

**ADMINISTRATION & FINANCE COMMITTEE**

Thursday, January 21, 2010

**MINUTES**

**CALL TO ORDER**

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:03 p.m. by Chairperson Kniss 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>
Don Gage	Board Member	Present
Liz Kniss	Chairperson	Present
Chuck Reed	Board Member	Present
Perry Woodward	Vice Chairperson	Present

**A quorum was present.**

**2. PUBLIC PRESENTATIONS:**

There were no public presentations.

**3. ORDERS OF THE DAY**

There were no orders of the day.

**M/S/C (Gage/Reed)** to approve the orders of the day.

**CONSENT AGENDA**

**4. Minutes of December 17, 2009**

**M/S/C (Gage/Woodward)** to approve the Regular Meeting Minutes of December 17, 2009.

**5. Monthly Investment Report - November 2009**

**M/S/C (Gage/Woodward)** to receive the Report on Santa Clara Valley Transportation Authority Investments for the Month of November 2009.

**6. 2009 Year End Attendance Report**

**M/S/C (Gage/Woodward)** to review the 2009 Year End Attendance Report.

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

7. **Monthly Legislative History Matrix**

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

8. **Citizens Advisory Committee Appointments**

M/S/C (Gage/Woodward) to take the following actions on appointments to the Citizens Advisory Committee:

- (1) Appoint Herman Wadler to the position representing Bicyclists, and submit this appointment to the Board of Directors for ratification; and
- (2) Ratify the appointment of Clinton Brownley to represent the West Valley Cities.

9. **BPAC Member Appointments**

M/S/C (Gage/Woodward) to ratify the following new appointment and re-appointment to the Bicycle & Pedestrian Advisory Committee for the current term ending June 2010 and the following term commencing July 1, 2010, until June 30, 2012.

**New Appointment**

- James Wiant, City of Cupertino

**Re-appointment**

- Herman Wadler, City of Campbell

**REGULAR AGENDA**

10. **Elect Standing Committee Vice Chairperson**

Chairperson Kniss opened the nominations from the floor for the position of Administration and Finance Committee Vice Chairperson for 2010.

Member Reed nominated Member Woodward for the position of Administration and Finance Committee Vice Chairperson for 2010.

M/S/C (Gage/Reed) to close the nominations and elect Member Woodward as Administration and Finance (A&F) Committee Vice Chairperson for 2010, on a white ballot.

11. **Contract Award - Money Manager-Emerging Markets**

**Board Member Reed recused himself per Government Code Section 84308.**

Joseph Smith, Chief Financial Officer and Committee Staff Liaison, reported Mercer Investment Consulting Incorporated (Mercer), the investment consultant to the ATU Pension Board, recommended and the ATU Pension Board approved that two asset classes, real estate and emerging markets, be added to the VTA/ATU Pension Plan Investment Portfolio.

VTA engaged Mercer to search for Non-US Equity Emerging Markets managers. Six investment management firms were presented to the ATU Pension Board and three (3) firms were interviewed. The three (3) firms selected for interview were Robeco, Aberdeen, and AXA Rosenberg.

Interviews were conducted by a panel consisting of three (3) members of VTA management and three (3) ATU representatives. The panel recommended the contract be awarded to Robeco.

Mr. Smith reported Robeco provides good quantitative input and good qualitative analysis in comparison to the other two firms interviewed. He stated Robeco is currently an investment manager for small cap in the ATU fund.

**M/S/C (Gage/Woodward)** to authorize the General Manager to execute an investment management agreement with Robeco Investment Management for the management of the Non-US Equity Emerging Markets asset class within the VTA/ATU Pension Plan investment portfolio. Member Reed recused.

## **OTHER ITEMS**

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

There were no items of concern or referral to Administration.

### **13. Review Committee Work Plan**

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

### **14. Committee Staff Report**

Joseph Smith, Chief Financial Officer and Staff Liaison, provided a handout entitled "FY 2010 Sales Tax Receipts."

#### **Fiscal Year 2010 First Quarter Results**

VTA 1976 Sales Tax receipts for Fiscal (FY) 2010 first quarter, July 1, 2009, through September 30, 2009, were 9.7 percent less than FY 2009 first quarter sales tax receipts.

Mr. Smith reported FY 2010 first quarter sales tax receipts reflected positive audit adjustments, without which sales tax receipts would have declined 16.9 percent in lieu of 9.7 percent.

Mr. Smith reported the previous forecast as of September 2009, by staff with input from Beacon Economics, had forecasted that the FY 2010 first quarter (July 1, 2009, through September 30, 2009) sales tax receipts would decline 20.4 percent.

## **Fiscal Year 2010 Forecast**

As of September 2009, staff, with input from Beacon Economics, had forecasted that the FY 2010 sales tax receipts would be 13.1 percent less than the FY 2009 sales tax receipts.

Mr. Smith reported that with the actual receipts for Q1, combined with an updated forecast from Beacon Economics, the forecasted sales tax receipts for FY 2010 has been revised to reflect 8.1% less than the FY 2009 sales tax receipts.

Mr. Smith noted it is anticipated that VTA will continue to experience negative sales tax growth for the next two quarters of FY 2010. He stated Beacon Economics has revised its taxable sales forecast from a negative 4.2 percent decline in FY 2010 fourth quarter to a 3.6% growth.

Member Reed questioned VTA's cumulative sales tax decline from its peak. Kimberly Koenig, Fiscal Resources Manager, reported an approximate sales tax decline of 25 percent from its peak in FY 2001 of approximately \$181 Million to approximately \$137 Million in FY 2009.

Chairperson Kniss questioned the approach VTA is taking to get back on track. Michael T. Burns, General Manager, noted VTA has initiated the following: 1) \$25 million was transferred from Measure A to the operating budget, with Measure A projects deferred; 2) a fare increase; 3) service cuts accounting for \$16 million over a two-year period; 4) budget reduced; 5) layoffs; 6) wage freezes; and 7) furloughs.

Mr. Burns reported stimulus funds that will not have met established deadlines may become available to VTA.

Joseph Smith reported on the reduced appropriation of \$15 million - \$7.5 million each in fiscal years 2010 and 2011.

Mr. Burns stated the Ad-Hoc Financial Recovery Committee may provide significant recommendations to deal with longer term structural issues.

Chairperson Kniss suggested staff provide a list of action items to the Board. She noted the importance of being proactive in getting information out to the public, especially in light of recent negative articles. External Affairs was requested to provide a memo indicating what steps have been taken to communicate VTA's situation in a reasonable manner and what the plans are for moving forward in this area.

Mr. Burns noted the challenge of getting the local newspapers to run positive reports on VTA. He mentioned a recent meeting he had with Mercury News reporter Gary Richards regarding VTA's recent activities; he referenced supportive articles in the Gilroy Dispatch.

Member Reed requested staff provide a single page, bullet-point list of VTA accomplishments to the Board and Policy Advisory Committee, allowing for a more proactive approach by Board and committee members. Member Reed noted he often gives live radio interviews and can highlight VTA's accomplishments with up-to-date speaking points.

Member Reed requested a detailed accounting of funds the State of California has diverted from VTA locally and from transportation statewide.

Member Gage directed staff use the VTA website as a tool to better communicate information to the public, such as posting the Friends Newsletter detailing VTA actions. He recommended Board Chairperson Liccardo have a space for communicating VTA's message on the web site. He further suggested Board Members, and the areas they represent, should be on the web site along with a means to communicate with them. He noted VTA should use its own communication tools to communicate with the public on areas of policy and direction.

Chairperson Kniss requested the General Manager provide public-outreach updates to the Board as part of his monthly report.

Chairperson Kniss recommended better communication with the public on the 2000 Measure A funds, clarifying the amount collected per year and reminding the voters what they voted for.

Chairperson Kniss questioned the news clips provided to the Board. Greta Helm, Chief External Affairs Officer, noted the Board is provided with daily news clips regarding VTA and other transit agencies. Members of the Committee requested staff revise the order in which the news clips are presented, to enable the Board to see what items were generated through VTA's efforts separately from items generated by others.

Member Reed expressed interest in Beacon Economics' forecasted 3.6% growth in sales tax receipts for FY 2010 fourth quarter. He noted the forecast was good news. Mr. Smith stated Beacon Economics is forecasting an even greater growth in 2011. Mr. Burns noted Beacon Economics has been the most conservative of the economic forecasters and stated his hope they are maintaining that conservative approach. Member Gage noted the importance of ensuring the information is reliable before the news is released.

**15. Chairperson's Report**

There was no Chairperson's report.

**16. Determine Consent Agenda for the February 4, 2010 Board of Directors Meeting**

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

**Agenda Item #8.** Take the following actions on appointments to the Citizens Advisory Committee:

- (1) Appoint Herman Wadler to the position representing Bicyclists, and submit this appointment to the Board of Directors for ratification; and
- (2) Ratify the appointment of Clinton Brownley to represent the West Valley Cities.

**Agenda Item #9.** Ratify the following new appointment and re-appointment to the Bicycle & Pedestrian Advisory Committee for the current term ending June 2010 and the following term commencing July 1, 2010 until June 30, 2012.

**New Appointment**

- James Wiant, City of Cupertino

**Re-appointment**

- Herman Wadler, City of Campbell

**Agenda Item #11.** Authorize the General Manager to execute an investment management agreement with Robeco Investment Management for the management of the Non-US Equity Emerging Markets asset class within the VTA/ATU Pension Plan investment portfolio.

**17. ANNOUNCEMENTS**

There were no announcements.

**18. ADJOURNMENT**

**On order of Chairperson Kniss** and there being no objection, the meeting was adjourned at 12:56 p.m.

Respectfully submitted,

Susan E. Garcia, Board Assistant  
VTA Office of the Board Secretary