exceeded the maximum range allowed by the policy (actual 49% versus 45% maximum range) due to change in market environment. The Investment Policy guidelines requires that “if particular asset class is above the maximum of target range, efforts shall be made to re-balance to a point half way between the ongoing target and the maximum of the target range” which means that the actual Domestic Fixed Income Asset Allocation should be reduced to 42% from 49%. However, due to the uncertainties surrounding current equity markets, the VTA/ATU Board of Pension at their March 10, 2009 meeting, directed the staff to defer the asset rebalancing from fixed income to equities pending further discussion.

The following table provides a summary of performance by money manager for the month of February and calendar year-to-date.

Asset Class	Money Manager	February VTA/ATU Return	Calendar YTD	Benchmark	February Benchmark Return	Calendar YTD
Fixed Income	Dodge & Cox	-0.9%	-0.3%	Barclays Capital US Aggregate	-0.4%	-1.3%
Large Cap Index	State Street	-10.6%	-18.1%	S&P 500	-10.7%	-18.2%
International Equity Index (Growth)	MFS	-8.3%	-17.2%	MSCI AC World	-8.6%	-15.5%
Large Cap Value Stocks	Robeco/Boston Partners	-11.8%	-19.2%	Russell 1000 Value	-13.4%	-23.3%
Small Cap Value Stocks	Brandy-Wine	-14.7%	-26.1%	Russell 2000 Value	-13.9%	-26.2%
Composite Total Return (Weighted)		-5.9%	-10.4%		-5.9%	-11.3%

The VTA/ATU Pension Plan composite portfolio matched the composite benchmark performance of -5.9% in February but outperformed the composite benchmark by 0.9% on calendar year-to-date. The current yield of Dodge & Cox/Fixed Income portfolio for February is 5.9%.

Dodge & Cox - The Fixed Income portfolio manager underperformed their benchmark by -0.5% in the current month but outperformed their benchmark by 1.0% on calendar year-to-date due to January price appreciation of corporate bonds and high quality mortgage and asset backed securities and then losing some of the same price advantage back to treasuries in February. On March 11, 2009, Dodge & Cox was put on the “watch list” due to its poor performance as investment results have lagged behind the benchmark Barclays U.S. Aggregate Bond Index in the quarter ending December 2008, and in 1 year, 3 year, and 5 year periods. Staff will watch Dodge & Cox performance carefully over the coming months for improvement.

MFS - The International Growth Equity manager outperformed their benchmark by 0.3% in February but underperformed their benchmark by 1.7% on calendar year-to-date. Underperformance in financials and pharmaceuticals holdings along with an underweight in basic materials and utilities detracted from overall relative performance.

Brandywine - The Domestic Small Cap Value Equity Manager will be terminated effective March 31, 2009 and WEDGE Capital Management L.L.P. will take over the securities holdings beginning April 1, 2009.

Historic Portfolio Performance for the last six calendar years:

Year	Performance	Year	Performance
2003	21.5%	2006	14.6%
2004	12.2%	2007	5.8%
2005	7.2%	2008	-19.8%

An 8% annual return assumption is used in the annual actuarial analysis for the VTA/ATU Pension Plan. The results of the actuarial analysis determine VTA’s annual contribution rates. Any difference between actual investment returns and the 8% annual return assumption is amortized over a period of five years.

Inception-to-date (October 1998 to February 2009) performance is a gain of 61.5% versus the composite benchmark of 36.4%. Average composite annual return is 5.9% for ATU Pension Plan versus 3.5% for benchmarks.

### **ATU Spousal Medical Trust Fund, Dental, and Vision Plan**

Asset allocation for the ATU Spousal Medical Trust Fund (including funds for dental and vision plans) is provided for in the VTA/ATU Pension Plan Investment Policy.

<u>Asset Allocation</u>	<u>Range</u>	<u>Actual</u>	<u>Ongoing Target</u>
Domestic Fixed Income	25-60%	48%	38%
Domestic Large Cap Index	35-70%	49%	60%
Cash	0-5%	3%	2%

The ATU Spousal Medical Trust Fund composite portfolio underperformed the composite benchmark by 0.7% in February but outperformed their composite benchmark by 0.2% on calendar year-to-date. Performance by money manager is summarized in the following table.

Asset Class	Money Manager	February Spousal Return	Calendar YTD	Benchmark	February Benchmark Return	Calendar YTD
Fixed Income Fund (Index Fund)	Dodge & Cox	-1.7%	-0.8%	Barclays Capital US Aggregate	-0.4%	-1.3%
Large Cap Index	State Street	-10.6%	-18.1%	S&P 500	-10.7%	-18.2%
Composite Total Return (Weighted)		-6.2%	-9.9%		-5.5%	-10.1%

Dodge & Cox - The Income Fund portfolio manager underperformed their benchmark by 1.3% in February but outperformed their benchmark by 0.5% on calendar year-to-date due to January price appreciation of corporate bonds and high quality mortgage and asset backed securities and then losing some of the same price advantage back to treasuries in February.

### **Other Data**

The valuation of VTA's securities is provided by Interactive Data Corporation (IDC), Merrill Lynch Securities Pricing Service and Bloomberg Generic Pricing Service. These firms are the leading providers of global securities data. They offer the largest information databases with current and historical prices on securities traded in all major markets.

This report complies with VTA's adopted investment policies. Based on budgeted revenues and expenditures as well as actual transfers to/from reserves, there are sufficient funds available to meet expenditure requirements for the six months ending August 31, 2009.

Reviewed and verified by: Kimberly Koenig, Manager, Finance Department

Prepared By: Manny Bagnas, Investment Services Manager

# VTA INVESTMENT COMPOSITE PORTFOLIO PERFORMANCE

## MONEY MANAGERS' TOTAL MARKET RETURN - TRADE DATE

### FOR THE MONTH OF FEBRUARY 2009

**SUMMARY: February 28, 2009**

<u>Description</u>	<u>Total Market Value</u>		<u>February Total Market Return</u>		<u>Total Market Return</u>	
	<u>(1)</u> <u>Prior</u> <u>Month</u>	<u>Current</u> <u>Month</u>	<u>\$Unrealized</u> <u>Gain/Loss</u>	<u>%Unrealized</u> <u>Gain/Loss</u>	<u>VTA</u> <u>Calendar</u> <u>YTD</u>	<u>Benchmark</u> <u>Calendar</u> <u>YTD</u>
1 - Fixed Income Long-Term Investment Pool (2)	214,298,557.00	213,943,689.00	-354,868.00	-0.2%	-1.2%	-1.4%
1 - Fixed Income Mid-Term Investment Pool (2)	150,000,000.00	149,677,346.00	-322,654.00	-0.2%	-0.2%	-0.1%
2 - Fixed Income Short-Term Investment Pool (2)	155,105,073.00	155,374,763.00	269,690.00	0.1%	0.3%	0.3%
3 - VTA Bond Funds with Fiscal Agents (3)	25,437,272.00	26,763,404.00	-	-	-	-
4 - Funds with LAIF Investment Pool (2)	26,800,000.00	25,400,000.00	-	-	-	-
5 - Funds with Union Bank-Congestion Management	3,457,575.00	6,504,177.00	-	-	-	-
6 - Funds with Union Bank-Measure B	35,034,933.00	33,826,266.00	-	-	-	-
7 - Funds with Union Bank DDA account (2)	3,818,853.00	2,588,553.00	-	-	-	-
<b>Total VTA Funds</b>	<b>613,952,263.00</b>	<b>614,078,198.00</b>				
1 - Retirees' OPEB - Fixed Income	43,608,499.00	43,291,773.00	-316,726.00	-0.7%	-0.1%	-1.3%
2 - Retirees' OPEB - State Street - Index	44,752,477.00	40,046,649.00	-4,705,828.00	-10.6%	-18.1%	-18.2%
<b>Total Retirees' OPEB Funds</b>	<b>88,360,976.00</b>	<b>83,338,422.00</b>				
1 - VTA/ATU Pension Fund-Fixed Income	120,377,619.00	119,289,020.00	-1,088,599.00	-0.9%	-0.3%	-1.3%
2 - VTA/ATU Pension Fund-State Street - Index	33,861,213.00	30,270,167.00	-3,591,046.00	-10.6%	-18.1%	-18.2%
3 - VTA/ATU Pension Fund- Int'l - Equity Growth	35,707,460.00	32,752,624.00	-2,954,836.00	-8.3%	-17.2%	-15.5%
4 - VTA/ATU Pension Fund-Stock Large Cap Value	46,108,055.00	40,662,834.00	-5,445,221.00	-11.8%	-19.2%	-23.3%
5 - VTA/ATU Pension Fund-Stock Small Cap Value	18,990,966.00	16,195,810.00	-2,795,156.00	-14.7%	-26.1%	-26.2%
<b>Total Pension Fund</b>	<b>255,045,313.00</b>	<b>239,170,455.00</b>				
1 - ATU Spousal Med Fund - Dodge & Cox - Index	4,479,792.00	4,404,502.00	-75,290.00	-1.7%	-0.8%	-1.3%
2 - ATU Spousal Med Fund-State Street - Index	4,972,669.00	4,445,308.00	-527,361.00	-10.6%	-18.1%	-18.2%
<b>Total ATU Spousal Funds</b>	<b>9,452,461.00</b>	<b>8,849,810.00</b>				
<b>Total Investments</b>	<b>966,811,013.00</b>	<b>945,436,885.00</b>				

**Legend:**

- (1) Total includes contributions / withdrawals made during current month.
- (2) Measure A Funds: \$317,578,222 which includes earnings: from Payden \$14,695,313  
LAIF \$984,033, and Union Bank DDA Account \$103,244
- (3) Bonds Reserves and/or Debt Service Funds

# VTA INVESTMENT COMPOSITE PORTFOLIO PERFORMANCE.

PER GENERAL LEDGER BALANCE - SETTLEMENT DATE

FOR THE MONTH OF FEBRUARY 2009

**SUMMARY: February 28, 2009**

<u>Description</u>	(1) <u>Jan-09</u> <u>Book Value</u> <u>/Cost</u>	(1) <u>Feb-09</u> <u>Book Value</u> <u>/Cost</u>	<u>Fiscal 09</u> <u>Year-to-Date</u> <u>Jan 09 Realized</u> <u>Earnings - \$</u>	<u>Fiscal 09</u> <u>Year-to-Date</u> <u>Feb 09 Realized</u> <u>Earnings - \$</u>	<u>Change for the Month</u> <u>Realized</u> <u>Earnings - \$</u>
<b>VTA FUNDS</b>					
1 - Fixed Income - Long-Term Investment Pool (2)	204,324,193	206,002,541	4,113,805	5,513,879	1,400,074
2 - Fixed Income - Mid-Term Investment Pool (2)	0	149,234,852	0	-101,623	-101,623
3 - Fixed Income - Short-Term Investment Pool (2)	304,562,533	155,192,764	3,236,427	3,678,739	442,312
4 - VTA Bond Funds with Fiscal Agent (3)	25,437,272	26,763,404	302,853	329,531	26,678
5 - Funds with LAIF Investment Pool (2)	26,800,000	25,400,000	425,569	481,101	55,532
6 - Funds with Union Bank-Congestion Management	3,457,575	6,504,177	25,728	26,382	654
7 - Funds with Union Bank-Measure B	35,034,933	33,826,266	306,255	312,923	6,668
8 - Funds with Union Bank Pooled DDA account (2)	3,818,853	2,588,553	34,547	34,554	7
<b>Total VTA Funds</b>	<b>603,435,359</b>	<b>605,512,557</b>	<b>8,445,184</b>	<b>10,275,486</b>	<b>1,830,302</b>
<b>RETIREEES' OPEB FUNDS</b>					
1 - Retirees' OPEB -Fixed Income	44,281,133	44,324,029	1,454,922	1,805,774	350,852
2 - Retirees' OPEB -State Street - Index	74,265,619	74,927,619	0	0	0
<b>Total Retirees' OPEB Funds</b>	<b>118,546,752</b>	<b>119,251,648</b>	<b>1,454,922</b>	<b>1,805,774</b>	<b>350,852</b>
<b>ATU PENSION FUNDS</b>					
1 - VTA/ATU Pension Fund-Fixed Income	124,125,503	123,914,307	4,476,306	5,039,739	563,433
2 - VTA/ATU Pension Fund-State Street - Index	56,391,135	56,391,135	0	0	0
3 - VTA/ATU Pension Fund- Int'l - Equity Growth - MFS	60,108,856	60,108,856	0	0	0
4 - VTA/ATU Pension Fund-Stock Large Cap Value	57,634,185	56,508,425	-5,499,874	-6,626,055	-1,126,181
5 - VTA/ATU Pension Fund-Stock Small Cap Value	27,532,315	26,842,242	-3,807,103	-4,497,350	-690,247
<b>Total ATU Pension Funds</b>	<b>325,791,994</b>	<b>323,764,965</b>	<b>-4,830,671</b>	<b>-6,083,666</b>	<b>-1,252,995</b>
<b>ATU SPOUSAL MEDICAL PLAN FUNDS</b>					
1 - ATU Spousal Med Fund - Dodge & Cox - Index (4)	4,327,234	4,327,234	-32,002	-32,002	0
2 - ATU Spousal Med Fund-State Street - Index	8,207,187	8,207,187	0	0	0
<b>Total ATU Spousal Plan Funds</b>	<b>12,534,421</b>	<b>12,534,421</b>	<b>-32,002</b>	<b>-32,002</b>	<b>0</b>
<b>Total Investments</b>	<b>1,060,308,526</b>	<b>1,061,063,591</b>	<b>5,037,433</b>	<b>5,965,592</b>	<b>928,159</b>

Legend:

- (1) Total includes contributions / withdrawals made during current month.
- (2) Measure A Bond Funds: \$317,578,222 which includes earnings: from Payden \$14,695,313  
LAIF \$984,033, and Union Bank DDA Account \$103,244
- (3) Bonds Reserves and/or Debt Service Funds
- (4) Recognize real loss associated with \$990K withdrawal from Dodge & Cox Funds on 11/05/08 to rebalance the portfolio: contribution to State Street \$900K and Cash Balance \$90K



Date: March 26, 2009  
 Current Meeting: April 16, 2009  
 Board Meeting: May 7, 2009

## **BOARD MEMORANDUM**

**TO:** Santa Clara Valley Transportation Authority  
 Administration & Finance Committee

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

**FROM:** Chief External Affairs Officer, Greta Helm

**SUBJECT:** Monthly Legislative History Matrix

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### **FOR INFORMATION ONLY**

#### **BACKGROUND:**

For your information, I am attaching our Monthly Legislative History Matrix, which describes key transportation-related bills that are being considered by the California Legislature during the 2009-10 session. It indicates the status of these measures and any adopted VTA positions with regard to them.

#### **DISCUSSION:**

Scarcely a month after Gov. Arnold Schwarzenegger and lawmakers successfully enacted an intricate package of 33 bills that sought to close the massive \$40 billion gap between state revenues and spending over the next 17 months through a complex combination of budget cuts, revenue increases and loans, the Legislature Analyst's Office declared that the fix will fall short by \$8 billion because California's economy is continuing to falter.

In a sobering report recently issued to senators and Assembly members, the Legislative Analyst's Office wrote, "Unfortunately, the state's economic and revenue outlook continues to deteriorate. Even in the few weeks since the budget was signed, there have been a series of negative developments. Our updated revenue forecast projects that revenues will fall short of the assumptions in the budget package by \$8 billion. Consequently, the Legislature and Governor will need to adopt billions of dollars in additional solutions in the coming months to bring the 2009-10 budget back into balance."

Because so many of the "solutions" adopted last month are temporary, the report notes that "without corrective actions, the state's huge operating deficits will reappear in future years - growing from \$12.6 billion in 2010-11 to \$26 billion in 2013-14." The Legislative Analyst's Office recommended that to close the newly discovered \$8 billion gap, the state should

maximize its use of federal economic stimulus funds and continue to develop programmatic solutions.

Meanwhile, lawmakers tried to shift their focus, albeit perhaps only temporarily, to reviewing the roughly 2,000 new bills that have been introduced since January. Policy committees in both the Senate and Assembly have until May 1 to decide the fate of measures that have a fiscal impact on the state. Throughout the year, VTA will be actively engaged on the following bills:

AB 112 (Beall): This measure calls for making several technical changes to VTA's enabling statutes to ensure that we have the appropriate statutory authority to work with our local jurisdictions on developing funding strategies to address their local street and road maintenance needs. AB 112 is a reintroduction of a bill from last year that was approved by the Legislature, but, along with several hundred other measures, was vetoed by the Governor as a way to express his frustration over how lawmakers handled the FY 2009 budget.

AB 116 (Beall): VTA is partnering with the San Mateo County Transit District (SamTrans); the Alameda-Contra Costa Transit District (AC Transit); and the Golden Gate Bridge, Highway and Transportation District (Golden Gate Transit) on this measure. It raises the dollar threshold for when VTA and the other three transit agencies must use the formal competitive bidding process to procure materials, supplies and equipment from \$25,000 to \$100,000, consistent with federal guidelines. The legislation also provides VTA, as well as SamTrans, AC Transit and Golden Gate Transit, with the option to use either low bid or best value when going through the formal bidding process for these types of procurements that exceed \$100,000. Like AB 112, this bill is a reintroduction of a measure from last year that was vetoed because of state budget politics, not because of any policy objections on the part of the Governor.

AB 729 (Evans): Sponsored by the California Transit Association, this legislation makes permanent the current statutory authority for public transit agencies to use design-build contracting for transit capital improvement projects. If AB 729 is not enacted into law, this statutory authority will sunset on January 1, 2011. Pursuant to the direction provided in the Board-adopted 2009 Legislative Program, VTA will be supporting this bill.

AB 744 (Torrico): Sponsored by the Metropolitan Transportation Commission (MTC), AB 744 is the legislative vehicle for authorizing the development and implementation of a high-occupancy toll (HOT) lane network on state highways within the nine-county Bay Area. Because this measure will have implications for VTA's Express Lane Program, VTA will be actively involved with MTC in crafting the language for AB 744.

AB 1072 (Eng): Established as a new formula program under Proposition 1B, the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) provides \$3.6 billion to public transit operators for the following: (a) rehabilitation, safety or modernization improvements; (b) capital service enhancements or expansions; (c) new capital projects; (d) bus rapid transit improvements; and (e) bus and rail car procurement, rehabilitation or replacement. AB 1072 makes two changes to this program: (1) fixes the formula factors that would be used to allocate the remaining amount of funding to public transit operators under PTMISEA; and (2) calls upon public transit operators to submit to the state an expenditure plan

for their remaining formula shares so that a statewide program of projects for PTMISEA can be established. The California Transit Association has asked VTA to co-sponsor this measure with them. The Board-adopted 2009 Legislative Program allows VTA to accommodate this request.

AB 1414 (Hill): This bill is the legislative vehicle for making a series of changes to the State Transportation Improvement Program (STIP) process that are recommended in the Board-adopted 2009 Legislative Program. These changes include: (a) eliminating the four-year county share period, thereby allowing county shares and programming capacity to be calculated based on the STIP Fund Estimate; (b) strengthening the language in current law to ensure that the California Transportation Commission (CTC) cannot “cherry-pick” projects in Regional Transportation Improvement Programs (RTIPs); (c) establishing clear criteria as to when the CTC may reject an RTIP in its entirety; and (d) allowing local agencies to bond against their STIP county shares. At the request of MTC and the Bay Area congestion management agencies (CMAs), VTA will take the lead on trying to shepherd AB 1414 through the legislative process.

SB 205 (Hancock): Mirroring bills that have been introduced in the past, SB 205 authorizes countywide transportation planning agencies, including VTA, to place a measure before their voters to impose a vehicle registration surcharge to fund transportation-related projects and programs. Pursuant to the direction provided in the Board-adopted 2009 Legislative Program, VTA will be supporting this bill.

Prepared By: Kurt Evans

**LEGISLATIVE HISTORY**  
**2009 – 2010 State Legislative Session**  
**March 20, 2009**

**State Assembly Bills**

State Assembly Bills	Subject	Last Amended	Status	VTA Position
<b>AB 112</b> (Beall) Santa Clara Valley Transportation Authority: Local Streets/Roads Funding	Makes several technical corrections to the enabling statutes of the Santa Clara Valley Transportation Authority (VTA) to ensure that VTA has the appropriate statutory authority to work with local jurisdictions on developing funding strategies to address their local street and road maintenance and repair needs.	3/13/09	Assembly Transportation Committee	Sponsor
<b>AB 116</b> (Beall) Contracts: Materials, Supplies and Equipment	Amends the enabling statutes of the Santa Clara Valley Transportation Authority (VTA) to raise the dollar threshold for when VTA must use the formal competitive bidding process to procure materials, supplies and equipment from \$25,000 to \$100,000, consistent with federal guidelines. Also includes comparable provisions for: (a) the San Mateo County Transit District (SamTrans); (b) the Alameda-Contra Costa Transit District (AC Transit); and (c) the Golden Gate Bridge, Highway and Transportation District (Golden Gate Transit).	3/14/09	Assembly Local Government Committee	Sponsor
<b>AB 118</b> (Logue) Global Warming Solutions Act: Repeal	Repeals the California Global Warming Solutions Act of 2006.	As Introduced	Assembly Natural Resources Committee	
<b>AB 153</b> (Ma) California High-Speed Rail Authority	Specifies that the California High-Speed Rail Authority constitutes a “governing body” for the purpose of adopting a resolution of necessity pursuant to an eminent domain proceeding. Allows the authority to employ its own legal staff or contract with other state agencies for legal services.	As Introduced	Assembly Transportation Committee	
<b>AB 177</b> (Price) Green Economy Inclusion Act	Enacts the Green Economy Inclusion Act of 2009. Declares the intent of the Legislature to enact a bill to ensure greater equity and inclusion of all Californians in the development and implementation of climate change, transportation, land-use, and economic stimulus policies to reduce greenhouse gas emissions in the state.	As Introduced	Assembly Desk	

State Assembly Bills	Subject	Last Amended	Status	VTA Position
<p><b>AB 231</b> (Huffman) Climate Protection Trust Fund</p>	<p>Requires the California Air Resources Board (CARB) to adopt a schedule of fees to be paid by the sources of greenhouse gas emissions regulated pursuant to the California Global Warming Solutions Act of 2006 by March 30, 2010. Requires the fees established by CARB to be designed to allocate the costs of implementing the act based on the contribution of the source to statewide emissions of greenhouse gases, and to meet all of the following goals: (a) minimizing costs and maximizing total benefits to California, while achieving the statewide greenhouse gas emissions limits established in the act; (b) reducing disproportionate impacts on low-income communities; (c) providing incentives to reduce greenhouse gas emissions; and (d) implementing any market-based compliance mechanisms adopted by CARB. Requires revenues collected pursuant to compliance mechanisms related to the implementation of the California Global Warming Solutions Act to be deposited in the Climate Protection Trust Fund and to be made available, upon appropriation by the Legislature, for the purpose of carrying out the provisions of the act.</p>	<p>As Introduced</p>	<p>Assembly Natural Resources Committee</p>	
<p><b>AB 266</b> (Carter) Transportation Needs Assessment</p>	<p>Every five years, requires the California Transportation Commission (CTC) to develop an assessment of: (a) the unfunded costs of programmed state and federally earmarked transportation projects in California; and (b) available funding for transportation purposes and unmet transportation needs on a statewide basis. Requires the assessment to include recommendations on how the state and local transportation agencies may address the transportation funding shortfalls and unmet needs that are identified. Requires the results from the initial assessment to be submitted to the Legislature by March 1, 2011.</p>	<p>As Introduced</p>	<p>Assembly Transportation Committee</p>	<p>Support</p>
<p><b>AB 277</b> (Ammiano) Bay Area County Traffic and Transportation Funding Act</p>	<p>Pursuant to the Bay Area County Traffic and Transportation Funding Act in existing law, deletes the option of specifying the membership of a county transportation authority that would administer a local sales tax in the retail transaction and use tax ordinance.</p>	<p>As Introduced</p>	<p>Assembly Local Government Committee</p>	
<p><b>AB 338</b> (Ma) Transit Village Developments: Infrastructure Financing</p>	<p>Allows a local government to create an infrastructure financing district and thereby use tax increment financing to pay for public facilities and amenities within a transit village development district. Recasts the area for a transit village development plan to include all land within not more than a half mile of the main entrance of a public transit station. Requires a transit village development plan utilizing an infrastructure financing district to all of the following: (a) include an increase in the stock of affordable housing or live-travel options for transit-needy groups as one of its five demonstrable public benefits; (b) use at least 20 percent of all revenues derived from the infrastructure financing district to increase, improve and preserve the supply of low- and moderate-income affordable housing in the district for a period of at least 55 years for rental housing and 45 years for owner-occupied housing; and (c) replace dwelling units at an affordable housing cost when specified dwelling units are destroyed or removed. Eliminates the requirement for voter approval for the formation of an infrastructure financing district, adoption of an infrastructure financing district plan, and the issuance of bonds for implementing an infrastructure financing district plan.</p>	<p>As Introduced</p>	<p>Assembly Local Government Committee</p>	

State Assembly Bills	Subject	Last Amended	Status	VTA Position
<b>AB 610</b> (Caballero) Local Infrastructure: Public-Private Partnerships	Requires the Office of Planning and Research to advise and educate local agencies and other interested stakeholders about the role that public-private partnerships can play in planning, studying, designing, financing, constructing, operating, maintaining, or managing local infrastructure projects. Requires the assistance provided by the Office of Planning and Research to include the following: (a) developing and disseminating information that would help a local governmental agency determine whether a local infrastructure project would benefit from a public-private partnership that provides an alternative financing and procurement approach; and (b) serving as a clearinghouse of information regarding the use of public-private partnerships in infrastructure projects in California and elsewhere.	As Introduced	Assembly Local Government Committee	
<b>AB 619</b> (Blumenfield) Federally Funded Transportation Projects	Requires Caltrans to notify the Legislature within 30 days of making a determination that a project will be delayed beyond its scheduled completion date due to state cashflow or other funding issues, if the delay places at risk federal funds, including money earmarked for the project.	As Introduced	Assembly Desk	
<b>AB 652</b> (Skinner) Bike Racks on Buses	Provides that a folding device designed and used exclusively for transporting bicycles may not extend more than 40 inches, rather than 36 inches, from the front body of a public transit bus when fully deployed. Provides that the handlebars of a bicycle that is transported on a folding bike rack may not extend more than 46 inches, rather than 42 inches, from the front body of the public transit bus.	As Introduced	Assembly Desk	
<b>AB 726</b> (Nielsen) Local Roadway Rehabilitation Projects	States that local roadway rehabilitation projects are eligible for funding under the State Transportation Improvement Program (STIP).	As Introduced	Assembly Desk	
<b>AB 729</b> (Evans) Design-Build Contracting: Transit Projects	Makes permanent the statutory authority for public transit agencies to use design-build contracting for capital improvement projects.	As Introduced	Assembly Desk	Support
<b>AB 732</b> (Jeffries) Design-Sequencing Contracts	Extends the authority for Caltrans to use the design-sequencing method of contracting for the design and construction of not more than 12 transportation projects from January 1, 2010, to January 1, 2012.	As Introduced	Assembly Desk	

State Assembly Bills	Subject	Last Amended	Status	VTA Position
<p><b>AB 744</b> (Torrico) Bay Area HOT Lane Network</p>	<p>Authorizes the Bay Area Toll Authority (BATA) to develop and implement a high-occupancy toll (HOT) lane network on state highways within the geographic jurisdiction of the Metropolitan Transportation Commission (MTC). Declares the intent of the Legislature that: (a) the network be developed and implemented in a collaborative manner that includes the congestion management agencies (CMAs) in the Bay Area, Caltrans, the California Highway Patrol (CHP), and BATA; (b) the network utilize a corridor-based structure that recognizes commute sheds and geographic communities of interest as the most effective and user-responsive models for implementing HOT lane facilities; (c) revenues generated in a particular HOT lane corridor be reinvested to provide benefits to all travelers in that corridor; (d) corridor investment plans be developed by stakeholder agencies, and guide the use of revenues to capital and operating programs serving the corridor commensurate with the revenues generated by each corridor; (e) the network provide customers with a simple, consistent and efficient system that is easy to use; and (f) a collaborative process be used to determine the best financing mechanism for constructing the network, including the use of the state-owned toll bridge enterprise as a financing pledge.</p>	<p>As Introduced</p>	<p>Assembly Desk</p>	
<p><b>AB 782</b> (Jeffries) Sustainable Communities Strategies</p>	<p>Provides that upon the acceptance of the California Air Resources Board (CARB) that a sustainable communities strategy or alternative planning strategy, if implemented, will achieve the greenhouse gas emissions reduction targets established by CARB, that acceptance shall be final, and no person or entity may initiate a legal action to review the propriety of CARB's acceptance. Provides that any local government agency participating in a sustainable communities strategy or alternative planning strategy that subsequently determines that a project proposed for approval within its jurisdiction is consistent with the applicable strategy, that project shall be deemed to be compliant with the California Global Warming Solutions Act of 2006 and SB 375 of 2008, and no person or entity may initiate a legal action to review the propriety of the local government agency's determination that the project is consistent with the strategy. Requires a metropolitan planning organization (MPO) preparing a sustainable communities strategy or an alternative planning strategy to create a business advisory committee to provide input on the potential impacts of the proposed strategy on business activities and the economy. Exempts all projects funded through Proposition 1B transportation infrastructure bond revenues and the federal American Recovery and Reinvestment Act of 2009, as well as projects listed in local transportation sales tax measures prior to December 31, 2010, from the consistent requirements with regard to sustainable communities strategies.</p>	<p>As Introduced</p>	<p>Assembly Desk</p>	

State Assembly Bills	Subject	Last Amended	Status	VTA Position
<p><b>AB 798</b> (Nava) California Transportation Financing Authority</p>	<p>Creates the California Transportation Financing Authority for the purpose of increasing the construction of new capacity or improvements for the state transportation system, in a manner that is consistent with and will help meet the state’s greenhouse gas reduction goals, air quality improvement goals, and natural resource conservation goals, through the issuance of bonds backed, in whole or in part, by various transportation revenue streams. Allows a project sponsor to apply to the authority for bond financing or refinancing of a transportation project that has been approved by Caltrans and the California Transportation Commission (CTC). Prior to issuing bonds for a project, requires the authority to determine that the revenues and other moneys available for that project will be sufficient to pay debt service on the bonds, and to operate and maintain the project over the life of the bonds. Allows the authority to authorize a project sponsor or Caltrans to collect tolls as one source of financing to pay debt service, and to operate and maintain a project under the following conditions: (a) the governing body of the project sponsor, by a majority vote, has approved the imposition of tolls on users of the project, or a majority of the voters within the jurisdiction of the project sponsor has approved a ballot measure imposing the tolls; (b) each highway project for which tolls are imposed must have non-tolled alternative lanes available for public use in the same corridor as the proposed toll project; (c) for highway projects, the road segment is on the state highway system; (d) the approval of the tolls must require that the tolls be set and maintained at a level expected to be sufficient to pay debt service, as well as the operation and maintenance of the project over the life of the bonds; (e) the project’s financial pro forma must incorporate life-cycle costs for the project, including revenues to pay for operation, maintenance and rehabilitation; (f) subject to any constraints in the bond documents necessary to make the bonds marketable, excess revenues from the operation of the project must be used exclusively in the corridor from which the revenues were generated to fund acquisition, construction, improvement, maintenance, or operation of high-occupancy vehicle facilities, other transportation purposes or transit service; and (g) except for purposes of implementing congestion management mechanisms, tolls may not be set to generate more revenue than the expected cost of paying debt service on the bonds, contracts entered into by the authority or project sponsor in connection with the bonds, funding reserves, operating and maintaining the project, repair and rehabilitation of the project, and providing transportation improvements in the corridor. Allows a project sponsor of a project imposing tolls to incorporate congestion management mechanisms to regulate usage and increase mobility, accessibility and environmental benefits. Provides that nothing in the bill shall allow for: (a) the conversion of any existing non-tolled or non-user-fee, mixed-flow lanes into tolled or user-fee lanes; or (b) the imposition of a toll on any local street or road.</p>	<p>As Introduced</p>	<p>Assembly Desk</p>	
<p><b>AB 878</b> (Caballero) Infrastructure Financing</p>	<p>Authorizes a local governmental agency to enter into an agreement with a private entity for financing for specified types of revenue-generating infrastructure projects.</p>	<p>As Introduced</p>	<p>Assembly Desk</p>	
<p><b>AB 949</b> (Logue) State-Local Partnership Program</p>	<p>Expands the definition of eligible local matching funds for purposes of the Proposition 1B State-Local Partnership Program to include: (a) developer fees; (b) mineral or resource extraction fees or taxes; and (c) local or regional fees or taxes solely dedicated to transportation improvements within a county or any part thereof by voter approval or by the county board of supervisors.</p>	<p>As Introduced</p>	<p>Assembly Desk</p>	

State Assembly Bills	Subject	Last Amended	Status	VTA Position
<b>AB 1072</b> (Eng) Proposition 1B Transit Capital Program	For the remaining Proposition 1B transit capital funds to be appropriated by the Legislature, bases a public transit operator's formula share on the operator's average of State Transit Assistance Program (STA) allocations for FY 2005, FY 2006 and FY 2007. Requires a public transit operator to submit to Caltrans an expenditure plan for its remaining formula share of Proposition 1B transit capital funds, so that a statewide program of projects can be established for purposes of guiding annual appropriations for these funds.	As Introduced	Assembly Desk	Co-Sponsor
<b>AB 1414</b> (Hill) STIP Process	Makes on-substantive changes to provisions in existing state law dealing with transportation planning and programming.	As Introduced	Assembly Desk	Sponsor
<b>ACA 9</b> (Huffman) Local Governments: Special Taxes	Calls for placing before the voters an amendment to the California Constitution to allow a local agency to impose, extend or increase any special tax if the tax is approved by its electorate by a 55 percent majority. Also allows a local agency to incur indebtedness in the form of general obligation bonds to fund: (a) the construction, reconstruction, rehabilitation, or replacement of public infrastructure improvements and public safety agency facilities; (b) the development of affordable housing; and (c) the acquisition or lease of real estate for public infrastructure improvements, public safety agency facilities and affordable housing, if the bond issuance is approved by its electorate by a 55 percent majority.	As Introduced	Assembly Desk	
<b>ACA 15</b> (Arambula) Local Governments: Transportation Special Taxes	Calls for placing before the voters an amendment to the California Constitution to allow a local agency to impose, extend or increase a special tax for the purpose of providing funding for local transportation projects if the tax is approved by its electorate by a 55 percent majority.	As Introduced	Assembly Desk	
<b>ACR 14</b> (Niello) Global Warming Solutions Act: Economic Analysis	Prior to any regulatory action being taken consistent with the scoping plan for the California Global Warming Solutions Act of 2006, requires the California Air Resources Board (CARB) to perform an economic analysis that would give the state a more complete and accurate picture of the costs and benefits of the act's implementation. Calls upon the governor to use the authority granted by the act to adjust any applicable deadlines for regulations.	As Introduced	Assembly Natural Resources Committee	

## State Senate Bills

State Senate Bills	Subject	Last Amended	Status	VTA Position
<b>SB 10</b> (Leno) Local Vehicle Assessment	Authorizes counties and San Francisco to impose a voter-approved local vehicle assessment at a rate not to exceed 2 percent of the market value of each motor vehicle or trailer coach registered within their respective jurisdictions for general revenue purposes if: (a) the board of supervisors approves an ordinance to that effect by a two-thirds vote; and (b) the assessment is approved by a majority vote of the electorate.	As Introduced	Senate Transportation and Housing Committee	
<b>SB 31</b> (Pavley) Global Warming Solutions Act: Compliance Revenues	Requires revenues collected pursuant to compliance mechanisms related to the implementation of the California Global Warming Solutions Act of 2006 that are adopted by the California Air Resources Board (CARB) to be deposited in the Air Pollution Control Fund. Allows these revenues to be used for: (a) renewable energy and energy efficiency programs that reduce greenhouse gas emissions, particularly those programs focusing on low-income consumers; (b) investments in technologies to reduce greenhouse gas emissions, especially technologies that provide pollution reduction co-benefits; and (c) green jobs development and training that will reduce greenhouse gas emissions.	As Introduced	Senate Environmental Quality Committee	
<b>SB 104</b> (Oropeza) Global Warming Solutions Act: Definition of Greenhouse Gases	Includes nitrogen trifluoride in the definition of “greenhouse gases” under the California Global Warming Solutions Act of 2006. For purposes of implementing the act, requires the California Air Resources Board (CARB) to designate as a greenhouse gas any anthropogenic gas one metric ton of which makes the same or greater contribution to global warming as one metric ton of carbon dioxide. For anthropogenic gases that are designated as a greenhouse gas, requires CARB to adopt regulations, including emissions limits and emissions reduction measures.	As Introduced	Senate Environmental Quality Committee	
<b>SB 128</b> (Padilla) California Climate Change Institute	Declares the intent of the Legislature to enact a bill to create the California Climate Change Institute to: (a) identify and support climate change research and education to be undertaken at academic and research institutions and laboratories throughout the state; (b) oversee, coordinate and manage a non-duplicative, targeted research and development program for the purposes of achieving the state’s targets for reducing greenhouse gas emissions and mitigating the effects of those emissions; (c) develop effective model education pathways, training, model curriculum, and professional development necessary for emerging green technologies and industries; and (d) ensure that its climate change research is conducted in a manner that is targeted and non-duplicative of other research programs.	As Introduced	Senate Rules Committee	
<b>SB 165</b> (Lowenthal) Federal Economic Stimulus Bill	Specifies that the investment of federal economic stimulus funds for transportation in California should be guided by both of the following principles: (1) investment in transportation projects should stimulate job creation in the near term and support economic activity in the long term; and (2) transportation projects funded with federal economic stimulus money should contribute to a transportation system that is environmentally sustainable, allowing for mobility of people and goods in the cleanest and most efficient manner possible.	As Introduced	Senate Rules Committee	

State Senate Bills	Subject	Last Amended	Status	VTA Position
<b>SB 205</b> (Hancock) Vehicle Registration Surcharges	<p>Authorizes a countywide transportation planning agency to place a measure before its voters to impose an annual surcharge of up to \$10 on each motor vehicle registered within its county to fund transportation-related programs and projects. Provides that the ballot measure must be approved by a simple majority vote of the county's electorate before such a surcharge could be imposed. Requires the governing board of the countywide transportation planning agency to: (a) adopt a resolution by a majority vote to put the surcharge on the ballot; (b) make a finding of fact by a majority vote that the programs and projects to be funded with surcharge revenues have a relationship or benefit to the persons who will be paying the surcharge; and (c) adopt an expenditure plan programming the surcharge revenues to transportation-related programs and projects that have a relationship or benefit to the persons paying the surcharge. Specifies that the programs and projects included in the expenditure plan may serve the following purposes: (a) providing matching dollars for funding made available for transportation programs and projects from state general obligation bonds; (b) creating or sustaining congestion mitigation programs and projects; and (c) creating or sustaining pollution mitigation programs and projects. If requested by a countywide transportation planning agency, requires the Department of Motor Vehicles to collect the surcharge approved by the voters upon the registration or renewal of registration of any motor vehicle in the applicable county, except for those vehicles that are expressly exempt from the payment of registration fees. Requires the countywide transportation planning agency to pay for the initial set-up and programming costs identified by the Department of Motor Vehicles through a direct contract with the department. Allows the countywide transportation planning agency to be reimbursed for these costs through the initial revenues generated by the surcharge.</p>	As Introduced	Senate Transportation and Housing Committee	Support
<b>SB 391</b> (Liu) California Transportation Plan	<p>Requires Caltrans to update the California Transportation Plan every five years. Requires the plan to address how the state would achieve maximum feasible emissions reductions in order to attain a statewide reduction of greenhouse gas emissions to 1990 levels by 2020 and 80 percent below 1990 levels by 2050. Requires the plan to identify the statewide integrated multimodal transportation system needed to achieve these results. Requires the plan to consider all of the following subject areas with regard to the movement of people and freight: (a) mobility and accessibility; (b) integration and connectivity; (c) efficient system management and operation; (d) existing system preservation; (e) safety and security; (f) economic development, including productivity and efficiency; and (g) environmental protection and quality of life.</p>	As Introduced	Senate Transportation and Housing Committee	
<b>SB 485</b> (Wright) SHOPP Funding	<p>Enacts the State Highway Operation and Protection Program Emergency Funding Act. States the intent of the Legislature to provide adequate funding to meet the needs of the State Highway Operation and Protection Program (SHOPP) in FY 2010.</p>	As Introduced	Senate Transportation and Housing Committee	
<b>SCA 3</b> (Wyland) Proposition 42 Suspensions	<p>Calls for placing before the voters an amendment to the California Constitution to eliminate the ability of the Governor and the Legislature to suspend the transfer of gasoline sales tax revenues pursuant to Proposition 42 from the General Fund to the Transportation Investment Fund (TIF). Prohibits the loaning of TIF revenues under any circumstances. Prohibits the enactment of a statute that would reduce the extent to which gasoline sales tax revenues are deposited into the General Fund for transfer to the TIF for transportation purposes.</p>	As Introduced	Senate Revenue and Taxation Committee	

State Senate Bills	Subject	Last Amended	Status	VTA Position
<p><b>SCA 5</b> (Hancock) State Budget</p>	<p>Calls for placing before the voters an amendment to the California Constitution to allow for General Fund appropriations in the state budget bill to be enacted by the Legislature with a majority vote.</p>	<p>As Introduced</p>	<p>Senate Rules Committee</p>	
<p><b>SCA 10</b> (Ducheny) Constitutional Amendments</p>	<p>Calls for placing before the voters an amendment to the California Constitution regarding statewide initiative measures. Specifically, requires the Secretary of State's Office to transmit a copy of an initiative measure certified for the ballot that would amend the constitution to both the Senate and Assembly no later than 176 days prior to the election at which the measure is to be considered by the electorate. Within 30 days, allows the Legislature to propose an amended form of the initiative measure by adopting a concurrent resolution. If the sponsors of the initiative measure accept the proposed amendments, requires the Legislature's proposal to appear on the ballot in place of the certified initiative measure. If the amended form proposed by the Legislature is not accepted, requires information regarding the proposed amended form to be included in the ballot materials related to the initiative measure.</p>	<p>As Introduced</p>	<p>Senate Elections, Reapportionment and Constitutional Amendments Committee</p>	

**CALIFORNIA STATE LEGISLATURE  
2009 Regular Session Calendar**

<b>DAY</b>	<b>JANUARY</b>
1	Statutes signed into law in 2008 take effect.
5	Legislature reconvenes.
10	Budget must be submitted by the Governor to the Legislature on or before this date.
30	Last day to submit bill requests to the Legislative Counsel's Office.

<b>DAY</b>	<b>FEBRUARY</b>
27	Last day for bills to be introduced.

<b>DAY</b>	<b>APRIL</b>
2	Spring Recess begins upon adjournment.
13	Legislature reconvenes from Spring Recess.

<b>DAY</b>	<b>MAY</b>
1	Last day for policy committees to hear and report fiscal bills introduced in their house.
15	Last day for policy committees to hear and report to the floor non-fiscal bills introduced in their house.
29	Last day for fiscal committees to hear and report to the floor bills introduced in their house.

<b>DAY</b>	<b>JUNE</b>
5	Last day for bills to be passed out of their house of origin.
15	Budget must be passed by midnight.

<b>DAY</b>	<b>JULY</b>
10	Last day for policy committees to hear and report bills introduced in the other house.
17	Summer Recess begins upon adjournment, provided that the budget bill has been enacted.

<b>DAY</b>	<b>AUGUST</b>
17	Legislature reconvenes from Summer Recess.
28	Last day for fiscal committees to hear and report to the floor bills introduced in the other house.

<b>DAY</b>	<b>SEPTEMBER</b>
4	Last day to amend bills on the Assembly and Senate floors.
11	Last day for each house to pass bills. Interim Recess begins at the end of this day's session

<b>DAY</b>	<b>OCTOBER</b>
11	Last day for the Governor to sign or veto bills passed by the Legislature before September 11, and in his possession after September 11.

<b>DAY</b>	<b>JANUARY 2010</b>
4	Legislature reconvenes.



Date: April 6, 2009

Current Meeting: April 16, 2009

Board Meeting: May 7, 2009

## **BOARD MEMORANDUM**

**TO:** Santa Clara Valley Transportation Authority  
Administration & Finance Committee

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

**FROM:** Chief Administrative Officer, Bill Lopez

**SUBJECT:** Authorization for Annual Operations Insurance Program Renewal

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**Policy-Related Action:** No

**Government Code Section 84308 Applies:** No

## **ACTION ITEM**

### **RECOMMENDATION:**

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.

### **BACKGROUND:**

VTA's Operations Property and Casualty insurance coverage renews annually on July 1 to coincide with the fiscal year. Each spring VTA's contract insurance broker, currently Alliant Insurance Services, structures VTA's insurance program by requesting competing premium estimates from various carriers in the insurance market. Carriers that are approached are chosen on the basis of their historical premium rates, coverage criteria, and underwriting background. In addition, carriers are required to have experience with governmental agencies, adequate financial reserves and a minimum A.M. Best rating of Excellent. VTA's expense for this year's operating insurance was \$1,914,586. VTA also received \$73,395 in incentive credits this year for good loss control experience in the prior coverage year.

Insurers will require VTA to review premium quotes and commit to the purchase of the policies during a two to three week period immediately prior to the July 1, 2009 renewal date. We are seeking Board Authority now to purchase the insurance to avoid placing VTA in the undesirable position of being uninsured for any period of time.

**DISCUSSION:**

As of the drafting of this memo, premium estimates are not available for the July 1, 2009 renewal. The \$2,118,693 authority requested represents the broker's estimate of premium cost, based on their knowledge of the current market and experience with the completed renewals of other public entities.

For the July 1, 2009/2010 coverage term, VTA has directed the broker to obtain quotes for the same program structure as purchased for the current year. In past years, following risk analyses, cost reductions were achieved by eliminating the Workers' Compensation Excess, Earthquake and Crime policies. Last year VTA staff worked with the broker to assess the advisability of purchasing these discontinued policies. Based on the premium estimates and VTA's loss history no changes were made. VTA has been self insured for Workers' Compensation since July 2002, although we continue to contract for claims handling.

The proposed program continues these strategies. Additional reductions in coverage are not recommended. The proposed program includes \$25 million in coverage for General Liability, Auto Liability, Public Officials' Errors and Omissions Liability, and Property coverage for all VTA buildings, buses, light rail vehicles, and specialized mobile equipment.

The premium estimates include an 11% increase across all lines of coverage. The final premium will be adjusted for changes in the number of vehicles and replacement values of buildings. With the increase, the insurance estimates are as follows: Excess General Liability (\$1,298,746), Buses (\$380,037), Light Rail Vehicles (\$270,926), Flood Insurance (\$47,300) for exposed VTA sites (River Oaks and Cerone Division), and Property/ Boiler & Machinery (\$121,684), for a total of \$2,118,693. See Attachment "A" for details.

The results of the insurance marketing and final purchase pricing will be reported to the Administration and Finance Committee at the September 17, 2009 meeting.

**ALTERNATIVES:**

None are recommended. Staff reviewed and considered increasing the deductibles and the self-insured retention to reduce premium cost. The increased risk resulted in only modest savings that do not warrant the additional exposure.

**FISCAL IMPACT:**

This action will authorize up to \$2,118,693 for Property and Casualty insurance coverage. Appropriation for this expenditure will be included in the Recommended FY10 VTA Transit Enterprise Fund Operating Budget

**SMALL BUSINESS ENTERPRISE (SBE) PARTICIPATION:**

No specific goal has been established for this contract due to the lack of SBE firms available to perform the scope of work. Contractor is encouraged to make reasonable efforts to utilize SBEs in its procurement of ancillary services and products associated with the performance of this contract.

Prepared by: Nanci G. Eksterowicz

### 2009-10 Estimated Operations Insurance Renewal

Coverage	Deductible	2008-09 Actual Premium	2009-10 Projected Premium	Change (\$)	Change (%)
<b>EXCESS LIABILITY</b>					
\$2,000,000 Policy Limit	\$3,000,000	136,235	150,199		
\$20,000,000 Policy Limit	\$5,000,000	994,413	1,148,547		
Subtotal		\$1,130,648	\$1,298,746	\$168,099	15%
<b>PROPERTY / BOILER &amp; MACHINERY</b>					
\$70,000,000 Policy Limit	\$100,000				
River Oak, Cerone, Chaboya, North, Light Rail, Tamien Child Care					
Subtotal		\$105,353	\$121,684	\$16,331	16%
<b>LIGHT RAIL VEHICLES</b>					
\$20,000,000 Policy Limit					
\$3,750,000 Limit -Light Rail Cars (99 units)	\$300,000				
\$500,000 Limit -Historic Trolleys (4 units)	\$100k/\$25k				
\$12,000,000 Limit -Spare Parts	\$25,000				
Subtotal		\$246,197	\$270,926	\$24,729	10%
<b>ROAD VEHICLES</b>					
\$20,000,000 Policy Limit					
\$335,000 Limit -Standard Buses (413 units)	\$100,000				
\$525,000 Limit -Articulated Buses (40 units)	\$100,000				
\$166,605 Limit -Community Buses (49 units)	\$75,000				
\$1,357,000 Limit -Mobile Equipment	\$25,000				
Subtotal		\$389,426	\$380,037	-\$9,389	(2%)
<b>FLOOD</b>					
\$500,000 Limit -River Oak	\$0				
\$500,000 Limit -Cerone	\$0				
Subtotal		\$42,962	\$47,300	\$4,338	10%
<b>TOTAL</b>		<b>\$1,914,586</b>	<b>\$2,118,693</b>	<b>\$204,108</b>	<b>11%</b>



Date: March 31, 2009  
 Current Meeting: April 16, 2009  
 Board Meeting: N/A

## **BOARD MEMORANDUM**

**TO:** Santa Clara Valley Transportation Authority  
 Administration & Finance Committee

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

**FROM:** Senior Policy Advisor, Jim Lawson

**SUBJECT:** VTA Governance Update

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### **FOR INFORMATION ONLY**

#### **BACKGROUND:**

VTA engaged the Hay Group to conduct a comprehensive Organization and Financial Assessment (Assessment). As a result of the Assessment, VTA received a set of recommendations designed to strengthen VTA's governance, financial management and organizational effectiveness.

In the area of governance, the Assessment identified Board turnover as a critical challenge to VTA's governance structure. Turnover is particularly high for the small city groupings. The Assessment recommended that the Board examine alternatives to lengthen the term of office for Directors and to work with appointing authorities to ensure that eligibility to serve on the Board include appropriate qualifications and that there is enough time left in the elected official's term of office so they do not "term out" during their tenure as a Director.

To further address these issues, as well as concerns regarding the geographical configuration of the small city groupings, Director Sellers was asked to work with VTA staff and consultants to develop recommendations for the Board's consideration.

The recommendations were presented to the Policy Advisory Committee (PAC), the Citizens Advisory Committee (CAC) and several city councils. At the May 1, 2008 Board of Directors meeting, the Board approved the following recommendations:

1. Eliminate the concept of city groups selecting their representative(s) through a rotation process. Each of the city groups will "select" their representative(s) to serve as a Director on the VTA Board.

2. VTA Directors will still serve two-year terms. However, the appointing authorities will be encouraged to reappoint representatives to consecutive terms.

3. Include a process for selecting VTA Directors within the city groups. VTA Directors should have the required experience and qualifications in transportation.

At the request of Director Casas, the Board deferred taking action on a fourth recommendation which would have amended the VTA Administrative Code regarding reconfiguring the small city groups until the August 7, 2008 Board of Directors meeting. This allowed Director Casas and Director Sellers additional time to work together as the Governance Committee to discuss the recommendation and determine if there are additional governance alternatives the Board should consider.

The two members of the governance committee invited two members of the PAC and two members of the CAC to participate in the committee's activities. They met regularly in the spring and early summer and developed an alternative recommendation for the Board to consider.

At the August 7, 2008 VTA Board of Directors meeting, the Board appointed the Administration and Finance (A&F) Committee to take up the issue and make a recommendation to the Board on the proposed changes to VTA's governance.

The A&F Committee discussed the issue at its August 21, 2008 meeting. The Committee requested that staff return in September with a summary of several proposed changes to VTA's governance as well as the necessary legal steps required to implement any of the proposals.

At the September 18, 2008 A&F Committee meeting, the committee reviewed the necessary legal steps required to implement the proposals and directed staff to develop a presentation for Santa Clara County cities and the County Board of Supervisors. The presentation would provide an overview of the governance options and determine if the cities and county have a preferred alternative.

At the October 16, 2008 A&F Committee meeting, the committee agreed to evaluate the effectiveness of the governance changes approved by the Board at their May meeting prior to implementing any additional changes. The committee agreed to revisit the item in one year. In the interim, the city groups need to decide amongst themselves how they will make their appointments to the Board in-lieu of the board rotation schedule. The committee directed staff to develop a schedule for working with the cities on the governance changes and to report the progress back to the committee.

Staff presented the following schedule to the A&F Committee at their November 20 meeting:

January - March

Staff will attend city group meetings and strategize with cities regarding options for appointment processes.

April

Staff will provide update to A&F Committee.

April - July (if necessary)

Staff will continue to work with the city groupings until agreement on the selection process is reached.

September

Staff will report back to the A&F Committee on the appointment process that each city group selected. Staff will also invite cities to comment on the new process and discuss the benefits and drawbacks of the changes with the committee.

The A&F Committee will revisit the governance options as presented in September 2008.

November

VTA will request each city grouping forward their appointment(s) to the Board for 2010.

**DISCUSSION:**

Following the schedule presented to the A&F Committee, staff has been working with the city groups over the last several months. Staff will provide the committee with an update for each city group at the meeting.

Prepared By: Scott Haywood



Date: March 30, 2009

Current Meeting: April 16, 2009

Board Meeting: May 7, 2009

## BOARD MEMORANDUM

**TO:** Santa Clara Valley Transportation Authority  
Administration & Finance Committee

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

**FROM:** Chief External Affairs Officer, Greta Helm

**SUBJECT:** Bill Position: AB 798 (Nava)

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**Policy-Related Action:** Yes

**Government Code Section 84308 Applies:** No

## ACTION ITEM

### **RECOMMENDATION:**

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.

### **BACKGROUND:**

AB 798, which is being sponsored by the Treasurer's Office, establishes the California Transportation Financing Authority to assist local and regional agencies in obtaining financing to construct transportation projects. In doing so, this legislation permits local and regional agencies, subject to specified conditions, to impose tolls for the use of the facilities that are constructed through the authority. The key provisions of AB 798 are as follows:

1. States that the objective of the California Transportation Financing Authority is "to increase the construction of new capacity or improvements for the state transportation system in a manner that is consistent with and will help meet the state's greenhouse gas reduction goals, air quality improvement goals, and natural resource conservation goals, through the issuance of, or the approval of the issuance of, bonds" backed by various transportation revenue streams.
2. Allows a project sponsor to apply to the authority for revenue bond financing of a transportation project that has been approved by Caltrans and the California

Transportation Commission (CTC).

3. Prior to issuing bonds for a project, requires the authority to determine that the revenues available for that project will be sufficient to pay debt service on the bonds, and to operate and maintain the project over the life of the bonds.
4. Allows a project sponsor to be the issuer of the bonds, subject to authority approval.
5. Allows the authority to authorize a project sponsor to collect tolls as one source of financing if certain conditions are met. These conditions include the following: (a) the governing body of the project sponsor, by a majority vote, must approve the imposition of tolls on users of the project; (b) each highway project for which tolls are imposed must have non-tolled alternative lanes available for public use in the same corridor as the proposed toll project; (c) the tolls must be set and maintained at a level that is expected to be sufficient to pay debt service, as well as to operate and maintain the project over the life of the bonds; (d) excess revenues from the operation of the project must be used exclusively in the corridor from which the revenues were generated to fund the acquisition, construction, improvement, maintenance, or operation of high-occupancy vehicle (HOV) facilities, other transportation purposes or public transit service; and (f) tolls may not be set to generate more revenue than the cost of paying debt service on the bonds, operating and maintaining the project, and providing transportation improvements in the corridor.
6. Allows a project sponsor to implement variable or dynamic pricing to manage congestion on the tolled facilities.

AB 798 is intended to add an important piece to the state's transportation funding puzzle. The California Transportation Financing Authority would have a limited purpose: to issue revenue bonds to pay for improvements to the state's transportation system. Projects could be requested by a local or regional agency, and the bonds could be repaid through tolls or other transportation revenues.

### **DISCUSSION:**

Capacity demands, combined with declining revenue streams for project financing, have severely eroded California's transportation network. Population increases have far outpaced project construction. The gas tax, the major state source of transportation construction funding, has depreciated in value and remains unchanged since 1994 at 18 cents per gallon. So far, remedies for this lack of funding have included: (a) state general obligation bonds that are repaid with General Fund revenues, tapping an already limited resource used for other government services, such as public safety, education, health care, social services, and environmental protection; and (b) sales taxes, which are extremely volatile because the amount of money they generate is directly linked to the performance of the economy.

The situation at the federal level is not much better. The federal fuel tax has remained unchanged for the last 15 years, and the National Surface Transportation Policy and Revenue

Study Commission has found that the Highway Trust Fund will soon be depleted of funds necessary to finance future construction projects.

This confluence of circumstances, combined with the diminishing effect that fuel-efficient vehicles have on the gas tax, have resulted in the need to develop alternative financing mechanisms for transportation projects. AB 798 represents a step in that direction. Through the establishment of the California Transportation Financing Authority, the measure would create a method for local and regional agencies to finance transportation projects in the municipal bond market. The legislation is intended to increase the options available to local and regional agencies to address their most pressing transportation needs.

This bill is identical to AB 3021 (Nava) from 2008, which was approved by the Legislature, but vetoed by Gov. Arnold Schwarzenegger for reasons related to how lawmakers handled the FY 2009 state budget, not the policy merits of the legislation. The Board of Directors supported AB 3021 last year, and we recommend that the Board do likewise with AB 798.

**ALTERNATIVES:**

The Board of Directors could decide to adopt a position for AB 798 that is different from the one being recommended, or could opt to take no position on this bill at this time.

**FISCAL IMPACT:**

There is no immediate fiscal impact associated with this recommendation.

Prepared by: Kurt Evans, Government Affairs Manager



Date: March 30, 2009

Current Meeting: April 16, 2009

Board Meeting: May 7, 2009

## BOARD MEMORANDUM

**TO:** Santa Clara Valley Transportation Authority  
Administration & Finance Committee

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

**FROM:** Chief External Affairs Officer, Greta Helm

**SUBJECT:** Bill Position: AB 338 (Ma)

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**Policy-Related Action:** Yes

**Government Code Section 84308 Applies:** No

## ACTION ITEM

### **RECOMMENDATION:**

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.

### **BACKGROUND:**

The major provisions of AB 338 are as follows:

**Transit Village Plans:** The Transit Village Development Planning Act, which was enacted in 1994, allows cities and counties to plan more intensive development within a quarter mile of rail or light rail stations, ferry terminals, bus hubs, or bus transfer stations. Transit village plans identify areas, called transit village development districts, where local officials are willing to grant density bonuses to builders. To qualify, a transit village plan must demonstrate five public benefits selected from a statutory list of 13 public benefits.

AB 338 recasts the maximum size of a transit village development district to include all land within a half mile of the main entrance of a public transit station.

**Infrastructure Financing Districts:** Under current law, cities and counties, subject to two-thirds voter approval, can set up infrastructure financing districts (IFDs) to issue tax allocation bonds backed by property tax increment revenues to fund community-scale public works projects, such as roadways, public transit, water and sewer systems, flood control improvements, child care facilities, libraries, parks, and solid waste facilities. To repay the bonds, IFDs can divert the property tax revenues generated by rising property value assessments within the designated area

of the district from other local governments, except for schools and community colleges, for up to 30 years, but only if the other local governments agree to the diversion. Unlike in the case of a redevelopment agency, the property in an IFD does not have to be blighted, but an IFD cannot overlap a redevelopment project area.

AB 338 expands the use IFDs to include the implementation of a transit village plan. In other words, the legislation would allow a city or county that prepares a transit village plan to create an IFD and thereby use property tax increment financing to pay for public facilities, infrastructure and amenities that are needed to fulfill the goals of the transit village plan. In addition, the bill eliminates the requirement for an election to form an IFD, and to adopt and implement an IFD plan.

Affordable Housing: Under existing law, redevelopment agencies must set aside 20 percent of their property tax increment revenues and deposit that money into a Low- and Moderate-Income Housing Fund. They must spend these funds to increase the supply of low- and moderate-income housing. If a redevelopment project destroys affordable housing, local officials must pay relocation assistance to the residents and replace the affordable housing. Unlike redevelopment agencies, IFDs do not need to set aside property tax increment revenues for affordable housing.

AB 338 requires a city or county that utilizes an IFD to implement a transit village plan to set aside 20 percent of those revenues for affordable housing, as well as to relocate residents and replace any affordable housing that is destroyed, following the requirements that apply to redevelopment agencies. In addition, the city or county must include an increase in the stock of affordable housing or travel options for transit-needy groups as one of its five demonstrable public benefits for its transit village plan.

## **DISCUSSION:**

The public sector's investment in commuter rail, light rail, ferries, and bus lines is part of a broader strategy to improve air quality, reduce traffic congestion, and promote compact development. When communities encourage public transit agencies to build rail and bus systems, but then fail to promote higher-density development around their stations, the loss is social, as well as physical. One reason that communities do not encourage more density around transit stations is the lack of fiscal incentives to pay for the public works needed to support the new residents and businesses.

AB 338 lets cities and counties capture the fiscal benefits of new construction inside transit villages by harnessing property tax increment financing for transit village development. This bill is intended to remove a major roadblock to transit-oriented development by encouraging cities and counties to combine transit village planning with property tax increment financing without having to set up redevelopment project areas.

This bill is almost identical to AB 1221 (Ma), which was approved by the Legislature, but vetoed by Gov. Arnold Schwarzenegger for reasons related to how lawmakers handled the FY 2009 state budget, not the policy merits of the legislation. The Board of Directors supported AB 1221 last year, and we recommend that the Board do likewise with AB 338.

**ALTERNATIVES:**

The Board of Directors could decide to adopt a position for AB 338 that is different from the one being recommended, or could opt to take no position on this bill at this time.

**FISCAL IMPACT:**

There is no fiscal impact associated with this recommendation.

Prepared by: Kurt Evans, Government Affairs Manager



Date: April 7, 2009  
 Current Meeting: April 16, 2009  
 Board Meeting: N/A

## **BOARD MEMORANDUM**

**TO:** Santa Clara Valley Transportation Authority  
 Administration & Finance Committee

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

**FROM:** Chief Financial Officer, Joseph T. Smith

**SUBJECT:** Peer Performance - VTA/ATU Pension Investments

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### **FOR INFORMATION ONLY**

#### **BACKGROUND:**

At the February 19, 2009 Administration & Finance Committee, during a review of the monthly investment report for the period ending December 31, 2008, Director Reed requested that staff provide investment performance information for VTA's peers. This memorandum has been prepared in response to that request, although it focuses on the VTA/ATU Pension Plan. A similar report will be provided in the future covering investment performance comparisons to the VTA Enterprise Fund.

#### **DISCUSSION:**

##### ***Peer Comparisons***

To accomplish a true peer comparison of investment performance, the comparison should be to funds with the same asset allocation, plan duration and benefit structure. Unfortunately, no two investment plans are identical, making true peer comparisons challenging. However, Staff was able to obtain investment performance data from VTA's investment services consultant, Mercer Investment Consulting, Inc. (Mercer), for nine plans of similar size, asset allocation mix and plan duration--one of which is from the Regional Transportation Authority (Illinois). The other eight plans elected not to have their names identified; therefore, they are identified by an assigned account identifier. Investment performance for these plans, compared to the VTA/ATU Pension Plan is detailed in the following table.

	<b>4th Qtr 2008*</b>	<b>One Year*</b>	<b>Three Years*</b>	<b>Five Years*</b>	<b>Ten Years*</b>
<b>VTA/ATU Pension</b>	<b>-10.19%</b>	<b>-19.80%</b>	<b>0.19%</b>	<b>3.99%</b>	<b>5.89%</b>
<i>Composite Benchmark</i>	<i>-10.58%</i>	<i>-20.60%</i>	<i>-0.24%</i>	<i>3.49%</i>	<i>4.47%</i>
Public Funds**	-13.00%	-25.50%	-3.40%	1.00%	2.70%
Corporate Funds**	-13.40%	-26.30%	-3.40%	1.40%	3.20%
Regional Transportation Authority	-11.80%	-23.50%	-2.50%	1.80%	2.60%
Peer*** #2 (5251502)	-11.96%	-24.29%	-2.71%	2.17%	4.22%
Peer*** #3 (1178882)	-11.65%	-24.13%	-3.47%	0.49%	-
Peer*** #4 (2940682)	-17.53%	-30.70%	-5.06%	1.02%	-
Peer*** #5 (2550785)	-13.88%	-25.52%	-3.06%	2.15%	-
Peer*** #6 (6824458)	-15.25%	-	-	-	-
Peer*** #7 (5070024)	-16.59%	-29.86%	-	-	-
Peer*** #8 (3422863720)	-15.45%	-26.58%	-3.67%	0.94%	2.52%
Peer*** #9 (4109425)	-11.32%	-23.70%	-4.01%	0.89%	3.12%

\* As of 12/31/08

\*\*Represents the median for funds < \$1 billion included in the Russell/Mellon Trust Universe®, provided by Mercer Consulting.

\*\*\*Represents pension plans ranging from \$50 million to \$500 million with similar asset allocation mix and similar plan duration, provided by Mercer Consulting. The market value of the VTA/ATU plan, as of 2/28/09 was \$239.2 million.

For all time periods considered, the VTA/ATU Pension Plan has exceeded its Policy Index as well as the performance of similar plans. Additionally, as indicated in the table above, investment performance for the VTA/ATU Pension Plan placed above the median for all public funds with less than \$1 billion of assets in the Russell/Mellon Trust Universe®. Active management of the portfolio has consistently resulted in added value.

### ***Agency Comparisons***

Staff also sent a survey to the forty members of the California Association of Public Retirement Systems (CALAPRS) requesting current and historical investment performance data. Members in CALAPRS include statewide systems, counties, cities, and special districts (including a few transit agencies). Out of the eleven agencies that responded, eight provided investment performance by calendar year (consistent with reporting practice). The following table provides the data supplied by these eight agencies.

	<b>4th Qtr 2008*</b>	<b>One Year*</b>	<b>Three Years*</b>	<b>Five Years*</b>	<b>Ten Years*</b>
<b>VTA/ATU Pension</b>	<b>-10.19%</b>	<b>-19.80%</b>	<b>0.19%</b>	<b>3.99%</b>	<b>5.89%</b>
Contra Costa County Employees Retirement Association	-15.90%	-26.50%	-3.10%	2.70%	4.00%
East Bay Municipal District	-15.40%	-30.70%	-4.80%	0.50%	3.00%
L.A. City Employees Retirement	-13.80%	-27.10%	-2.60%	2.50%	-
L.A County Employees Retirement	-	-23.40%	-0.40%	4.10%	4.40%
Marin County Employees Retirement	-13.89%	-27.42%	-3.07%	2.15%	3.49%
San Jose Federated City Employee Retirement System	-	-23.80%	-2.10%	2.20%	4.20%
San Jose Police & Fire Dept. Ret	-13.30%	-27.30%	-2.70%	2.40%	4.20%
Tulare County Employees Retirement	-15.10%	-27.70%	-3.60%	2.30%	4.70%

\* As of 12/31/08

While not a true peer comparison, due to plan durations and asset allocation mixes, the VTA/ATU Pension Plan outperformed these agencies during the last quarter of 2008 and for the one, three, five and ten year periods ending December 31, 2008.

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