

## ADMINISTRATION & FINANCE COMMITTEE

Thursday, October 15, 2009

### MINUTES

**On General Consensus**, there being no objection, the Committee of the Whole appointed Member Casas as Chairperson Pro Tempore.

#### **CALL TO ORDER**

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

#### **1. ROLL CALL**

<b>Attendee Name</b>	<b>Title</b>	<b>Status</b>
David Casas	Board Member	Present
Don Gage	Vice Chairperson	Present
Liz Kniss	Chairperson	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 not present and a Committee of the Whole was declared.**

#### **2. PUBLIC PRESENTATIONS**

There were no Public Presentations.

#### **3. ORDERS OF THE DAY**

Joe Smith, Chief Financial Officer and Staff Liaison, noted Chairperson Kniss' request to move the following Item from Other Items to the Regular Agenda: **Agenda Item #10**. Discussion regarding FY 2010 Budget Strategies.

Chairperson Pro Tempore Casas requested the Consent Agenda be deferred until a quorum was established.

**On order of Chairperson Pro Tempore Casas** and there being no objection, the Committee of the Whole accepted the Orders of the Day.

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

Board Member Reed indicated he would abstain from **Agenda Item #8**. Contract Award: Four to Six Color Offset Printing Services.

Board Member Reed left his seat at 12:08 p.m.

## **REGULAR AGENDA**

### **8. Contract Award: Four to Six Color Offset Printing Services**

Greta Helm, Chief External Affairs Officer, reported VTA produces agency required materials, transit and project information, and community relations and promotional materials in four to six color offset printing for various VTA departments. VTA contracts with two vendors for printing needs; however, the contracts will expire at the end of this year; therefore, VTA solicited vendors through the Request for Proposals (RFP) process in July 2009.

VTA's review board received several bid proposals and recommended American Lithographers; Fong Brothers Printing, Inc.; and ImageX for the contract. VTA's review board determined the firms to be the overall best candidates based on professional qualification, staffing, project understanding and approach, and competitive pricing.

The contract agreements will be Task Order agreements and are anticipated to initiate on January 1, 2010 and expire January 1, 2013 with an option for an additional two year term.

Vice Chairperson Gage arrived at the meeting and took his seat at 12:10 p.m.

Ms. Helm reported the contract amount is 30 percent lower due to VTA's reduction in printing hard copy material over the last few years due to the implementation of electronic media distribution.

Chairperson Kniss arrived at the meeting and took her seat at 12:11 p.m.  
and a quorum was established.

VTA still produces hard copy material to accommodate customers without access to computers. Ms. Helm reported VTA produces large amounts of its system maps, which need to be produce in color. VTA does not have the internal resources to produce multi-color offset printing; therefore, there is a need to have certain items produced outside.

**M/S/C (Gage/Kniss)** on a vote of 3 ayes and 1 abstention to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute on-call task order contracts with three printing firms for four to six color printing services to be utilized on an as-needed basis. Each contract shall be for a period of up to three years, with an option to extend the contract for an additional two-year term. The total amount for all three contracts shall not exceed \$1 million for a total of five years. Board Member Reed abstained.

Chairperson Pro Tempore Casas relinquished his seat as Chairperson Pro Tempore and Chairperson Kniss presided for the remainder of the meeting.

Board Member Reed returned to his seat at 12:14 p.m.

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

## CONSENT AGENDA

4. **Regular Meeting Minutes of September 17, 2009**

M/S/C (Gage/Casas) to approve the Regular Meeting Minutes of September 17, 2009.

5. **Monthly Investment Report – August 2009**

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

6. **Monthly Legislative History Matrix**

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

7. **Bicycle and Pedestrian Advisory Committee (BPAC) Member Appointment**

M/S/C (Gage/Casas) to approve submitting a recommendation to the Board of Directors to ratify the appointment of Aaron Faupell as the City of Milpitas representative on the Bicycle Pedestrian Advisory Committee (BPAC).

## OTHER ITEMS

10. **Discussion regarding FY 2010 Budget Strategies**

Joe Smith, Chief Financial Officer, provided a brief overview regarding FY 2010 Budget Strategies, noting the actual third and fourth quarter sales tax receipts were overall significantly lower than anticipated.

Mr. Smith noted VTA's budget assumptions were based on the sales tax revenues, which were estimated to be down 8 percent in the third quarter and an additional 5 percent in the fourth quarter. The actual third quarter receipts were down 21 percent and the fourth quarter receipts were down 27 percent. The sales tax revenue decline creates a larger deficit for FY 2010 and 2011.

Mr. Smith directed attention to the budget strategy scenarios handout entitled, "VTA Transit Sources and Uses of Funds Comparison," noting staff developed four scenario options for the Committees consideration. Mr. Smith noted the scenario projections include adjustments for the base sales tax adjusted for FY 2009 actual receipts, fare revenue trend, fare increase accelerated to October 2009, January 1, 2010 VTA Service Reductions, May 2009 Amalgamated Transit Union (ATU) wage concession increase, and the Federal Stimulus American Recovery and Reinvestment Act (ARRA) 10 percent grant funding.

Mr. Smith commented on the scenario projections, which include the sales tax change assumptions for FY 2010 and 2011, highlighting:

Scenario A - VTA's Adopted Budget in June 2009 assumed a 5 percent decrease in sales tax receipts for FY 2010 and a 3 percent decrease in FY 2011;

Scenario B - VTA's Budget Projections with the necessary adjustments assumes a 5 percent decrease in sales tax receipts for FY 2010 and a 3 percent decrease in FY 2011;

Scenario C - assumptions from Beacon Economics, regional economic forecasting firm, assumes a 13.1 percent decrease in sales tax receipts for FY 2010 and a 2.35 percent increase in FY 2011;

Scenario D - first quarter State Board of Education (SBOE) assumes a 10 percent decrease in sales tax receipts for FY 2010 and flat for FY 2011; and  
Scenario E - flat from FY 2009 Actual assumes the sales tax receipts will be flat for both FY 2010 and FY 2011.

Mr. Smith stated VTA does not have enough reoccurring revenues to fund VTA's reoccurring expenditures over the next two years.

Michael T. Burns, General Manager, stated when the adopted budget was prepared the assumption was by 2012 the economy would be turning around and VTA's Operating Reserves would be sufficient to carry VTA through FY 2010 and FY 2011. Mr. Burns reported VTA is in a financial crisis, noting VTA's Operating Reserves will be absorbed this fiscal year.

Vice Chairperson Gage stressed the importance to review all of VTA's transit services to determine the service that provides the best return and in order to identify the areas that should be eliminated.

Vice Chairperson Gage suggested management work with the unions to discuss a reduction in pay in order to sustain the organization, but if they do not agree then VTA needs to be prepared to implement layoffs.

Vice Chairperson Gage stressed the importance for VTA to work collaboratively with other transit agencies to assist one another. Vice Chairperson Gage stressed the importance to inform the public of VTA's financial constraints.

Board Member Casas expressed support to see staff looking for corrective actions and structural changes instead of one time revenue adjustments to address VTA's financial constraints.

Board Member Casas stressed the importance to start moving forward with the budget structural deficit solutions and strategies to ensure the transition is not alarming and provides adequate notice to the public.

Chairperson Kniss stated the economical constraints and challenges are impacting not only VTA but other transit agencies and noted the importance to identify what the other transit agencies are doing to address the concerns.

Chairperson Kniss stressed the need to identify what VTA has done in the past to address its financial challenges during the economical crisis.

Board Member Reed queried how fast VTA needs to act on the near term next six months solutions and strategies. Mr. Burns responded the goal is to have Board discussion and consider adoption of VTA's Budget Strategies at the December 10, 2009 Board of Directors Workshop Meeting.

Mr. Burns referenced the California Transit Association (CTA) lawsuit regarding the State Transit Assistance (STA) funding, noting the State appeal was rejected by the California Supreme Court, which upholds the lower court decision. The CTA was successful in the lawsuit; therefore, VTA expects to receive STA funding possibly in January 2010.

Mr. Burns referenced the budget strategy scenarios handout, noting VTA's expenses exceed revenues in every scenario, which makes the organizations budget unsustainable.

Mr. Burns stressed the importance and urgency to review labor and benefit cost structures in order to reduce VTA's expenses.

Mr. Burns noted VTA will utilize its operating reserve fund and 2000 Measure A fund sources to increase revenues, while the organization proceeds with actions to address its financial challenges.

Mr. Burns stated VTA's financial challenges cannot be addressed entirely through service reductions or employee layoffs since VTA will still have a budget shortfall.

Vice Chairperson Gage noted the importance for VTA's Board of Directors to be unified in the organization to address the issues and come to a decision.

Board Member Reed stressed the importance to start implementing budget strategy measures sooner rather than later to address the financial issues.

Chairperson Kniss noted the need to identify VTA's financial challenges as long term issues that need to be resolved and queried about what the other transit agencies are doing to address their issues. Mr. Burns responded VTA is in a better situation than other transit agencies due to its revenue sources. He stressed the importance to have Board discussion on changes to VTA's business model regarding the core transit services VTA provides.

Mr. Burns stated VTA will continue to provide core transit services but it will be the responsibility of the cities to provide local transportation to link up with VTA's core service.

Chairperson Kniss noted the City of Palo Alto Transportation Department provides transit services through its Cross Town Shuttle service.

Board Member Casas stated this would make the cities responsible and accountable to provide the local level of transit service, but noted it would be a conscious investment that serves their community.

Vice Chairperson Gage stated the cities would need to determine and make the decision what level of local transit service they need for their community.

Chairperson Kniss noted the City of Palo Alto Cross Town Shuttle service is heavily utilized by its seniors and students.

Board Member Casas stated the City of Los Altos has a dispersed population and large commercial section, but everyone needs to realize funding is finite and it is not possible to solve all the problems without making investments.

Board Member Casas stated if the cities are responsible to provide their own local transit service then they must ensure to take care of their citizens transportation needs.

Board Member Reed expressed concern for VTA to use its entire operating reserve fund as a source to address the financial crisis. Mr. Burns responded there needs to be strategic direction with detailed information from the Board of Directors on how VTA will address the situation to move forward.

Mr. Burns noted due to the political environment it may be necessary to determine if a ballot measure is needed to achieve some of the budget structural strategies VTA may pursue to address its financial constraints.

Chairperson Kniss suggested a Subcommittee be formed to address VTA's financial challenges and issues.

Vice Chairperson Gage referenced the Ad-Hoc Financial Stability Committee, which worked diligently to develop 19 recommendation strategies to address VTA's previous financial issues.

Board Member Reed concurred with Chairperson Kniss, noting the Ad-Hoc Financial Stability Committee should be reconvened with the direction to begin working on solutions to address VTA's current financial situation.

Vice Chairperson Gage stated the Ad-Hoc Financial Stability Committee was comprised of key stakeholders, which meet weekly for discussion sessions, and utilized the assistance of a facilitator who attended the meetings and gathered data for the Committee.

Chairperson Kniss suggested the Ad-Hoc Financial Stability Committee utilize the same model and Vice Chairperson Gage act in the capacity as an advisor to the General Manager regarding the Committee.

Board Member Casas requested an item be forwarded to the November 5, 2009 Board of Directors Regular Meeting regarding a recommendation for consideration to reconvene the Ad-Hoc Financial Stability Committee with the direction to begin working on solutions to address VTA's current financial situation.

Board Member Casas stressed the importance to utilize the Committee model, which was successful in the past and to allocate staff to facilitate the Committee Meetings.

Chairperson Kniss concurred with Board Member Casas referral to staff, noting it is essential to begin the process to address VTA's financial challenges.

Board Member Reed stressed the importance to agenda and requested to forward VTA's Budget Strategies for consideration to the November 5, 2009 Board of Directors Regular Meeting.

Chairperson Kniss referenced Board Member Reed's concern and request to ensure VTA does not use its entire operating reserve fund as a revenue source to address its financial crisis.

Mr. Burns noted the short timeframe to get the Ad-Hoc Financial Stability Committee information to the Board Members.

Chairperson Kniss suggested an email be sent to the Board of Directors to solicit volunteers to serve on the Ad-Hoc Financial Stability Committee. Chairperson Kniss expressed her appreciation to staff for their diligent work on the budget strategies presentation.

Tammy Dhanota, Chief Steward of Services Employees International Union (SEIU), queried if VTA's union members would be involved and allowed to participate in the Ad-Hoc Financial Stability Committee meetings. Vice Chairperson Gage responded, "yes" and noted several key stakeholders were involved and participated in the weekly discussion sessions. Vice Chairperson Gage stressed the importance for the volunteers to be aware of the commitment and effort required to serve on the Ad-Hoc Committee.

**On order of Chairperson Kniss** and there being no objection, the Committee discussed the FY 2010 Budget Strategies.

## **REGULAR AGENDA** (continued)

### **9. VTA Governance**

Jim Lawson, Senior Policy Advisor, reported at the August 7, 2008 Board of Directors Regular 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 Structure. Mr. Lawson referenced the Hay Group's Assessment, which identified the Board representation turnover for the small city groupings as a critical challenge to VTA's Governance Structure.

At the May 1, 2008, the Board approved to eliminate the concept of city groups selecting their representative through a rotation process; VTA Directors will serve a two year term, but appointing authorities are encouraged to reappoint representatives to consecutive terms; and implement a process for selecting VTA Directors within the city groups. VTA Directors should have the required experience and qualifications in transportation.

The A&F Committee discussed the issues at four regular meetings and requested staff to return with several approaches to VTA's Governance Structure with information on the legal steps required to implement any of the proposals. The following recommendations to change VTA's Governance Structure are to reconfigure the small city groupings; implement a new process where VTA's Policy Advisory Committee (PAC) selects the Board Members and Alternate Members accomplished by ranked order and population based; or to take no further action on VTA's Governance Structure.

Board Member Casas stated the North County city grouping is working well together as is the West Valley city grouping except for the Milpitas, Gilroy, and Morgan Hill (MGM) city grouping.

Board Member Casas expressed his support to not consider any additional changes to VTA's Governance Structure, noting the recommendations approved by the Board on May 1, 2008 addressed about 95 percent of the concerns raised by the Hay Group Assessment.

Board Member Casas expressed his support to take no action to realign the small city groupings and requested the MGM city grouping work together to address their issues.

Vice Chairperson Gage stated the MGM city grouping does not work well since the cities have nothing in common with one another, noting their issues and challenges are completely different.

Vice Chairperson Gage stressed the importance to consider what is best for the entire County, noting the City of Milpitas will not receive the same opportunity to serve on VTA's Board unless the small city groupings are reconfigured.

Upon query from Chairperson Kniss, Mr. Lawson stated the legislature specifies five members from the City of San Jose, two members from the County of Santa Clara, and five members divided among the small city groups.

Kevin Allmand, General Counsel, stated the small city groups agreed to the current established city grouping structure recognized in the Joint Powers Agreement for the Santa Clara County Congestion Management Agency (CMA).

Board Member Casas expressed concern VTA would consider altering its structure that

works, simply to address the concerns of one city. Board Member Casas noted the MGM cities have different needs but it does not mean that the City of Milpitas does not have a voice at the table.

Greg Sellers, VTA Board of Director and Governance Subcommittee Member, expressed concern if the current Governance Structure continues then Morgan Hill and Gilroy will have a representative for South County, but Milpitas would be excluded. Mr. Sellers stressed the importance to be fair and allow the City of Milpitas an opportunity to have representation on VTA's Board of Directors.

Mr. Sellers stated it is crucial and vital for all the small cities to have the opportunity to participate on VTA's Board of Directors. Mr. Sellers stated Milpitas has commonalities with Santa Clara and Sunnyvale; therefore, it makes sense to reconfigure the three cities into another new city grouping.

Mr. Sellers reported the Governance Subcommittee worked diligently to address VTA's Governance Structure issues as well as reviewed several proposals, adding some of the smaller cities support the reconfiguration option. Mr. Sellers expressed his support to forward the Governance recommendations for consideration to the November 5, 2009 VTA's Board of Directors Regular Meeting to allow the Board the opportunity to resolve the issue.

Mr. Lawson distributed a handout entitled, "City Populations – Option 1a – Reconfigured City Groupings" to the A&F Committee Members, noting the seat representation is determined by population per seat. Mr. Lawson reported VTA's Board of Directors is specifically designed as regionally represented and not required to be absolutely one person one vote, which is why the City of San Jose does not have the majority. The seat representation was determined using the dichotomy between the population based by representation and regional representation.

Board Member Reed concurred with Board Member Sellers comments regarding the reconfiguration of the small city groupings to include a new city grouping, which consists of Milpitas, Santa Clara, and Sunnyvale.

**M/S/F (Reed/Gage)** on a vote of 2 ayes to 2 noes to approve submitting a recommendation to the Board of Directors to consider: 1) One of the following changes to VTA's governance structure: a) Reconfigure the small city groupings to include a new city group comprised of Sunnyvale, Santa Clara, and Milpitas, that would appoint two Board Members and one alternate. Board Member Casas and Chairperson Kniss opposed.

Board Member Casas and Chairperson Kniss noted their support to not change the current configuration of the small city groupings.

**On order of Chairperson Kniss** and there being no objection, the Committee approved forwarding without a recommendation to the Board of Directors for consideration at the November 5, 2009 VTA Board of Directors Regular Meeting the item to consider: 1) One of the following changes to VTA's governance structure: a) Reconfigure the small city groupings to include a new city group comprised of Sunnyvale, Santa Clara, and Milpitas, that would appoint two Board Members and one alternate: or b) Implement a new process where the VTA Policy Advisory Committee will select the five Board Members and Alternates to represent the small cities; or 2) Take no further action.

**NOTE: M/S/F MEANS MOTION SECONDED AND FAILED.**

Upon query from Chairperson Kniss, Mr. Allmand responded if VTA's Board of Directors approve to reconfigure the small city groupings then a resolution would have to be adopted by the Santa Clara County Board of Supervisors, City of San Jose, and 7 other cities, since this action would be based on a majority of the cities and a majority of the population.

Board Member Casas stressed the importance to ensure the process is managed timely and expedited but allows for a smooth transition period.

Vice Chairperson Gage noted the importance to come to a decision and resolve VTA's Governance Structure as soon as possible.

Board Member Casas expressed his support to allow appointed Board Members to serve a longer term on VTA's Board of Directors. Board Member Casas stressed the importance to ensure the process allows for a smooth transition period.

## **OTHER ITEMS** (continued)

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

There were no Items of Concern and Referral to Administration.

### **12. Committee Work Plan**

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

### **13. Committee Staff Report**

There was no Committee Staff Report.

### **14. Chairperson's Report**

There was no Chairperson's Report.

### **15. Determine Consent Agenda for the November 5, 2009 Board of Directors Meeting**

**CONSENT: Agenda Item #7.** Ratify the appointment of Aaron Faupell as the City of Milpitas representative on the Bicycle Pedestrian Advisory Committee (BPAC); and

**Agenda Item #8.** Authorize the General Manager to execute on-call task order contracts with three printing firms for four to six color printing services to be utilized on an as-needed basis. Each contract shall be for a period of up to three years, with an option to extend the contract for an additional two-year term. The total amount for all three contracts shall not exceed \$1 million for a total of five years.

**REGULAR: Agenda Item #9.** The Santa Clara Valley Transportation Authority (VTA) Board consider: 1) One of the following changes to VTA's governance structure: a) Reconfigure the small city groupings to include a new city group comprised of Sunnyvale, Santa Clara and Milpitas, that would appoint two Board Members and one alternate: or b) Implement a new process where the VTA Policy Advisory Committee will select the five Board Members and Alternates to represent the small cities; or 2) Take no further action; and

**Agenda Item #10.** FY 2010 Budget Strategies.

**16. Announcements**

There were no Announcements.

**17. ADJOURNMENT**

**On order of Chairperson Kniss** and there being no objection, the meeting was adjourned at 1:40 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant  
VTA Office of the Board Secretary