

To: VTA Board of Directors
From: Kurt Evans, Government Affairs Manager
Date: August 11, 2008
Subject: General Information: Weekly Legislative Report

For your information, I am attaching the weekly legislative update for the week of August 4, 2008.

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

FROM: Kurt Evans, Government Affairs Manager
Santa Clara Valley Transportation Authority

DATE: August 11, 2008

SUBJECT: Weekly Legislative Update: Week of August 4, 2008

FEDERAL

Economic Stimulus Legislation: Senate Appropriations Committee Chairman Robert Byrd (D-WV) announced that the Senate would consider a \$25 billion supplemental spending bill in September that would focus on funding infrastructure and providing disaster relief. In general, Byrd is suggesting that \$4.8 billion be spent on transportation infrastructure, which is estimated to create at least 166,000 jobs. The proposal would provide \$893 million for public transit agencies to support capital and operating costs, and increase the Federal Transit Administration's contingent commitment authority to allow additional New Starts projects to progress to construction. Byrd's plan would authorize \$3.6 billion in new highway investment and transfer funds from the general treasury to the Highway Account to prevent the latter from going bankrupt in FY 2009. Amtrak would receive \$100 million to fund improvements to its infrastructure, while airports would gain \$200 million for capital projects that are ready to begin construction immediately. In addition, Byrd's proposal would include \$1.5 billion for energy efficiency and conservation; \$2.3 billion for rural development; \$1.28 billion for research on public health and the environment; \$570 million for nutrition programs; \$500 million for job training; and billions of dollars in disaster aid to areas hit by storms, floods and wildfires.

Meanwhile, House Speaker Nancy Pelosi (D-CA) is expected to propose a \$50 billion economic stimulus package in the House. She also has identified infrastructure spending as a priority to support job creation. However, Pelosi indicated that it would be necessary to win President George W. Bush's support and the votes of congressional Republicans to move a bill forward. The Bush Administration has been resistant to supporting additional federal spending to stimulate the economy, indicating that a second spending bill is likely to be more about election-year politics than economic growth.

SAFETEA-LU Reauthorization: Transportation Secretary Mary Peters released the U.S. Department of Transportation's proposal for reauthorizing the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Peters expressed

the view that the current federal approach to transportation is broken and should be replaced with a new, different and better one. “A New Transportation Approach for America” recommends a smaller, more focused role for the federal government that is concentrated on: (a) maintaining and improving the condition and performance of the Interstate Highway System; (b) reducing congestion in metropolitan areas; (c) using federal funds to leverage private-sector investment; (d) establishing quality and performance standards; and (e) ensuring environmental protection while reducing regulatory hurdles. Peters suggested that local leaders should be given greater freedom and significantly more resources to fund new subways, bus routes or highways as they choose, based on the needs of local commuters, not D.C. politics. The report recommends beginning a 10- to 15-year transition away from funding transportation through a gasoline excise tax, and replacing it with user fees, congestion pricing and public-private partnerships.

House Transportation and Infrastructure Committee Chairman James Oberstar (D-MN) dismissed the report, concluding that it offered nothing to ensure a sustainable, long-term, intermodal, national transportation system. He declared it “a collection of the same uninspired policies that this Administration has offered over the past five years—toll it, privatize it, lease it, sell it, or congestion price it.”

FY 2009 Appropriations Bills: As its last major act before the month-long summer recess, the House passed its first FY 2009 appropriations bill, a \$72.7 billion measure awarding generous increases to veterans programs and military base construction projects. The bill is one of just a handful of spending measures with a chance to become law before Congress adjourns for the November election.

For the most part, the battle over energy has largely scuttled the annual appropriations process, the 12 bills funding Cabinet agency budgets that are supposed to be passed by the October 1 start of the new fiscal year. The chairs of the House and Senate Appropriations Committees have shut down their panel deliberations to avoid votes on lifting the offshore oil drilling moratorium, which has been in place for about two decades.

Energy: House Speaker Pelosi ruled out a vote on new offshore oil drilling even as Democratic presidential candidate Barack Obama said he might be open to a compromise that included it. The scramble over expanded drilling off America’s coasts underscores the political power of \$4-a-gallon gasoline. Although President Bush and other backers of new drilling acknowledge that it would not directly affect gas prices for years, they have pounded Democrats for opposing the measure, which recent polls indicate is now supported by a majority of Americans.

The latest furor over energy policy began when Obama, campaigning in Florida, spoke favorably of a Senate plan that includes new offshore drilling, a step he has long opposed. The Senate measure, unveiled by five Democrats and five Republicans, would give states the final say in drilling 50 miles or more from shore on the Outer Continental Shelf. It also would repeal a key tax break for oil companies, expand funding for alternative-fuel vehicles and extend tax credits to promote alternative and efficient energy.

Pelosi called proposals to allow more offshore drilling a deceptive “decoy” rather than a solution, and indicated that she would bar a vote on any bill that included it. “I’m not giving the gavel away to a tactic that supports big oil at the cost and the expense of the consumer,” she said.

Higher Education: A wide-ranging higher education bill designed to protect college students from aggressive lenders and rein in soaring tuition costs won congressional approval. Its passage marks the first time in a decade that Congress has reauthorized the main federal law overseeing higher education and the third time in less than a year that it has approved legislation to make college more affordable. In October 2007, Congress provided the single largest increase in federal student aid in decades. Then in June of this year, lawmakers boosted college benefits for veterans by passing a \$60 billion expansion of the GI Bill. President Bush is likely to sign the new higher education bill into law, which:

- Bans lenders from offering gifts to college officials as a condition of making student loans.
- Requires colleges to adopt a code of conduct regarding student loans.
- Requires the U.S. Department of Education to publish a list showing which schools have increased their tuition the fastest. Colleges with the largest percentage increases over three years would be required to explain to federal officials why their costs had risen and what steps they would take to hold them down.
- Phases in a streamlined version of the seven-page Free Application for Federal Student Aid over five years and creates an even simpler version for low-income families.
- Requires textbook publishers to disclose pricing to faculty and sell supplemental materials separately. The bill also asks colleges to give students advance information on prices.
- Allows low-income students to get Pell Grants year-round.

STATE

State Budget: Gov. Arnold Schwarzenegger, butting heads with his own Republican Party, proposed a temporary 1-cent sales tax increase that would generate billions to help end a bitter budget standoff. However, in making the proposal to legislative leaders, the Governor made it clear that he also wants long-term fixes to the state’s chronic budget woes.

The Governor basically framed his sales tax hike—expected to raise about \$6 billion annually—as a temporary sacrifice to be recouped by Californians in years to come. Specifically, his proposal calls for hiking the sales tax rate by 1 cent for three or four years, then dropping the rate even lower than consumers pay now—perhaps by a quarter cent—for the length of time that it would take for Californians to recover their losses. For supporting a

temporary sales tax hike, the Gov. Schwarzenegger wants long-term budget fixes that include immediate cuts and a “rainy day” fund that sets aside revenue in years when the economy is strong.

The Governor’s temporary sales tax hike was not greeted warmly by either Democrats or Republicans in the Legislature. Rather than a large sales tax increase, which could hit low-income Californians the hardest, Democrats have pushed for generating revenue by rolling back the dependent child income tax credit, increasing corporate taxes and creating two higher income tax brackets for the state’s biggest earners. Meanwhile, Senate GOP leader Dave Cogdill (R-Modesto) said in a written statement that the Governor’s plan for a 1-cent sales tax hike would “worsen an already languishing economy.” Cogdill said long-term budget fixes are necessary, but “people should not have to pay dearly with more of their hard-earned dollars” to accomplish such change. He further commented that he could not “envision any Republican legislator supporting such a proposal.”

State Employees: The largest state employees’ union filed a lawsuit in Sacramento Superior Court attempting to reverse Gov. Schwarzenegger’s executive order terminating thousands of temporary employees. The Service Employees International Union (SEIU), which represents 94,000 state workers, also filed a separate action with the Public Employment Relations Board (PERB) to block the Governor’s order to reduce pay for 200,000 state workers to the federal minimum wage of \$6.55 per hour.

Gov. Schwarzenegger said he signed his executive order to preserve cash and ensure that the state could pay its bills as lawmakers remain at an impasse over how to bridge a \$15.2 billion budget shortfall. He noted that he intends to reverse those moves once the Legislature reaches a budget compromise, rehiring many of the temporary workers and giving full-time employees their back pay. His order exempts workers in crucial health and safety positions.

California’s budget is now more than a month late as Democrats and Republicans remain divided over how to cover the huge deficit. Democrats have proposed \$8.2 billion in tax increases, while Republicans are calling for cuts in education and social programs in addition to long-term changes to reduce future state spending. Gov. Schwarzenegger said the state’s financial situation and the fact that no budget has been signed “leaves me with no easy choices, only choices with consequences.” He tried to fault the Legislature for his executive order, stating that “none of this had to happen” and pointing out that he asked lawmakers to begin negotiating in January. While budget delays have become a near-annual rite in the Capitol Building, the Governor contended that this year calls for drastic steps because the state has less cash due to a sour economy. His executive order could save roughly \$1 billion per month. The Governor said he believes California will not have a sufficient cash reserve in September without it.

But Democratic Controller John Chiang disputes Gov. Schwarzenegger’s view. He has vowed to defy part of the Governor’s order by paying state workers their full wages, though he cannot help temporary state employees retain their jobs. Chiang issued a three-page letter to the Governor that spelled out his position and offered a preview of his legal arguments for defying the order.

There remain high hurdles for the federal minimum wage cut to take effect for 200,000 state workers in the August pay period. Since most get paid at the end of the month, lawmakers would have to remain in a stalemate through the end of August. Even then, Chiang has said he intends to issue full paychecks at that time, so Gov. Schwarzenegger would have to sue the controller to ensure that workers receive the federal minimum wage. Chiang said he believes the Governor's order may be illegal under a 2003 California Supreme Court decision, *White v. Davis*, and commented that the state could incur legal damages if it pays workers the federal minimum wage. But the Governor insists that his move is necessary and fully backed by the same court ruling. He said he would sue Chiang "if that is what it takes."

REGIONAL

Peninsula Corridor Joint Powers Board (JPB): At its August 7 meeting, the JPB took the following actions: (1) authorized a \$1 million Transportation Fund for Clean Air (TCIF) grant application in support of the Caltrain Shuttle Program; (2) authorized an amendment to the Use, Operating and Maintenance Agreement with BART for the Millbrae Intermodal Station; (3) authorized a public hearing on September 4 for consideration of a fare increase to help offset higher fuel costs; (4) approved a \$151 million capital budget for FY 2009; and (5) adopted an FY 2009 farebox recovery goal of 50 percent. In addition, the JPB received a presentation on the Caltrain Bicycle Master Plan. This item generated a great deal of discussion regarding how to best accommodate bicyclists. Currently, Caltrain does not have the capacity to accommodate the number of passengers wishing to take their bicycles on board the trains. Caltrain staff will address the issue in an upcoming study on passenger access.

NOTE: Also contributing to this report were Susan Lent with Akin, Gump, Strauss, Hauer & Feld; Mark Watts with California Strategies; and Scott Haywood, VTA's Policy and Community Relations Manager.

From: Board.Secretary
Sent: Tuesday, August 12, 2008 4:51 PM
To: Board.Secretary
Cc: Burns, Michael
Subject: New Charter Service Rules

To VTA Board of Directors:

Please see attached memorandum from Dan Smith, Chief Operating Officer, regarding New Charter Service Rules.

Tracene Y. Crenshaw
Board Assistant
Office of the Board Secretary
(408) 321-5544

TO: VTA Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Donald A. Smith, Jr.
Chief Operating Officer

DATE: August 4, 2008

SUBJECT: New Charter Service Rules

Since 1985, VTA has been operating sports service to the '49er home games from three pick-up locations: the VTA Administrative Office on North First Street, the Capitol Light Rail Station, and Cupertino Square. VTA has also provided "Golden Getaway" service to senior groups wishing to take special midday trips to local destinations. In January 2008, the Federal Transit Administration (FTA) revised their rules pertaining to charter service (Charter Rule). These changes have a significant effect on public transit operators that provide specialized service to sporting events and other destinations.

The recent Charter Rule changes the definition of what FTA considers charter service as it pertains to specialized services like the '49er sports service and the Golden Getaway service. Staff has closely reviewed the regulations to determine the impact on VTA's ability to continue providing these services.

Golden Getaway

In 1988, the predecessor federal agency to the FTA (the Urban Mass Transportation Administration – UMTA) issued an opinion to VTA that the Golden Getaway service was not considered to be Charter. As such, VTA has operated under this premise until this recent modification to charter rules.

Staff has carefully reviewed the January 2008 Charter Rule changes and determined that following the modified federal guidelines as they pertain to providing service to "Qualified Human Services Providers," VTA can continue these senior field trips without violating the new Charter Rule. This does, however, require senior centers to either meet the funding criteria that will automatically classify them as a qualified human services organization, or register on the FTA charter registration website to become eligible for the service. The details for eligibility are as follows:

1. Senior organization receives funding under a specific federal program.

Under the new Charter Rule, a nonprofit senior organization that receives funding, directly or indirectly, under one or more of the programs listed in Appendix A of the FTA Charter Rule is automatically eligible for the "Golden Getaways" program with no further requirements. Since the Federal funding may be packaged under other grants or programs, and administered by another local agency, it is the senior organization's responsibility to determine if any of the Federal programs support the organization.

2. Senior organization registers on the FTA charter registration website.

If the senior organization does not receive funding under any of the specified Federal programs, it must register on the FTA website to be eligible for the "Golden Getaways" program. Registration on this website is relatively simple and is intended to demonstrate that the non-profit senior organization is a qualified human services organization as defined by the new Charter Rule.

There is a 60-day waiting period before charter services can be provided to these organizations. The purpose of this waiting period is to allow registered private charter services to review the qualifications of the senior organization that applied to receive charter service from a public agency. The application must be updated every two years and documentation of the registration must be provided to VTA.

VTA's customer service representatives are working with senior organizations to familiarize them with these new regulations and with our recently established on-line application form to book Golden Getaway trips. This form requires the applicant to identify their organization as being a Qualified Human Services Organization, and to provide the required information.

'49er Sports Service

This is a service VTA has provided to San Francisco '49er home games for over 20 years, and it is in conflict with the new Charter Rule. After an extensive analysis of both the new regulations and previous opinions issued by the FTA, VTA sought an opinion from FTA specific to the '49er service. The question at hand was whether the \$21.00 fare VTA charges to go to the stadium constitutes a "premium fare" under the new rule, the premise being that the fare helps offset the long distance and parking fees charged at the stadium. FTA has confirmed that it qualifies the \$21.00 round trip fare as a premium fare. This categorizes the service as a charter, meaning that VTA cannot charge a fare any higher than the average fare charged for daily express service.

Given the short timeline to the first '49er home game for the 2008 football season, we will offer the '49er Sports Service at the normal express fare, which is \$7.00 for an adult round trip; youth, senior and other discounts will apply. Since no special fares will be charged for this service, the normal fare structure for Express service will be in effect. The anticipated cost recovery will be approximately 15.4% assuming the buses leave with a full seated load. Service will be provided to one pre-season game plus eight regular games and will be evaluated at the end of the 2008 regular season for future consideration.

From: Board.Secretary
Sent: Wednesday, August 13, 2008 4:41 PM
To: Board.Secretary
Cc: Burns, Michael
Subject: VTA Ridership - July 2008

To VTA Board of Directors:

Attached is the Ridership Report for July 2008.

Tracene Y. Crenshaw
Board Assistant
Office of the Board Secretary
(408) 321-5544

MEMORANDUM

Writer's Direct Telephone: (408) 321-7005

TO: VTA Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Donald A. Smith, Jr.
Chief Operating Officer

DATE: August 13, 2008

SUBJECT: Ridership for July 2008

July 2008 total monthly system ridership for bus and light rail was 4,038,147, an increase of 9.6% over July 2007. The average weekday system ridership for July 2008 was 11.4% more than in July 2007 and the highest since July 2002.

Average weekday bus ridership for July 2008 was 114,916, a 15.9% compared to July 2007. Average Saturday ridership increased 1.9% while average Sunday ridership decreased by 17.2%.

Light rail recorded an average weekday ridership of 38,134 for July 2008, a slight decrease of 0.2% compared to July 2007. Average Saturday and Sunday ridership decreased by 14.3% and 1.9%, respectively. The south line retrofit project is having an impact in light rail ridership.

The Grand Prix event in July 2007 generated additional ridership that increased the averages for Saturday and Sunday. There were no Grand Prix event in July 2008, thus, resulting in lower averages for Saturday and Sunday when compared to July 2007.

Ridership	July 2008	July 2007	Percent Change
SYSTEM BOARDINGS	4,038,147	3,685,623	9.6%
System Average Weekday	153,050	137,329	11.4%
System Average Saturday	83,078	85,454	-2.8%
System Average Sunday / Holiday	67,750	76,649	-11.6%
BUS BOARDINGS	2,975,966	2,615,185	13.8%
Bus Average Weekday	114,916	99,129	15.9%
Bus Average Saturday	61,708	60,532	1.9%
Bus Average Sunday / Holiday	40,197	48,558	-17.2%
LIGHT RAIL BOARDINGS	1,062,181	1,070,438	-0.8%
Light Rail Average Weekday	38,134	38,200	-0.2%
Light Rail Average Saturday	21,370	24,922	-14.3%
Light Rail Average Sunday / Holiday	27,553	28,091	-1.9%