

From: Board.Secretary
Sent: Thursday, September 11, 2008 10:23 AM
To: Board.Secretary
Cc: Burns, Michael
Subject: Letter from Assemblymember Anna M. Caballero

To VTA Board of Directors:

Attached is a letter from Assemblymember Anna M. Caballero addressed to Chairperson Liz Kniss regarding the state budget.

Thank you.

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

ASSEMBLY
CALIFORNIA LEGISLATURE

ANNA M. CABALLERO
ASSEMBLYMEMBER, TWENTY-EIGHTH DISTRICT

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September 4, 2008

Ms. Liz Kniss
Chair, Board of Directors
Santa Clara Valley Transportation Authority
3331 North First St.
San Jose, CA 95134-1927

Dear Ms. Chair:

Thank you for your letter regarding the importance of not borrowing local funds to balance the state budget.

As you know, California once again faces a serious budget shortfall, estimated this year at \$15.2 billion dollars. On a visit to Salinas last spring, Governor Schwarzenegger said, "We don't have a revenue problem. We have a spending problem."

Today, the governor sees it differently. He agrees with legislative Democrats: we also need to raise revenues. We can't solve our deficit problem solely by cutting services, and borrowing from local agencies is not the solution: it would hurt local services and increase the state's long-term debt. So while the Democratic budget proposes \$6 billion in painful cuts in services – on top of the \$9 billion in cuts we made last year – we have proposed returning to 1990-era tax rates paid by the wealthiest residents in our state, who have benefitted from reduced taxes for the past several years.

Unfortunately, our Republican colleagues have refused to consider any new revenues. They have proposed much deeper cuts to our children's education, public transit, seniors, the disabled, the ill and the poor. They want to balance the budget by borrowing, and paying it off with state lottery funds. And they've talked about borrowing from funds from cities, counties and transit agencies, affecting firefighting, police, libraries, buses and other important services.

These proposals would add to our deficit problems, and hurt hard-working families.

As the former mayor of Salinas and current Chair of the Assembly Local Government Committee, I join with my Democratic colleagues in strongly opposing any borrowing from local tax dollars and local transportation funding. As the budget impasse continues, I urge that you communicate your concerns about the impacts of borrowing to my Republican colleagues, and ask them to consider revenue increases that will ease the pressure to make further damaging services cuts or to borrow from local agencies.

While budget negotiations continue, it's clear to me that we need reforms, such as setting aside money during good times to pay for emergencies like this year's terrible fires. We can restore the fiscal integrity of our state and bring new prosperity and opportunity to Californians, if we work together to establish shared priorities. I'll be working toward that goal, and I welcome your continued input.

Sincerely,

ANNA M. CABALLERO
28th Assembly District

AMC:mt

From: Board.Secretary
Sent: Friday, September 12, 2008 10:48 AM
To: Board.Secretary
Cc: Burns, Michael
Subject: VTA Ridership - August 2008

To VTA Board of Directors:

Attached is the Ridership Report for August 2008.

Thank you

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

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: September 10, 2008

SUBJECT: Ridership for August 2008

August 2008 total monthly system ridership for bus and light rail was 3,832,156, an increase of 2.6% over August 2007. The average weekday system ridership for August 2008 was 6.6% more than in August 2007 and the highest since August 2002.

Average weekday bus ridership for August 2008 was 109,082, an 8.2% increase compared to August 2007. Average Saturday and average Sunday ridership increased 7.6% and 7.7%, respectively.

Light rail recorded an average weekday ridership of 36,146 for August 2008, an increase of 2% compared to August 2007. Average Saturday and Sunday ridership decreased by 1.1% and 8.1%, respectively. The light rail track rehabilitation work from August 22 (Friday, 1pm) to August 25 (Monday, early morning), which required the closure of six light rail stations in downtown San Jose, contributed to weekend light rail ridership decline.

Ridership	August 2008	August 2007	Percent Change
SYSTEM BOARDINGS	3,832,156	3,735,078	2.6%
System Average Weekday	145,228	136,292	6.6%
System Average Saturday	85,822	81,554	5.2%
System Average Sunday / Holiday	70,651	68,538	3.1%
BUS BOARDINGS	2,872,762	2,752,068	4.4%
Bus Average Weekday	109,082	100,843	8.2%
Bus Average Saturday	64,046	59,536	7.6%
Bus Average Sunday / Holiday	52,362	48,632	7.7%
LIGHT RAIL BOARDINGS	959,394	983,010	-2.4%
Light Rail Average Weekday	36,146	35,449	2.0%
Light Rail Average Saturday	21,776	22,018	-1.1%
Light Rail Average Sunday / Holiday	18,289	19,906	-8.1%

From: Board.Secretary
Sent: Friday, September 12, 2008 11:32 AM
To: Board.Secretary
Cc: Burns, Michael
Subject: General Information: Weekly Legislative Report

To VTA Board of Directors:

Attached is the weekly legislative update for the week of September 8, 2008 from Kurt Evans, Government Affairs Manager.

Thank you.

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

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: September 12, 2008

SUBJECT: Weekly Legislative Update: Week of September 8, 2008

FEDERAL

Transportation: The Highway Account, which funds federal-aid highway programs, will fall about \$200 million short of its commitments for the fiscal year that ends September 30, according to Transportation Secretary Mary Peters. The shortfall would mean short delays—and in some cases a temporary reduction—in payments to the states for highway projects that the federal government has agreed to help fund.

The Highway Account is financed by the 18.4-cent federal excise tax on gasoline and the 24.4-cent federal excise tax on diesel fuel. Peters noted that the account is rapidly being depleted because for months Americans have been reacting to the high price of gasoline by driving less.

Earlier this summer, the House overwhelmingly passed legislation to transfer approximately \$8 billion from the General Fund to shore up the Highway Account. The White House threatened a veto, contending that the measure would set a dangerous precedent that would shift the costs for highway projects from users to taxpayers at large. But in a turnabout, Peters called on lawmakers to complete its work on the legislation. She said the Bush Administration now supports the measure because “immediate action is required to ensure that the states do not suffer.”

Offshore Drilling: President George W. Bush said if Congress does not permit offshore drilling to increase U.S. oil supplies and possibly ease gasoline prices, Democratic lawmakers should not expect voters to support them in November. In his weekly radio address, the President pointed out that the Outer Continental Shelf could eventually account for nearly 10 years’ worth of U.S. oil production. Yet while record fuel prices have focused more attention on increasing domestic energy production, experts note that lifting the congressional ban on offshore drilling would not produce more oil for five to seven years.

President Bush accused Democratic leaders in Congress of ignoring the public’s demand for relief from high energy prices. “This is their final chance to take action before the November

elections,” he said. “If members of Congress do not support the American people at the gas pump, then they should not expect the American people to support them at the ballot box.”

There are glimmers of movement on an energy bill, which has eluded Congress all year, mostly over Democratic reluctance to open up more offshore areas to drilling. House Democrats are planning to push for an energy plan that: (a) includes limited expansion of offshore drilling; (b) requires power plants to use alternative fuels; and (c) requires oil companies to pay additional royalties. Specifically, the proposal would allow oil and gas drilling in federal waters off the Atlantic Coast from Virginia to Georgia and off Florida in the eastern Gulf of Mexico with a 50-mile protected buffer from shore. Those states would be able to “opt in” to drilling in federal waters off their coasts, and they would receive a portion of the royalties in return. It is similar to a compromise that was floated in the Senate earlier this month.

Renewable Energy: Congress is putting the short-term future of renewable energy companies in jeopardy even as the presidential candidates and most lawmakers hail windmills, solar panels and biofuels as long-term solutions to high gasoline prices and global warming. Some \$500 million in investment and production tax credits will expire on December 31 unless Congress renews them. Without that help, solar and wind power companies say they will reverse planned expansions and, in many cases, cut payrolls and capital investment.

The Solar Energy Industries Association claims that some 20 utility-scale solar power plants, many of which are in California, are at risk because of the uncertainty in Congress. Together, these plants are capable of producing power for a million homes. Proponents of wind power are in a similar predicament. The American Wind Energy Association is predicting a loss of 76,000 jobs and \$11.4 billion in investment if Congress allows its production tax credit to expire.

Housing: Taking advantage of legislation that was signed into law by President Bush in July, Treasury Secretary Henry Paulson and James Lockhart, director of the newly formed Federal Housing Finance Agency (FHFA), announced that mortgage giants Fannie Mae and Freddie Mac will begin operating immediately under a federal government conservatorship. The unprecedented move is an attempt to stabilize the financial markets and restore the faltering housing market, but it thrusts trillions of dollars of risk directly onto the shoulders of taxpayers. However, if the plan settles the bond market as officials hope, then borrowers may find mortgages at slightly lower rates.

Although Fannie Mae and Freddie Mac have not been at imminent risk of collapse, deep losses from the housing meltdown have raised concerns from investors around the world about their ability to meet their financial commitments. Freddie Mac and Fannie Mae combined own or guarantee \$5.4 trillion in outstanding mortgage debt. The federal government’s decision to place both entities into a conservatorship—in essence, taking on the responsibility for that debt by wresting control from the corporations—is an historic move.

It is still uncertain how much capital the companies may need from the federal government. What that means to taxpayers ultimately depends on what happens with the faltering housing market. To the extent homeowners continue to make timely mortgage payments, pressure on the

federal government is lessened. Continued foreclosures and troubles in the mortgage market could run up an expensive tab.

Terms of the takeover call for drastically reducing over time the roles that Freddie Mac and Fannie Mae play in the mortgage market. The duration of the conservatorship is indefinite, and Paulson said policymakers need to use the time to decide whether the role of the companies is best played by private corporations, the federal government, or hybrids such as Fannie Mae or Freddie Mac.

STATE

State Budget: In two separate votes, Democrats in both the Senate and Assembly defeated a Republican budget proposal that relied on \$3 billion in additional cuts to health and human service programs, \$2 billion in revenues borrowed from the lottery, and nearly \$350 million in redevelopment agency money to balance the General Fund. The plan, which Democrats called “inhumane,” did not include Gov. Arnold Schwarzenegger’s temporary 1-percent sales tax increase. Right now, it appears the two sides are not making any headway. Republicans continue to oppose any new taxes while Democrats say the state cannot cut its way out of a \$15.2 billion deficit.

In other budget-related news:

- This is the latest into a fiscal year that the state has ever gone without a budget. The previous record was set in 2002. In that year, the Senate approved the budget in June, but Assembly Republicans held out until Democrats agreed to remove proposals to hike tobacco taxes and vehicle license fees. In return, GOP lawmakers agreed to: (a) borrow from special funds; and (b) suspended some business and investor tax breaks. Then-Gov. Gray Davis signed the budget on September 5.
- Given that there is no discernible end in sight to the budget impasse, there has been some talk in the State Capitol Building about a “half-a-loaf” compromise. The idea is to pass an emergency spending bill that would allow the Controller’s Office to make interim payments to programs that currently cannot be done in the absence of a budget. Those payments would include community colleges; some elementary and high school programs; medical services for the needy; social service providers and recipients; and private companies that provide goods and services to state agencies. According to the Controller’s Office, if lawmakers and the Governor fail to reach a budget deal by the end of September, those groups will be shorted a total of \$11.85 billion in state payments since the new fiscal year began on July 1. While the push for a “half-a-loaf” budget is coming from GOP lawmakers, the Governor and Democrats do not appear to be in the mood right now to move in that direction.
- Even in normal years, the state periodically borrows money through Revenue Anticipation Notes (RANs) because when tax revenues come in does not always match when payments are due. But RANs must be repaid in the fiscal year in which they are issued, and there has to be a budget in place to make the note holders—banks and other large financial institutions—comfortable that the notes will be paid in a timely fashion. When there is no

budget, the state must fall back on Revenue Anticipation Warrants (RAWs), which cost considerably more than RANs. Not only do RAWs carry higher interest rates, but lenders also charge “credit enhancement fees” for taking on riskier debt. The last time the state issued RAWs—\$11 billion worth during the budget crisis in 2002—the fees amounted to more than \$140 million. And the credit market at that time was much healthier than it is now, meaning the cost of doing business is likely to be higher today. Right now, a decision on how and when to borrow is in a holding pattern.

- The budget stalemate is increasingly boiling down to two intertwined conflicts: (1) its lateness; and (2) the shape of the budget if and when some resolution emerges. The operable question facing the Governor and lawmakers is: Should we accept a “get-out-of-town” budget centered on borrowing that ends the immediate pain, but does not resolve the structural deficit ... or should the problems be addressed no matter how long it takes and how much pain it causes? As the impasse continues, and both public angst and media pressure mount, the prospects of an expedient, temporary approach increase, and those of a permanent solution fade. In partisan terms, that means Republicans’ chances of prevailing increase, and those of Democrats and the Governor decrease. The anguish of medical care providers, college students, small businesses, and others who are not receiving payments from Sacramento weighs more heavily on Democrats, and may propel them to accede to GOP demands for either interim payments or a “borrowing budget.” The Governor insists he will not support either of those approaches. But if Democrats flip, then it would be politically difficult for him to hold out.

Water: Anticipating another bone-dry winter, California is preparing to act as a water go-between next year, buying from water-rich districts in the north, and selling to cities and farmers hit hard by drought. The initiative, known as the 2009 Drought Water Bank, harkens back to measures taken during the long dry spell of the late 1980s, and underscores the state’s efforts to squeeze every drop out of a system that is strained by climate change, a booming population, and environmental rulings that have cut pumping out of the Sacramento-San Joaquin Delta.

Faced with forecasts showing a period that could resemble either the short, deep drought in the late 1970s or the longer drought of the late 1980s, the Department of Water Resources said it must plan for the worst. Already, many of California’s reservoirs stand at record-low levels—some as low as 13 percent of capacity—after two critically dry years.

Despite its name, the water bank is not a giant storage tank or reservoir. Rather, the system works more like a large-scale water reallocation program. The Department of Water Resources would purchase water from those with full reservoirs, those who can draw on wells, or farmers who leave their grounds fallow or switch to less thirsty crops. Generally, those supplies would come from Northern California, where water is more plentiful. Without those users’ demand, the state could then sell the “extra” water to those areas with the largest need. Beyond uses for health and safety, there would be rules for environmental and economic interests. For example, on the buyers’ side, users would be required to slash their consumption by 20 percent to participate in the program.

Governor Recall: Four years and eleven months after Gov. Schwarzenegger was swept into office in a dramatic recall, the California Correctional Peace Officers Association (CCPOA) is targeting him for a recall. The union, which represents state prison guards and other correctional workers, said it would begin collecting the 65 valid signatures that are needed to serve the Governor with a notice-of-intent-to-recall. That would set off procedures that would culminate in a 160-day statewide signature-gathering drive. During that time, CCPOA would have to obtain 1,041,530 valid signatures to qualify the recall for the ballot.

CCPOA has been sparring with the Schwarzenegger Administration over multiple issues, most notably state prison policies and correctional officers' salaries. Members of the union have been working without a long-term contract since 2006. In 2007, state lawmakers tried to pass a pay-raise package for correctional officers in the waning days of the session, but the Governor issued a statement condemning the move as a "backroom deal."

Gov. Schwarzenegger suggested that the recall was part of CCPOA's "intimidation tactics" to pressure him into a contract deal. "I will not be intimidated by anybody that is demanding more money than the state can afford and that demands deals more than the state is wanting to give," he said.

REGIONAL

Metropolitan Transportation Commission (MTC): At its September 10 meeting, the Programming and Allocations Committee approved the Strategic Plan for the Regional Transit Expansion Program. The purpose of the Strategic Plan is to provide a framework for taking specific programming actions to deliver ready-to-go projects in the program. Of note, the Strategic Plan shifts \$91 million in Regional Measure 2 (RM 2) funds currently programmed to the Dumbarton Rail Project to the BART Extension to Warm Springs. In exchange, the Dumbarton Rail Project would receive \$91 million in future-year Alameda County Regional Transportation Improvement Program (RTIP) funds. This action allows the BART-Warm Springs Project to move into construction. To address the need for additional transit service in the Dumbarton Corridor, the Strategic Plan recommends using RM 2 capital and operating funding for interim express bus service. The full commission will consider the Strategic Plan at its September 24 meeting.

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: Friday, September 12, 2008 5:40 PM
To: Board.Secretary
Cc: Burns, Michael
Subject: Board Referral - Overcrowding on Lines 37 and 51

To VTA Board of Directors:

Attached is a memorandum from Mr. Donald Smith, Chief Operating Officer, in response to Mr. Torrance Phillips comments at the September 4th Board of Directors meeting regarding overcrowding on Community Bus Lines 37 and 41.

Thank you.

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



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: September 12, 2008

SUBJECT: Board Referral – Overcrowding on Lines 37 and 51

At the September 4th Board Meeting, Mr. Torrance Phillips addressed the Board of Directors and called attention to overcrowding on Lines 37 and 41. Subsequently, Mr. Bill Capps, Deputy Director of Operations, met with Mr. Phillips and ascertained Mr. Phillips was referencing Community Bus Line 51, as VTA does not have a Line 41.

Mr. Phillips uses Community Bus Line 37 to go to West Valley College and has first-hand information on overcrowding on the Line. He admitted his comments about Line 51 were based on information he has heard from others and has no personal experience with Line 51.

This overcrowding condition is a recent development coinciding with the start of the fall semester at West Valley College. It is not unusual for bus lines serving local colleges to experience heavier-than-normal passenger loads at the beginning of a semester. Typically, these peak loads taper off a few weeks into the semester.

Mr. Capps explained to Mr. Phillips that we continually monitor all bus lines that serve our college communities, given these cyclical service peaks. Mr. Phillips learned that we are taking steps to address the heaviest trips on Line 37, where passengers are passed up due to overcrowding, and will continue to evaluate service demands on Line 37.

Since the September 4th Board meeting, we have reviewed current ridership on Line 51, which shows some trips are busy, yet none appear to be overcrowded to the point where people are passed up or passenger safety is compromised. Overcrowding on buses is a normal condition for many transit agencies across the country, although this is somewhat unusual for VTA. The implementation of the New Bus Service Plan in January 2008, combined with the increased cost of fuel has drawn more passengers to our system. As a result, we are experiencing crowded buses, particularly on our Community Buses due to their limited capacity.

We will continue to monitor our service program and will continue to address overcrowding and other service conditions as warranted.