

ADMINISTRATION & FINANCE COMMITTEE

Thursday, August 19, 2010

MINUTES

On General Consensus and there being no objection, the Committee of the Whole appointed Board Member Gage as Chairperson Pro Tempore.

CALL TO ORDER

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:05 p.m. by Chairperson Pro Tempore Gage in Room B-104, VTA River Oaks Campus, 3331 North First Street, San Jose, California.

1. ROLL CALL

Attendee Name	Title	Status
Don Gage	Board Member	Present
Liz Kniss	Chairperson	Absent
Chuck Reed	Board Member	Present
Perry Woodward	Vice Chairperson	Absent
Nora Campos	Alternate Board Member	NA
Pete McHugh	Alternate Board Member	Present
George Shirakawa	Alternate Board Member	NA

* 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

Chairperson Pro Tempore Gage noted staff's request to remove the following Agenda Item from the August 19, 2010 A&F Committee Agenda: **Agenda Item #12.** Information Technology Consulting and Support Services.

Chairperson Pro Tempore Gage referenced **Agenda Item #10.** Amended Conflict of Interest Code, Designated Positions and Disclosure Categories, noting minor edits were made to Attachment A. Appendix, Designated Positions and Disclosure Categories.

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

Chairperson Pro Tempore Gage requested a recess until a quorum was established.

The Committee of the Whole Meeting recessed at 12:08 p.m.
The Committee of the Whole Meeting reconvened at 12:11 p.m.

Board Member Reed arrived at the meeting and took his seat at 12:11 p.m. and a quorum was established.

CONSENT AGENDA

4. **Regular Meeting Minutes of May 20, 2010**
M/S/C (Reed/McHugh) to approve the Regular Meeting Minutes of May 20, 2010.
5. **Monthly Legislative History Matrix**
M/S/C (Reed/McHugh) to review the Monthly Legislative History Matrix.
6. **Monthly Investment Report – June 2010**
M/S/C (Reed/McHugh) to review the Report on Santa Clara Valley Transportation Authority Investments for the month of June 2010.
7. **Quarterly Purchasing Report – April 1 through June 30, 2010**
M/S/C (Reed/McHugh) to review the Quarterly Purchasing Report – April 1 through June 30, 2010.
8. **Fourth Quarter and Fiscal Year 2010 Year End Report of Public Liability/Property Damage Claims Activity**
M/S/C (Reed/McHugh) to review the Fourth Quarter and Fiscal Year 2010 Year End Report of Public Liability/Property Damage Claims Activity.
9. **Fourth Quarter and Fiscal Year 2010 Year End Report of Workers' Compensation Claims and Transitional Work Program**
M/S/C (Reed/McHugh) to review the Fourth Quarter and Fiscal Year 2010 Year End Report of Workers' Compensation Claims and Transitional Work Program.
10. **Amended Conflict of Interest Code, Designated Positions and Disclosure Categories**
M/S/C (Reed/McHugh) to approve submitting a recommendation to the Board of Directors to adopt the amended Conflict of Interest Code for the Santa Clara Valley Transportation Authority (VTA) and its Appendix of Designated Positions and Disclosure Categories and direct the Board Secretary to submit the revised Conflict of Interest Code and the list of designated positions to the Santa Clara County Board of Supervisors for approval.

REGULAR AGENDA

11. **Retirement Recognition Program Resolution**
Bill Lopez, Chief Administrative Officer, reported the action is to authorize the General Manager and VTA Chairperson of the Board of Directors to issue Commendations on behalf of VTA for the Employee Retirement Recognition Program. The intent of the resolution is to ensure consistency and structure to the current practice as well as change the award recognition from Board meetings to presentations by Division Chiefs at appropriate meetings.

M/S/C (McHugh/Reed) to approve submitting a recommendation to the Board of Directors to adopt a resolution authorizing the General Manager and Chairperson of the Board to issue Commendations on behalf of VTA for the Employee Retirement Recognition Program.

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

12. (Item Removed from the August 19, 2010 A&F Committee Meeting and moved to the September 16, 2010 A&F Committee Meeting.)

Authorize the General Manager to enter into contracts and task order agreements with the technology firms listed in exhibit A for consulting and support services. Each contract shall be for a maximum three-year period, with an option for two additional years with an aggregate value not to exceed \$4,750,000 for all agreements.

Board Member Reed indicated he would abstain from **Agenda Item #13**. Award of Contracts for VTA Cellular Phone Equipment and Services.

13. Award of Contracts for VTA Cellular Phone Equipment and Services

Gary Miskell, Chief Information Officer, reported VTA developed a Request for Proposal (RFP) with the goal of maximizing cost savings and improving the management program process. The RFP was advertised on April 8, 2010. While four firms submitted proposals only three participated in oral interviews. VTA's evaluation team selected Nextel of California, Inc. (Sprint) and AT&T Mobility for cellular voice and data services.

The Sprint agreement will cover most of VTA's wireless service requirements for voice, "smart phone," and wireless broadband; however, in the event that Sprint is unable to meet VTA's unique requirements, staff proposes to purchase cellular wireless services and equipment from AT&T Mobility.

Mr. Miskell continued that VTA will achieve \$37, 500 per year in savings with the Sprint mobile device data rate plan. Approximately, 350 cell phones and mobile devices will need to be transitioned from AT&T to Sprint; however, there will be no additional activation, account setup, and/or transition charges owed to Sprint. Each newly activated "line" of service will accrue a \$150 credit to VTA, which is estimated to result in \$50,000 in credits to be applied to future service charges.

Public Presentation

Tammy Dhanota, Chief Steward of Services Employees International Union (SEIU) Local 521, distributed information related to cellular phone usage, and urged the Committee Members to renegotiate the contract agreement to achieve a better bid proposal.

Ms. Dhanota expressed concern that the contract agreement for cellular phone equipment and services was not a good use of public funds. Ms. Dhanota noted that VTA does not have a signoff policy to verify business and personal calls made using VTA's employee assigned cellular phone.

Ms. Dhanota urged the Committee Members to look for other options to save funding within the organization.

Mr. Miskell stated that staff has had discussions with the County and City of San Jose regarding their cellular phone equipment and services, noting VTA is in line with their cost for equipment and services. Sprint offered the most cost effective rates.

Mr. Burns stated the contract award was conducted using the competitive bid process and VTA's evaluation team selected the vendor with the highest ratings.

Board Member Reed left his seat at 12:27 p.m. and the quorum was lost; and a Committee of the Whole was declared.

Mr. Miskell continued that Technology staff reviews VTA's consolidated wireless bill monthly to identify misuse. Also, the Sprint contract agreement offers an on line electronic billing feature that could be used to better inform the phone users and managers of cellular phone usage.

Mr. Miskell noted that staff negotiated a special discount offer for employees who activate a new "line" with Sprint.

The Committee of the Whole recommended forwarding the item for consideration at the September 2, 2010 VTA Board of Directors Regular Meeting: Authorize the General Manager to execute contracts with Sprint (Nextel of California, Inc.) and AT&T Mobility for cellular voice and data services. The initial term for each contract will be three years with an option to extend the contract on an annual basis for two additional years. The cost of the initial three year term is \$809,750 for both firms, plus an optional \$296,000 per year for each of optional one-year periods, for a total of \$1,401,750.

Board Member Reed took his seat at 12:30 p.m. and a quorum was established.

OTHER ITEMS

14. Removal of Credit Support Provider for Interest Rate Swaps

Kim Koenig, Fiscal Resources Manager, reported that in 2005 and 2006, VTA issued several variable rate bonds that saved VTA in excess of \$9 million in interest expense associated with long-term debt obligations..

Ms. Koenig continued that Ambac provided credit support for the Swaps as part of the overall insurance package for the variable rate bonds, which eliminated VTA's need to post collateral. In June 2009, Ambac's long term credit rating fell below the required limit; therefore, in VTA is subject to the collateral posting requirements.

On March 24, 2010, the Commissioner of Insurance for the State of Wisconsin placed a segregated account of Ambac into court supervised rehabilitation, which effectively removes their value as VTA's credit support provider.

Staff has successfully negotiated with the swap counterparties to eliminate Ambac as VTA's credit support provider to eliminate the potential risk of termination due to Ambac's court supervised rehabilitation.

Ms. Koenig stated that the changes to the agreements related to the elimination of Ambac as VTA's credit support provider will not result in any changes to the terms of the Swaps. Ambac's rehabilitation proceedings are anticipated to be complete in September 2010.

On order of Chairperson Pro Tempore Gage and there being no objection, the Committee received the report on the removal of Credit Support Provider for Interest Rate Swaps.

15. Valley Transportation Authority (VTA) – Amalgamated Transit Union (ATU) Pension Plan Actuarial Valuation

Ali Hudda, Deputy Director of Accounting, reported the VTA/Amalgamated Transit Union (ATU) Pension Plan Actuarial Valuation is performed annually to determine the financial condition and contribution requirements of the Plan, to project

and analyze trends in plan cost, and to present the items required for disclosure under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

Mr. Hudda introduced Graham Schmidt, EFI Actuaries Representative, who provided a brief overview of the presentation entitled, "VTA/ATU Pension Plan - 2010 Actuarial Valuation," highlighting: 1) Plan Cost; 2) Funded Status; 3) Peer Group Comparisons; 4) Economic Assumptions; and 5) GASB Preliminary Views.

Board Member Reed referenced the third bullet on slide 5 – Funded Status, noting the statement is unclear and requested the slide be updated for clarity.

Chairperson Pro Tempore Gage suggested that slide 5 – Funded Status be updated to address the concerns before it is presented at the September 2, 2010 Board Meeting. Mr. Burns responded in the affirmative, noting the presentation would be updated for the September 2, 2010 Board of Directors Regular Meeting.

EFI Actuaries has recommended that the Plan contribution rate decrease from 18.25 percent of covered payroll to 17.99 percent for FY 2011 due to an improved investment experience in 2009.

The Plan had Actuarial Assets of \$354.8 million and Actuarial Accrued Liability (AAL) of \$462.9 million, which resulted in a decrease in the Unfunded Actuarial Accrued Liability (UAAL) to \$108.1 million from \$117.6 million in the previous year with a funded ratio of 77 percent. The UAAL is amortized over a period of 20 years using the level dollar open method providing for a mechanism to fund the UAAL in a manner accepted by the GASB.

VTA's Board of Pensions reviewed key economic assumptions for the Plan and determined the current 8 percent assumed rate of return was appropriate.

On order of Chairperson Pro Tempore Gage and there being no objection, the Committee received the report on the VTA – ATU Pension Plan Actuarial Valuation.

16. Items of Concern and Referral to Administration

There were no Items of Concern and Referral to Administration.

17. Committee Work Plan

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

18. Committee Staff Report

Joe Smith, Chief Financial Officer, noted the first Low-Emission Diesel Electric Hybrid Bus is available for viewing in VTA's Visitor Parking Lot. Mr. Smith stated that Dan Smith, Chief Operating Officer, and Michael Hursh, Operations Deputy Director, are available to point out the vehicle features and answer questions.

19. Chairperson's Report

There was no Chairperson's Report.

20. **Determine Consent Agenda for the September 2, 2010 Board of Directors Meeting**

CONSENT: Agenda Item #10. Adopt the amended Conflict of Interest Code for the Santa Clara Valley Transportation Authority (VTA) and its Appendix of Designated Positions and Disclosure Categories and direct the Board Secretary to submit the revised Conflict of Interest Code and the list of designated positions to the Santa Clara County Board of Supervisors for approval;

Agenda Item #11. Adopt a resolution authorizing the General Manager and Chairperson of the Board to issue Commendations on behalf of VTA for the Employee Retirement Recognition Program;

Agenda Item #13. Authorize the General Manager to execute contracts with Sprint (Nextel of California, Inc.) and AT&T Mobility for cellular voice and data services. The initial term for each contract will be three years with an option to extend the contract on an annual basis for two additional years. The cost of the initial three year term is \$809,750 for both firms, plus an optional \$296,000 per year for each of optional one-year periods, for a total of \$1,401,750; and

Agenda Item #15. Receive a report on the VTA-ATU Pension Plan Actuarial Valuation as of January 1, 2010.

REGULAR: No Items were moved to the Regular Agenda.

Moved to the September 16, 2010 A&F Committee Meeting

Agenda Item #12. Authorize the General Manager to enter into contracts and task order agreements with the technology firms listed in exhibit A for consulting and support services. Each contract shall be for a maximum three-year period, with an option for two additional years with an aggregate value not to exceed \$4,750,000 for all agreements.

21. **Announcements**

Mr. Hursh reported that VTA utilized federal funding from the American Recovery and Reinvestment Act (ARRA) and the California Proposition 1B funds to purchase 90 Low-Emission Diesel Electric Hybrid Buses.

The hybrid buses are Americans with Disabilities Act (ADA) accessible, have an upgraded wheelchair ramp, new less intrusive three point wheelchair securement system, rear doorways are wider, and include other various safety components.

Mr. Hursh stated the hybrid buses are built by Gillig LLC in Hayward, California and meet the newest clean air standards issued by the federal Environmental Protection Agency (EPA). He invited the Committee Members to view the Hybrid bus on display in the Visitors parking Area.

22. **ADJOURNMENT**

On order of Chairperson Pro Tempore Gage and there being no objection, the Committee meeting was adjourned at 1:01 p.m.

Respectfully submitted,

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