

To: VTA Board of Directors
From: Kurt Evans, Government Affairs Manager
Date: September 2, 2008
Subject: General Information: Weekly Legislative Report

For your information, I am attaching the weekly legislative update for the week of August 25, 2008.

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: September 2, 2008

SUBJECT: Weekly Legislative Update: Week of August 25, 2008

FEDERAL

Energy: President George W. Bush blamed the Democratic-led Congress for the high cost of gasoline and renewed his call for expanded offshore drilling to increase U.S. oil supplies. “To reduce pressure on prices, we need to increase the supply of oil, especially oil produced here at home,” the President said in his weekly radio address.

Congress left for its August recess without a solution to fuel prices. In a bid to force a vote on offshore drilling, GOP lawmakers blocked Democratic proposals to use the nation’s petroleum reserve, curb oil speculation and require oil companies to drill on already leased federal lands. House Speaker Nancy Pelosi (D-CA) recently signaled that the Democrats’ position could be shifting. With energy legislation expected to be introduced after Congress returns, lawmakers will be able to “consider opening portions of the Outer Continental Shelf for drilling, with appropriate safeguards and without taxpayer subsidies to Big Oil,” she said.

But President Bush said the Democrats are pushing a plan that would reduce domestic production and drain the country’s emergency oil supply. “Democratic leaders know that these counterproductive proposals will not become law,” he commented. “They need to stop standing in the way of expanding domestic production and take meaningful steps now to address the pain caused by high energy prices.”

Economy: Federal Reserve Chairman Ben Bernanke said the recent decline in commodity prices and strengthening of the dollar, if sustained, should help reduce inflation in the coming months. That could give the central bank more latitude to continue its low interest rate policy and address what he called a “weakening” economic outlook.

In a speech to the Fed’s annual economic symposium, Bernanke acknowledged that financial markets remain distressed despite aggressive Fed efforts to make credit available the past year, including providing hundreds of billions of dollars to banks through special lending programs. In this regard, he defended the Fed’s move to engineer the sale of troubled investment bank Bear

Stearns, but conceded that the action had consequences that must be addressed, lest large financial institutions take even greater risks in the future, believing they would be rescued.

The mix of slow growth, a credit crunch, and surging inflation due to high oil and commodity prices leaves the Fed facing “one of the most challenging economic and policy environments in memory,” Bernanke commented. “Although we have seen improved functioning in some markets, the financial storm that reached gale force last year has not yet subsided and its effects are now being seen in softening economic activity and rising unemployment.”

The central bank has been holding its target for a key interest rate at a low 2 percent to bolster economic activity despite surging inflation. The strategy has been based on the expectation that the price of oil and other commodities will ultimately stabilize as global growth slows. Recent declines in many commodities prices, along with growth that is likely to “fall short of potential for some time,” should reduce inflationary pressures, Bernanke said. He added that the inflation outlook remains “highly uncertain,” and that the central bank would closely monitor developments and act as needed to keep inflation in check.

Justice Department: The Bush Administration is raising the stakes in a court fight that could change the balance of power between the White House and Congress. Justice Department lawyers said they will soon ask a federal appeals court not to force the President’s top advisers to comply with congressional subpoenas. President Bush argues Congress does not have the authority to demand information from his aides. U.S. District Judge John Bates strongly rejected that stance last month, ordering former White House Counsel Harriet Miers to testify and White House Chief of Staff Joshua Bolten to turn over documents related to the firing of federal prosecutors. It was a historic loss for the Bush Administration, a stinging ruling in the first such case ever to make it to the courts. The House Judiciary Committee responded swiftly, demanding that Miers appear on September 11 as it investigates whether federal prosecutors were inappropriately fired as part of a White House effort to politicize the Justice Department.

The Bush Administration has already indicated it would appeal, but Justice Department lawyers said they would ask the court to step in quickly and temporarily put Miers’ appearance before Congress on hold while the appeal plays out. It is a risky move for an administration that has spent years trying to strengthen the power of the presidency. If the appeals court refuses to temporarily block the testimony, it would essentially be endorsing Bates’ ruling against the Bush Administration. Miers likely would have to comply with the subpoena, setting a precedent that would give Congress new teeth in its investigations and weaken future presidents. On the other hand, if the appeals court temporarily blocks Miers’ testimony, it could allow the Bush Administration to run out the clock before a new Congress comes to Washington, D.C., and the case becomes moot. In that situation, Bate’ order will have been weakened, and future presidents will have more wiggle room.

STATE

State Budget: Gov. Arnold Schwarzenegger said the budget deadlock could last for several more weeks, a delay that would force him to call a special election. Two significant pieces of his budget plan require voter approval, and many consider September 5 to be the drop-dead deadline

for placing new measures on the ballot for the November election. That is when the Secretary of State's Office must mail absentee ballots to Americans living overseas. A budget deal after that date would mean that the Governor would have to put two of his budget proposals—measures calling for budget reform and for borrowing against future lottery sales—to the voters in a special election later this year or early next year. A special election also would breathe life into other proposals, including a multibillion-dollar water bond.

The last special election in California was in 2005 when Gov. Schwarzenegger attempted to use the ballot box to push for a number of reforms, such as instituting a spending cap in the budgeting process and changing how legislative districts are drawn. The measures were defeated, and the special election cost the state about \$50 million.

California faces a \$17.2 billion spending gap, which includes \$2 billion in reserves. Gov. Schwarzenegger and legislators have been unable to reach a compromise on the budget for the current fiscal year, which began on July 1. It could be weeks before a deal is reached, the Governor said. With his term ending in 2010, this November's election would be his last chance to take measures that he supports to the ballot box unless there is a special election.

Gov. Schwarzenegger recently made public his latest budget proposal. Perhaps the most controversial part of his plan is a 1-percentage-point boost to the sales tax, which ranges from 7.25 percent to 8.75 percent in California depending on the jurisdiction. In Santa Clara County, the sales tax is 8.25 percent. If approved, the sales tax increase would bring in \$4 billion this fiscal year, according to the Department of Finance. After three years, the sales tax rate would drop a quarter percentage point below its current level—an idea designed to make it more palatable to Republicans.

Heeding Democratic opposition, the Governor abandoned his call for a strict spending cap, instead calling for an expanded budget reserve. The plan would require that 3 percent of revenues automatically be deposited into the reserve fund, except when the economy dips. In years when revenues are insufficient to cover modest spending increases for inflation and population growth, the Legislature could tap the reserve to make up the difference.

Gov. Schwarzenegger also proposed suspending for two years businesses' ability to apply past losses to their state tax returns, a move that would generate an extra \$1.1 billion for California this fiscal year. And while the Governor still hopes to borrow against future proceeds from an expanded lottery—generating \$5 billion annually for at least two years—he acknowledged that the changes could not be made in time to help the state this year.

The Governor's revised budget plan also includes a list of \$2 billion in spending cuts beyond those outlined by Democratic lawmakers, affecting programs ranging from education and health care to public transit. One item of particular interest is a proposal to snag \$225 million a year from redevelopment agencies across the state—or 5 percent of their budgets—for three years. The money would be shifted to schools and community colleges, relieving the state of obligations to provide the funds.

But GOP lawmakers continue to maintain that they will not support any taxes. In addition, they have complained that the Governor's proposal does not include a hard spending cap. California requires a two-thirds vote to pass the budget, so Gov. Schwarzenegger must win over at least six GOP Assembly members and two GOP senators to move his plan through the Legislature.

State Employees: California workers targeted by a gubernatorial order to have their pay cut to the federal minimum wage have dodged that bullet—at least for August. A Sacramento Superior Court judge set a hearing to decide the pay dispute for September 12, too late to affect the August payroll. Judge Timothy Frawley's timetable ensures that 180,000 state employees will receive their full pay.

Gov. Schwarzenegger envisioned when he signed his minimum-wage order on July 31 that it would take effect in August. His intent was to conserve cash during the budget standoff. The order would temporarily slash pay for most state employees to the federal minimum wage of \$6.55 per hour, with managers and supervisors receiving a salary of \$11.38 per hour. Employees would receive their back pay once a budget is signed. Democratic Controller John Chiang has balked at cutting pay even temporarily, however, prompting the Schwarzenegger Administration to file the lawsuit. Chiang contends that he has a legal responsibility to pay workers their full salaries, and that an outdated computer system makes a quick switch impossible.

According to the Schwarzenegger Administration, even if a new budget is signed before the case is resolved—making this year's pay battle moot—the lawsuit will not be dropped. Administration officials commented that they believe it is time to settle the question of how state employees get paid during a budget impasse.

High-Speed Rail: Nearly three weeks after Gov. Schwarzenegger announced that he would block any bill that reached his desk until the Legislature approves a budget, the Governor signed a measure that revises the \$10 billion high-speed rail bond on the November ballot. In addition, he called upon legislative leaders to send him three other proposals immediately, so that they may be placed on the November ballot. These measures are a water bond, a plan to expand the lottery and a budget reform plan to strengthen the state's reserve fund. The Governor indicated that in at least those cases, he is willing to renege on his vow that "some good bills will fail."

Gov. Schwarzenegger made a splash on August 6 when he denounced lawmakers for passing legislation without a budget in place. He suggested that they should focus on the budget alone, and said he would not sign any bills until a spending plan was approved. The Governor also said he would veto any bill before it had a chance to become law without his signature.

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, September 02, 2008 12:04 PM
To: Board.Secretary
Cc: Burns, Michael
Subject: Response to Board Referrals: Customer Request/Complaint

To VTA Board of Directors:

Attached are letters from Mr. Jim Lawson, Senior Policy Advisor, in response to the request of Mr. Kai Wetlesen regarding increased service on Line 51 and the complaint of Mr. Tim Ranz regarding VTA's service at the August 7th Board of Directors Meeting.

Thank you.

Yolanda L. Cruz
Assistant Board Secretary
Voice: 408.321.5669 Fax: 408.955.0891

September 2, 2008

Kai Wetlesen

Dear Mr. Wetlesen:

Santa Clara Valley Transportation Authority Vice Chair, Dolly Sandoval asked me to respond to your request for increased service on Line 51 at the August 7th Board of Directors Meeting.

We certainly appreciate your interest in, and enthusiasm, for public transportation. We also recognize the important service that Line 51 provides to the public in the Cupertino, Los Altos and Mountain View area. Hopefully, we've addressed your expressed concern that service on this line is going to be reduced. That is not an option we are considering. After several conversations with VTA staff members, we believe we understand your desire for more service on this route. As you know, VTA has implemented a major overhaul of our service delivery. We've increased service in our core areas, added community bus service and reduced service to more appropriate levels on lower performing routes.

The changes instituted in January did reduce service on Line 51. Apparently this was appropriate because the line is now performing adequately and is at last above standard for a feeder route.

It is our firm intention to review all routes annually as part of VTA's upcoming Annual Transit Service Plan. This process will include public meetings and will welcome valuable input such as yours. The final Annual Transit Service Plan will be approved by the VTA Board of Directors prior to implementing any major service changes.

Thank you again for your interest in VTA and public transportation. We look forward to your participation in our Annual Transit Service Plan process.

Yours truly,

Jim Lawson
Senior Policy Advisor

cc: Board of Directors
Michael T. Burns, General Manager
Donald A. Smith, Chief Operating Officer

September 2, 2008

Mr. Tim L. Ranz

Dear Mr. Ranz:

Santa Clara Valley Transportation Authority (VTA) Vice Chair Dolly Sandoval asked me to respond to your complaint regarding VTA's service at the August 7th Board of Directors Meeting.

I regret that you had what you consider an unpleasant experience using VTA's Community Bus service. We were able to identify the coach operator involved and received information concerning the operational situation with the wheel chair lift on the new Community Bus vehicles. These lifts function differently from the wheel chair lifts on the standard VTA coach. In order to operate the lift, the operator must leave the vehicle in order to operate the lift. These lifts are also less forgiving of surface irregularities than the standard lift. In this case the operator indicated he needed to reposition the vehicle to facilitate your boarding. While you expressed understandable frustration at this delay, you were boarded safely and the trip continued.

I am informed by operations that the Community Bus wheel chair lifts will accommodate your device. There is no indication that any VTA employee refused you service. Incidents where service is refused to customers are carefully restricted and your situation did not appear to meet any of the criteria. On the date of the incident you described to the Board, you were able to board the Community Bus on your mobility device and were delivered to your destination.

Thank you for your continued patronage of VTA.

Yours truly,

Jim Lawson
Senior Policy Advisor

cc: Dolly Sandoval, Vice Chair
Board of Directors
Michael T. Burns, General Manager
Donald A. Smith, Chief Operating Officer

From: Board.Secretary
Sent: Wednesday, September 03, 2008 7:02 PM
To: Board.Secretary
Cc: Burns, Michael
Subject: OUTREACH Paratransit Excessive Speed

To VTA Board of Directors:

Attached is a memorandum from Mr. Jim Lawson, Senior Policy Advisor, in response to Board Member David Casas' observation brought up at the August 7th Board of Directors Meeting regarding OUTREACH Paratransit vehicles exceeding the speed limit on SR 237.

Thank you.

Yolanda L. Cruz
Assistant Board Secretary
Voice: 408.321.5669 Fax: 408.955.0891

To: Director David Casas
Through: Michael T. Burns, General Manager
From: Jim Lawson, Senior Policy Advisor
RE: OUTREACH Paratransit Excessive Speed
Date: August 27, 2008

Your observation of OURTREACH Paratransit vehicles exceeding the posted speed limit on SR 237 has been brought to the attention of OUTREACH management. As you know OUTREACH is our contracted paratransit vendor. They are a local non-profit responsible for providing paratransit service here in Santa Clara County. They provide the call center and scheduling software for this service. They contract with MV Transportation to provide drivers for the paratransit vehicles. As such, OUTREACH is responsible to VTA for the provision of paratransit service.

The issue you raised has been brought to the attention of Mr. Bill Schwarz, Vice President for Operations, OUTREACH and Anthony Wang, General Manager, MV Transportation.

OUTREACH takes this issue very seriously. They have counseled MV Transportation's senior management and reminded them of their responsibility to their clients and the general public.

MV Transportation has agreed to use progressive discipline, up to and including termination with those drivers who violate speed limits and other traffic rules.

VTA staff will continue to work closely with OUTREACH management to make sure paratransit service is provided in a safe and responsible manner.

cc: Board of Directors
Katie Heatley, OUTREACH