

From: Marinos, Maria  
Sent: Tuesday, February 26, 2008 5:07 PM  
To: Board.Secretary  
Cc: Burns, Michael  
Subject: General Information: Weekly Legislative Reports

Attachments: Akin Gump Weekly Washington Update -- 2-18-08.doc; California Strategies Weekly Sacramento Update -- 2-18-08.doc

To: VTA Board of Directors  
From: Kurt Evans, Government Affairs Manager  
Date: February 26, 2008  
Subject: General Information: Weekly Legislative Summaries

For your information, I am attaching the weekly legislative updates for the week of February 18, 2008.

# **Santa Clara Valley Transportation Authority**

## **WEEKLY WASHINGTON UPDATE**

Prepared by Akin Gump and  
VTA's Government Affairs Unit  
Week of February 18, 2008

### **AMTRAK**

Amtrak passengers will have to submit to random screening of carry-on bags in a major new security push that will include officers with automatic weapons and bomb-sniffing dogs patrolling platforms and trains, the railroad announced. The initiative is a significant shift for Amtrak. Unlike the airlines, it has had relatively little visible increase in security since the 2001 terrorist attacks, a distinction that has enabled it to attract passengers eager to avoid airport hassles. Amtrak officials insist their new procedures would not hold up the flow of passengers nor require them to arrive at stations far in advance. They further noted that passengers who are selected randomly for the screening would be delayed no more than a couple of minutes.

Concern about Amtrak security has been mounting since the 2004 bombings of commuter trains in Madrid that killed 191 people. Trains also have been bombed in London, where 52 people were killed in a series of blasts in 2005, most of them on subway trains; and in Mumbai, India, where 200 people were killed in 2006 on commuter trains. Russia also has had several bombings on subway, commuter and long-distance trains.

Amtrak plans to roll out the new "mobile security teams" first on the Northeast Corridor between Washington, D.C., and Boston, the railroad's most heavily used route, before expanding them to the rest of the country. The teams will show up unannounced at stations and set up baggage screening areas in front of boarding gates. Officers will randomly pull people out of line and wipe their bags with a special swab that is then put through a machine that detects explosives. If the machine detects anything, officers will open the bag for visual inspection. Anyone who is selected for screening and refuses will not be allowed to board, and his or her ticket will be refunded. In addition to the screening, counterterrorism officers with bomb-sniffing dogs will patrol platforms and walk through trains. Sometimes they will ride the trains. Amtrak's previous passenger screening consisted of sporadic identification checks by train conductors.

### **U.S. SUPREME COURT**

The U.S. Supreme Court curtailed lawsuits against the makers of medical devices and struck down a state effort to keep youths from buying cigarettes on the Internet in two disputes testing the line between state and federal power. By an 8-1 vote, the court spurned a lawsuit based on a New York law by the widow of a man injured when a Medtronic catheter ruptured during heart surgery in 1996. The justices said a U.S. statute requiring a rigorous "pre-market" screening by the federal Food and Drug Administration of certain devices barred the state lawsuit. Separately, by a 9-0 vote, the court rejected a Maine law that imposed new delivery requirements on tobacco parcels, including forcing carriers to obtain proof of age from a recipient. The justices said a federal transportation law prevents such state regulation of carriers. The rulings were a victory for business interests and a setback for state efforts to protect citizens in health-related areas when the federal government already has entered the field.

# WAR IN IRAQ

When President George W. Bush proposed increasing U.S. troop levels to quell rising violence in Iraq more than a year ago, several Republicans in Congress were skeptical. Democrats almost uniformly predicted failure. The criticism grew louder last April, when Senate Majority Leader Harry Reid (D-NV) declared the war “lost,” and louder still over the summer as U.S. casualties mounted.

In September, the situation in Iraq began to improve. In October, the number of U.S. troops there peaked at 171,000—35,000 more than the previous January. By December 2007, American deaths were at their lowest levels since the 2003 invasion, civilian casualties were down, and street life was resuming in Baghdad.

The impact on American politics has been nearly as striking. As the U.S. effort has shown more success, the slowing economy has eclipsed the war as voters’ number one concern, according to recent polling data. The progress has boosted the presidential campaign of Republican John McCain, an early advocate of the troop increase. And while Democratic hopefuls Barack Obama and Hillary Rodham Clinton continue to call for pulling combat troops out of Iraq, the success of the new military strategy has helped stymie efforts by Democrats in Congress to change the President’s policy.

Even as the Iraq war promises to be a defining issue of the fall presidential campaign, the debate on Capitol Hill has lost steam. Most congressional Democrats have been walking a rhetorical tightrope, praising the reduction in violence while contending that it has not improved Iraq’s long-term outlook. Unlike a year ago, they have shown little interest in trying to force President Bush to rapidly withdraw troops—or at least make him veto their timeline for doing so.

The recent news that Gen. David Petraeus, the architect of the new military strategy, and Defense Secretary Robert Gates are leaning toward a brief pause in planned withdrawals of U.S. combat brigades drew protests from Democrats, but they say there is not much they can do. “We don’t have a two-thirds majority to override the President’s veto,” House Speaker Nancy Pelosi (D-CA) said. “We don’t have 60 votes in the Senate to allow our troop withdrawal legislation to go forward.” For now, congressional Democrats are focusing on legislation to improve military readiness and require congressional approval of a U.S.-Iraqi agreement over American military bases.

When Petraeus and U.S. Ambassador to Iraq Ryan Crocker came before Congress last September, the slide in violence had barely begun. The two are scheduled to return to Capitol Hill in April. Crocker may be hard-pressed to argue that Iraqis have met the political benchmarks that Congress sought, but in recent days the Iraqi parliament passed a budget, a provincial governance law and amnesty legislation. Petraeus, on the other hand, will be able to tick off a list of undisputed military achievements.

Most Democrats give credit to the increase in troops but say they were right to oppose it. Pelosi and Reid acknowledge that U.S. troops—as opposed to the Bush Administration—have made progress, while calling the President’s policy a failure overall. Asked whether she was wrong to oppose the surge, Pelosi replied, “God knows, anytime our military men and women go into a military exercise, we want them to succeed, and they did. The politics did not follow. So they can paint whatever picture they want on it; the goal has not been accomplished. The tragedies, the casualties continue. We are going in the wrong direction in Iraq.”

## FOREIGN AFFAIRS

- President Bush said Congress should renew his global AIDS program and preserve a requirement that steers money into abstinence efforts. Congress, in fact, strongly backs the program, which is credited with getting medicine and preventive treatment to millions of people—most of them in sub-Saharan Africa. Yet its renewal has gotten hung up on Capitol Hill over ideology and political debate about disease prevention. Some Democrats want to eliminate a provision in the legislation that requires one-third of all prevention spending to go to abstinence-until-marriage programs. Critics say that while they do not oppose abstinence programs, the inflexible requirement hampers the effort. President Bush commented that the time for debate is over, and that those seeking changes on both ends of the political spectrum should “stop the squabbling.” The President’s Emergency Plan for AIDS Relief, or PEPFAR, expires this year. He is pushing to renew the program at \$30 billion over five years, double his original commitment. Congress has put more than \$18 billion into it so far and is expected to extend the program beyond the Bush presidency.
- The Bush Administration ruled out any immediate change in policy toward Cuba despite Fidel Castro’s resignation, deriding his brother and heir apparent, Raul, as “dictator-lite.” While the President expressed hope that Fidel’s decision to step down would usher in a period of democratic transition on the communist-run island, he noted that it probably would not happen under Raul, and that it was unlikely the nearly 50-year-old U.S. economic embargo on Cuba would be lifted. The ailing Fidel, 81, who has called the trade embargo “criminal” and claims that its impact has run into the tens of billions of dollars, announced that he would not accept another term in office when the Cuban parliament meets to elect a new leader. Despite constant U.S. criticism and sanctions, Fidel outlasted nine U.S. Presidents. President Bush said he hoped the end of Fidel’s leadership would launch a transition to democracy for the Cuban people. The State Department offered similar sentiments, but stressed that it was not optimistic for any kind of quick change under Raul, to whom Fidel ceded power temporarily in July 2006.

## MEMORANDUM

**TO:** Santa Clara Valley Transportation Authority  
Board of Directors

**FROM:** Mark Watts  
California Strategies and Advocacy

Kurt Evans, Government Affairs Manager  
Santa Clara Valley Transportation Authority

**DATE:** February 25, 2008

**SUBJECT:** Weekly Sacramento Update: Week of February 18, 2008

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### **STATE BUDGET: GENERAL**

Gov. Arnold Schwarzenegger signed an executive order requiring state agencies to make additional spending cuts that total \$100 million as part of an effort to help solve the state's fiscal crisis. The move comes after the Governor signed a series of bills to help put a dent in the looming \$14.5 billion budget deficit that California stood to face on July 1. The measures were the result of a special session of the Legislature that was convened after the Governor declared a fiscal emergency in January.

Gov. Schwarzenegger's latest savings, estimated to be worth about 1.5 percent for each state agency, are in addition to the earlier order he issued to slash 10 percent across the board for all state departments. The new savings are designed for "non-essential and non-mission-critical activities and shall not negatively impact public safety or public health activities," the executive order said. The cuts are to include hiring freezes; limiting discretionary travel for seminars, conferences or training; holding off on certain purchases; and canceling some government contracts. Immediate reductions are necessary because, in many cases, they could take months to implement, the Governor noted. In fact, he commented that the Legislature should not wait until May, when he is required by state law to offer a revised FY 2009 spending proposal, to come up with further budget solutions.

Lawmakers in each party agree that California's fiscal picture will probably grow worse before it gets better as the state wades through the current housing market meltdown and slowing economy.

In January, Gov. Schwarzenegger unveiled a spending proposal with deep cuts. The plan calls for releasing some inmates in state prisons early, closing some state parks, and suspending constitutionally guaranteed funding for education. In announcing his budget proposal, the

Governor also declared a fiscal emergency and called a special legislative session to start making immediate fixes.

The Legislature passed six bills as part of a package of ideas to cut the \$14.5 billion deficit in half. But the gap is being narrowed largely with additional borrowing, delaying previously planned early debt payments, withholding unspent education funds, and delaying cost-of-living adjustments for some welfare recipients. While the package did not include the controversial cuts proposed by Gov. Schwarzenegger in January, those ideas will be hotly debated in the weeks and months to come as the Administration and the lawmakers work out a spending plan for the next fiscal year, which begins on July 1.

### **STATE BUDGET: LAO REPORT**

Elizabeth Hill, the state's top budget analyst, commented that California's budget situation is worsening and that Gov. Schwarzenegger's spending proposal is so flawed, she felt compelled to come up with a plan of her own. As an alternative to the Governor's 10 percent across-the-board reductions, Hill, who oversees the Legislative Analyst's Office, crafted a long-term spending blueprint that would cut less from schools, but reduce tax breaks for businesses and ask families with children and seniors to take smaller tax credits. Hill acknowledged that her plan would affect most of California's 37.7 million residents.

Instead of the \$14.5 billion budget shortfall projected by Gov. Schwarzenegger a few weeks earlier, Hill said the deficit through June 2009 is now closer to \$16 billion. She noted, however, that recent moves by the Governor and lawmakers to sell bonds, delay debt payments, and make cuts in education and welfare programs have brought the overall shortfall down to about \$8 billion.

In January, the Governor proposed cutting most state departments by 10 percent to bring spending in line with tax revenues that continue to fall below expectations. Hill called that approach "flawed" because it fails to prioritize such state programs as education and health care. Instead, she took the rare step of offering an alternative budget that relies on cutting non-essential services and raising certain taxes to generate \$2.7 billion for FY 2009. Her report found at least a dozen tax breaks that could be reduced or eliminated, the largest of which could come from rolling back tax credits—from \$294 to \$94—for individuals or families that claim dependents. In addition, the report noted that the state could limit research and development tax credits to generate \$335 million. Hill further called for ending a sales tax exemption on the leasing of films and tapes for the entertainment industry; eliminating a sales tax exemption for custom computer programs; and closing a loophole for purchasers of boats, recreational vehicles and planes. Other ideas put forth by Hill include increasing student fees by 10 percent at the University of California and California State University systems, and raising park fees by an average of \$1 to prevent 48 state parks from closing.

In trying to take what she described as a less harmful approach to education, Hill called for suspending the state Constitution with regard to minimum school funding just as the Governor did in his January proposal, but recommended about half of the \$4 billion reduction in funding guarantees for schools that the Governor announced.

Hill, who projected a shortfall in state highway maintenance funds, proposed tying the gasoline tax to inflation, which would add at least 10 cents on every gallon of gas purchased in the state. Finally, she rejected a Schwarzenegger Administration proposal to save \$1.1 billion through the early release of more than 22,000 state inmates.

## **STATE LOTTERY**

Gov. Schwarzenegger is dramatically overestimating the jackpot that the state could collect if it sold the rights to operate the lottery to an outside company, according to several Wall Street analyses. Moreover, to make the venture more attractive and command a higher price from an outside company, California might have to relax its gambling laws and allow a major expansion of the lottery. The Governor introduced the idea last year, and at times has pitched it as a financial godsend, capable of reducing state debts, boosting education funding, or helping to bankroll universal health care. If the deal comes to pass, it would be the first time that a state has privatized its lottery.

But several Wall Street investment banks that have analyzed the idea for the Administration say the estimates that he touts are optimistic. The Governor is employing the projections from Lehman Brothers, which pegged the value of California's lottery at \$16.1 billion to \$37 billion over 40 years. However, other Wall Street investment banks—Bear Stearns, Citibank, Goldman Sachs, JP Morgan Chase, Merrill Lynch, and Morgan Stanley—are more conservative. They estimate the value of a long-term lease at between \$7 billion and \$29 billion, with smaller up-front payments, usually less than \$9 billion.

The state's lottery ranks fifth nationally in total sales, with \$3.3 billion, even though California is the most populous state. In fact, on a per-capita basis, the lottery ranks 30th, with about \$98 in tickets sold for every Californian. The Wall Street analysts noted that to command the highest price for the lottery, California would have to give a private operator freedom to sell tickets over cell phones and PDAs, in malls, on college campuses, at bus stations, and through ATM machines. Ticket sales would have to more than double, to \$234 per person. That worries some lawmakers who see lotteries as a tax on the poor and gullible.

Leasing the lottery would require approval from the Legislature and a majority of the voters. Similar proposals are circulating in more than a dozen other states, New York, Florida and Texas among them.

## **CORRECTIONS**

California's \$7.9 billion prison construction and rehabilitation plan will provide fewer beds than previously promised and take longer to complete, according to testimony offered at a legislative hearing by state corrections officials.

An expansion plan slated for existing prisons has been downsized from 16,000 to 13,000 beds, officials from the California Department of Corrections and Rehabilitation told lawmakers at a Senate Public Safety Committee hearing. The expansion beds will now cost \$222,000 each, or

48 percent more than originally estimated, and will not come on line until December 2009, or 11 months later than originally scheduled. The construction plans became law last year under AB 900 (Nunez). The reconfigured plans may require millions more in funds that have yet to be allocated.

Senate Public Safety Committee Chair Gloria Romero (D-Los Angeles) said the figures reaffirm her position that AB 900 “was the wrong policy for the wrong reason.” She added, “\$222,000 per bed, I don’t care how you divide it, that is a staggering, overwhelming cost to the taxpayers.”

At the hearing, corrections construction chief Deborah Hysen laid out the reasons for the added costs, smaller size and lengthier timeline for the program. Among them are: (a) revised plans calling for more cells instead of dorms; (b) a failure in the initial planning to include enough space for rehabilitation programs and health care; and (c) infrastructure problems that prevent expansion at some of the prisons. Hysen also said the Legislature added to the delays because it failed to allow private contractors to design as well as build the new projects, instead using state employees for design jobs.

## **CALIFORNIA STATE LEGISLATURE**

Senate Republicans elected Modesto’s Dave Cogdill as their next leader, giving the San Joaquin Valley a monopoly on GOP power in the Legislature. Cogdill will take over on April 15 from Irvine’s Dick Ackerman, who is termed out at the end of the year. GOP leadership of the Assembly already is in the hands of Clovis’ Mike Villines, who has held the post for more than a year. As members of the minority party, Villines and Cogdill have less power than leading Democrats, but they will take on a key role in the ongoing fight over the budget, which requires some GOP votes to pass.

Like Villines, Cogdill is strongly conservative, especially on fiscal matters. He vowed to resist pressure to raise taxes to close the state’s growing budget hole. “We have a spending problem, not a revenue problem,” he said at a Capitol news conference. The budget debate is “about figuring out how we can better use the state resources to meet the needs of the people of this state and do it without increasing taxes.”

The Central Valley’s hold on the two GOP leadership spots signifies the continuing shift of Republican power to inland California. Cogdill’s path to power was smoothed last week when another leading candidate, Lancaster’s George Runner, withdrew from contention. Runner dropped out after his wife, Assemblywoman Sharon Runner, revealed that she is suffering from a rare lung disease. Cogdill has a low-key style and a good grasp on the arcane rules that guide legislative procedure. He took on an influential role last year as Senate Republicans dug in their heels and refused to vote for a state budget that they believed contained too much spending. The standoff lasted 51 days.

From: Marinos, Maria  
Sent: Friday, February 29, 2008 12:57 PM  
To: Board.Secretary  
Cc: Burns, Michael  
Subject: Letter Re: ADA Paratransit services to the VA Hospital

Attachments: DOC022908.pdf

VTA Board Members:

For your information, attached is a letter from Department of Veterans Affairs Coordinator for Visual Impairment Services Patrick A. Finan regarding ADA Paratransit services to the Veterans Affairs Hospital at Menlo Park dated 2/25/08. Also attached is the response from the General Manager to Mr. Finan dated 2/26/08.

Maria Marinos  
Board Secretary  
Santa Clara Valley Transportation Authority  
(408) 321.5773

cc: VTA Committee for Transit Accessiblity (CTA)

Department of Veterans Affairs Sierra-Pacific healthcare Network

3801 Miranda Avenue

Palo Alto, California 94304

February 25, 2008

Valley Transit Authority  
Attention: Mr. Michael Burns, General Manager  
3331 North First Street  
San Jose, California 95134-1927

Subject: VTA Paratransit Policies

Dear Mr. Burns,

I am writing on behalf of our veteran community to support the recent Valley Transit Authority policy decision regarding county Para transit boundaries. The return of Outreach, Ready Wheels and other providers to serve the county boarder regions provides immeasurable relief to many riders. The specific policy decision which became effective January 14, 2008 altered certain service areas and had the unintended effect of confusing and concerning many veterans, families and caregivers. The impact of employing a "jurisdictional" basis for service provision appears to have been in contravention of the ADA regarding  $\frac{3}{4}$  mile service corridors on either side of fixed bus routes. Perhaps, added transparency will alleviate these misunderstandings in the future. The provision of specifics regarding the goal of these service revisions would help all to understand VTA concerns. One specific issue which the VTA could rectify immediately is the curtailment of Santa Clara Paratransit from serving the Menlo Park VA medical facilities. Ready access from VA Palo Alto to the unique Menlo Park services would serve our veterans greatly. Such services as psychiatric care, nursing home and other specialties are otherwise unavailable locally.

Investing in Paratransit pays dividends which the VTA may be unaware of. In my role as Coordinator of the Visual Impairment Services Team within the Palo Alto Department of Veterans Affairs, which serves nearly 400 veterans and their families, Paratransit plays an integral part in treatment. One of my duties is to advise veterans regarding the realities of visual impairments, legal blindness and driving. As you can imagine, this is often a very traumatic realization. Possible loss of independence, accepting the aging process and numerous factors affect one's adaptation to life with visual impairments. There are far too many avoidable tragedies involving individuals making poor decisions regarding impaired driving. One of my specifics during patient interactions is to highlight the availability, quality and benefits of Paratransit. These benefits are not marginal for the many thousands of Californians who utilize Paratransit daily. In my experience, California Paratransit services are among the best in the nation. Outstanding among these, Outreach of Santa Clara County is exemplar of the best qualities in Paratransit. Attention to detail, efficient customer service and quality management sets Outreach apart from many. This speaks highly of well trained drivers, staff and effective leadership. I do not say this gratuitously. The existence of a Paratransit service does not make it accessible or customer-service oriented. These are goals all concerned with empowering the community of persons with disabilities should strive for. I look forward to future cooperative endeavors which may improve vital Para transit services for our veterans and the community.

Yours in service,

Patrick A. Finan, MSW  
Coordinator, Visual Impairment Services Team (VIST)  
Blind Rehabilitation Service  
Department of Veterans Affairs

February 26, 2008

Patrick A. Finan, MSW  
Coordinator, Visual Impairment Services Team (VIST)  
Blind Rehabilitation Service  
Department of Veterans Affairs  
3801 Miranda Avenue  
Palo Alto CA 94304

Dear Mr. Finan,

I am responding on behalf of the Santa Clara Valley Transportation Authority's (VTA) Board of Directors to your letter of February 25, 2008, regarding the discontinuation of ADA complementary paratransit service (Outreach) to the Veterans Affairs Hospital (VA) at Menlo, Park. VTA staff has been in discussions with Dwight Wilson of the Menlo Park Veterans Affairs Hospital since he contacted us after he became aware that Outreach service would not continue to be provided to the VA.

VTA has carefully reviewed this situation and has made the decision to reinstate Outreach service because of the specialized medical treatment that is provided to veterans at the Menlo Park location. VTA has contacted Mr. Wilson to advise him of this development; however, we did not have a specific date as to when service would begin again. Due to the complexities involved with reinstating service, we are still developing the details of this process. We expect that Outreach service will be reinstated before April 1, 2008 and will provide you and Mr. Wilson with details as they become available.

Thank you for giving us the opportunity to respond to your concerns, should you have any additional questions, please contact Camille C. Williams, Manager, Accessible Services Program at 408-952-8989.

Sincerely,

Michael T. Burns  
General Manager

cc: VTA Board of Directors  
Donald A. Smith, Jr., Chief Operating Officer, VTA  
Camille C. Williams, Accessible Services Program Manager, VTA  
Dwight Wilson, Veterans Affairs

From: Marinos, Maria  
Sent: Friday, February 29, 2008 4:07 PM  
To: Board.Secretary  
Cc: Burns, Michael  
Subject: Auction Rate Securities & Variable Rate Demand Bonds

Attachments: 02.29.08 Board Update.pdf

Dear VTA Board Members:

Attached is a memorandum from Chief Financial Officer Joseph Smith providing an update on Auction Rate Securities & Variable Rate Demand Bonds.

Maria Marinos  
Board Secretary  
Santa Clara Valley Transportation Authority  
(408) 321-5773

## MEMORANDUM

**TO:** VTA Board of Directors

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

**DATE:** February 29, 2008

**SUBJECT:** Auction Rate Securities & Variable Rate Demand Bonds

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VTA continues to experience high interest rates for the \$235.9 million of Measure A Ambac insured 7-day auction rate securities. Current rates on individual series are ranging between 5.07-5.98%, down from the previous week high of 8.04%. As mentioned last week, for each increase of 1%, interest expense for these securities increases approximately \$45,865 per week.

During the past week, concern over bond insurer risk spread from auction rate bonds to variable-rate demand bonds. In the auction-rate market, when supply exceeds demand for the product, investors are stuck holding their investment. With variable-rate demand bonds, if supply exceeds demand, Remarketing Agents have the right to turn the bonds over to a bank that has guaranteed to buy them. Even with this guarantee investors are unloading their investments in mass. As a result many issuers, including VTA, have experienced higher interest rates in an effort to find buyers.

VTA has \$271.6 million of insured 7-day variable rate demand bonds outstanding. For \$169.7 million of these bonds, which are Ambac insured, rates have increased to as high as 8%. For each increase of 1%, interest expense for these securities increases approximately \$32,553 per week.

Developing a recommended course of action has proven to be challenging as market conditions are changing on a daily basis. Nevertheless, Staff plans to have something for the Board to consider at the April 3, 2008 Board of Directors meeting.

Joseph T. Smith  
Chief Financial Officer