From: Board.Secretary
Sent: Tuesday, November 25, 2008 9:40 AM
To: Board.Secretary
Cc: Burns, Michael
Subject: 600 Bus Fleet Referral Response

To VTA Board of Directors:

Attached is the referral response in regards to the 600 Bus Fleet in MTC Resolution 3434.

Deborah Harrington
Board Secretary
Santa Clara Valley Transportation Authority
408.321.5773

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

FROM: Marcella M. Rensi, Programming & Grants Manager
Santa Clara Valley Transportation Authority

DATE: November 20, 2008

SUBJECT: 600 Bus Fleet Condition in MTC Resolution 3434

BACKGROUND

MTC adopted Resolution 3434 on December 19, 2001, establishing the Bay Area's Regional Transportation Expansion Program of Projects. Resolution 3434 included the BART extension from Fremont to San Jose and Santa Clara. It also included the following condition on the BART extension and the funding agreement between VTA and the Bay Area Rapid Transit District.

"If a TDA "lien" is implemented pursuant to the BART/VTA agreement after 2009, MTC will condition allocation of the remaining TDA funds subject to the following:

At the time that the BART to San Jose extension commences revenue service, or at any point thereafter, should VTA's bus service levels have not achieved, or later fall below, a 600 fleet/500 peak target, then MTC shall hold public hearings at which VTA must demonstrate that services to Title VI communities have been assured, based on MTC's Lifeline Transportation analysis, as validated and amended by transit operators and the Congestion Management Agencies."

DISCUSSION

This language in Resolution 3434 was designed to ensure that VTA's funding BART operations and capital reserve would not come at the expense of VTA's bus service.

There is no requirement for VTA to maintain a 600 bus fleet with a minimum of 500 in operation at peak-hour, or any other size. This language is a condition placed on MTC to ensure that, if at the time the BART subsidy begins, VTA is not operating a 600 bus fleet, VTA must prove that amount of bus service that it is operating does not have disparate negative impact on minority communities in VTA's service area before MTC can allocate whatever Santa Clara County TDA funds *that MTC has not already given to BART* to VTA.

All transit operators who receive Federal funds are required to complete Title VI analyses of their services on a periodic basis and a Title VI analysis is required for any significant service change. VTA completed a Title VI analysis as part of the COA implementation and demonstrated no negative disparate treatment of minority groups due to the service changes.

From: Board.Secretary
Sent: Wednesday, November 26, 2008 10:31 AM
To: Board.Secretary
Cc: Burns, Michael
Subject: Weekly Legislative Report

To VTA Board of Directors:

Attached is the Legislative Update for the week of November 17th.
Have a great Thanksgiving Day!

Deborah Harrington
Board Secretary
Santa Clara Valley Transportation Authority
408.321.5773

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: November 24, 2008

SUBJECT: Weekly Legislative Update: Week of November 17, 2008

FEDERAL

Obama/McCain Meeting: President-elect Barack Obama and Republican rival John McCain said they will seek "a new era of reform" in the coming years, targeting "bad habits" such as government waste and excessive partisanship. "At this defining moment in history, we believe that Americans of all parties want and need their leaders to come together," Obama and McCain declared in a joint statement following their first meeting since the November 4 election. The two also pledged to work together to address the country's "critical challenges," such as "solving our financial crisis, creating a new energy economy and protecting our nation's security."

On the campaign trail, the rhetoric between the two sometimes got bitter and heated. Obama frequently tied McCain to unpopular President George W. Bush, while the Democrat's campaign charged the 72-year-old Arizona senator with being erratic. Meanwhile, McCain derided Obama's celebrity, comparing him to Britney Spears and Paris Hilton.

However, Obama and McCain share common philosophies in a number of areas. For example, while arguing about what to do in Iraq, both advocate closing the prison for terror suspects at Guantanamo Bay, Cuba. Both also propose developing new energy sources to reduce U.S. dependence on foreign oil, though they differ on the details of how to achieve that goal. Obama has called for spending $150 billion on alternative energy, such as solar power, while McCain has stressed expanded offshore oil and natural gas drilling, and more nuclear power. They share similar views on how to reduce greenhouse gas emissions, and both have been critical of congressional "earmarks"—special projects inserted into spending bills by individual lawmakers.

Obama said he and McCain are looking for ways to "work together to fix up the country." The President-elect also praised the Arizona senator "for the outstanding service he's already rendered." And when McCain was asked whether he would help Obama and his administration, he said: "Obviously."

Auto Industry: The prospects of a federal government rescue for the American auto industry began to dwindle as Democratic congressional leaders conceded that they would face potentially insurmountable Republican opposition during the lame-duck session. At the same time, hope among many Democrats on Capitol Hill for an aggressive economic stimulus measure all but evaporated. Democratic leaders have been calling for a package that would include help for the auto companies, as well as new spending on public works projects, an extension of jobless benefits, increased food stamps, and aid to states for rising Medicaid expenses. While Democrats said the stimulus measure would wait until President-elect Obama takes office in January, some industry experts fear that one of the Big Three automakers will collapse before then, with potentially devastating consequences.

Despite hardening opposition from the White House, which has warned repeatedly against throwing taxpayer money at companies that may not be salvageable, and among Republicans on Capitol Hill, Democrats nevertheless said they would press ahead with efforts to provide $25 billion in emergency aid for the automakers. But they noted that the bill would need to be approved in the Senate first, which is considered to be highly unlikely. Passing any bill to aid the auto companies would require 60 votes in the Senate. But Democrats now control only 51 of those votes.

Rep. Barney Frank (D-MA), chairman of the House Financial Services Committee, is working on a measure that would direct $25 billion to the carmakers from the $700 billion financial bailout fund. President Bush, however, does not want to tap the bailout fund for that purpose, contending that the money is better spent on financial institutions. And some powerful Republican lawmakers have voiced strong opposition. For instance, Sen. Richard Shelby (R-AL), the senior Republican on the Banking Committee, said he would not support legislation to aid the auto companies and seemed prepared to let one or all of them collapse. “The financial straits that the Big Three find themselves in is not the product of our current economic downturn, but instead is the legacy of the uncompetitive structure of its manufacturing and labor force,” he commented. House Minority Leader John Boehner (R-OH) also has come out strongly against the idea. “Spending billions of additional federal tax dollars with no promises to reform the root causes crippling automakers’ competitiveness around the world is neither fair to taxpayers nor sound fiscal policy,” he said.

Meanwhile, Senate Republican Leader Mitch McConnell (R-KY) has expressed support for expediting $25 billion in loans for the auto companies that Congress approved in September, but he has not indicated any willingness to provide additional funding or to use money from the financial bailout fund for the carmakers. Senate Majority Leader Harry Reid (D-NV) and House Speaker Nancy Pelosi (D-CA) so far have rejected the idea of easing restrictions on those loans, which require carmakers to develop technologies that will improve fuel efficiency. Yet McConnell’s suggestion, also encouraged by the White House, may be the only potential compromise and one that Republicans could support because it does not require a new appropriation of federal funds.

Economic Summit: World leaders converged on Washington, D.C., to try to reverse the worst economic crisis since the Great Depression. The agenda for the meeting of the world’s 20 top economies included discussions on how to stimulate the slumping economy, impose more government control over lending, and create more transparency within the financial markets. Missing from the talks was President-elect Obama, who will assume a leading role in helping to resolve these issues when he officially takes office on January 20. He declined to participate because President Bush, the man he will succeed, was the summit's official host. So far, Obama has been wary of projecting presidential authority before his inauguration.

While no dramatic action emerged from the discussions, participants called the summit an important step that could lead to revised missions for key institutions such as the World Bank and International Monetary Fund. The meeting also allowed the delegates, who represented 90 percent of the world's economy, to get their ideas on the table for consideration at subsequent summits and to discuss actions that they have already taken in their own countries.

<u>Financial Markets:</u> Some of the nation's largest banks sharing in the $700 billion federal government rescue plan for the financial industry tried to assure lawmakers that they are using the money to make more loans and help financially strapped homeowners avoid foreclosure. JP Morgan Chase told the Senate Banking Committee that a portion of the $25 billion capital infusion that it has received from the U.S. Treasury Department was being deployed to "expand the flow of credit" and to assist with rewriting residential mortgages for up to 400,000 families. Meanwhile, executives with Goldman Sachs Group, Bank of America and Wells Fargo testified that none of the $75 billion that they have received collectively from the federal government is being used to pay salaries or bonuses.

Despite the reassuring words, lawmakers pressed hard for commitments to more lending. "Let me say as clearly as I can," commented committee Chairman Christopher Dodd (D-CT). "Hoarding capital and acquiring healthy banks are not—I repeat are not—reasons why Congress authorized $700 billion in emergency funding." Meanwhile, Sen. Charles Schumer (D-NY) noted that he and other lawmakers are looking at requiring banks to make more loans as a condition for taking part in the $350 billion second half of the bailout.

So far, Treasury has devoted $250 billion of the bailout money to buying equity in banks and another $40 billion to helping insurance giant American International Group (AIG). The hope was that the infusion of new capital would enable them to increase lending, but, according to lawmakers, that has yet to happen. Instead, some of the recipients of the money have continued to pay dividends to stockholders, provide pay raises and bonuses to executives and other employees, and level takeover bids at other companies. Lawmakers said they want to impose restrictions on all of those activities for companies getting bailout money.

<u>Federal Budget:</u> The federal government began the new budget year with a record deficit of $237.2 billion, reflecting the billions of dollars that it has started to pay out to rescue the financial system. The Treasury Department said the deficit for the first month of the new fiscal year was the highest monthly imbalance on record. It was far bigger than expected, over four times larger than the October 2007 deficit of $56.8 billion, and more than half the total for all of last year. The big surge reflected the federal government spending $115 billion to buy stock in the nation's largest banks. Those were the first payments made from the $700 billion rescue plan passed by Congress to deal with the most severe financial crisis to hit the United States since the 1930s.

The October deficit began a period in which economists are forecasting that the red ink for the entire year could well hit $1 trillion, reflecting what many expect to be a severe recession. For FY 2008, which ended on September 30, the deficit totaled a record $454.8 billion. It resulted from the impact of the weak economy on revenues and a $168 billion economic stimulus program approved in February that sent rebate checks to millions of Americans during the spring and early summer.

STATE

State Budget: Depending on whose numbers you use, California is facing a budget deficit ranging from $24.2 billion to $27.8 billion over the next 19 months. To close the gap, legislators and Gov. Arnold Schwarzenegger are mulling over a host of possible ways to increase revenues and cut expenditures. The Governor has proposed $4.5 billion worth of spending reductions in the current budget. About $3.8 billion of that amount would come from the following four areas:

Schools: Gov. Schwarzenegger wants to cut $2.2 billion from elementary and high schools (about 4.2 percent of their total budget) and $300 million from community colleges (5.2 percent of their budget). In addition, the Governor proposes to relax some state regulations to give local districts more flexibility in making the reductions. But school officials say it would be nearly impossible to make that deep a cut midway through the school year because districts already have signed contracts, set staff levels and class size, and started programs. The Legislative Analyst's Office is recommending that the cuts be reduced to $1 billion by rescinding a small cost-of-living increase for K-12, raising community college per-unit fees from $20 to $26, deferring some maintenance, and delaying the purchase of some instructional materials.

Social Services: The Governor proposes to cut state grants to the elderly, blind and disabled from $870 a month to $830 a month for individuals. He also wants to reduce grants and eligibility for welfare programs. That would save $783 million. The Legislative Analyst's Office is suggesting a less drastic package of about $250 million in cuts.

State Payroll: Rather than laying off state employees, Gov. Schwarzenegger wants to furlough workers one day a month and take away two of their 13 fixed holidays. That would amount to a 4.6 percent pay cut and save the state $320 million. The Legislative Analyst's Office has no recommendation to counter the Governor's recommendations. But state workers have protested that the Governor's proposals are unfair.

Public Transit: Gov. Schwarzenegger is proposing to cut State Transit Assistance Program (STA) funding by an additional $230 million. This reduction would come on top of the $1.7 billion that already has been diverted from public transit to pay for General Fund obligations in FY 2009. Rather than taking more money from STA, the Legislative Analyst's Office is suggesting grabbing revenues not being used by the Department of Motor Vehicles ($55 million) and redirecting some of the money that will be paid to the state in FY 2009 by Native American casinos for transportation purposes to the General Fund ($62.9 million).

In addition to spending cuts, Gov. Schwarzenegger is proposing $4.7 billion in revenue measures, including the following:

Increasing the Sales Tax: The Governor has proposed raising the state's general sales tax rate by 1.5 percent for three years. The boost would increase state revenues by an estimated $10.9 billion over the next 18 months. Proponents of a sales tax hike contend that it is the fastest way to raise a significant amount of money. Opponents point out that it is a "regressive" tax that hurts lower-income taxpayers more.

Extending the Sales Tax to Services: While other states apply their sales taxes to as many as 160 services, California's applies almost exclusively to "tangible personal property" other than most food and prescription drugs. Gov. Schwarzenegger has proposed extending the sales tax to a small range of services and entertainment venues, including veterinary services; vehicle, furniture and appliance repair; and golf courses, sporting events and amusement parks. The Department of Finance estimates that this would add about $1.5 billion to state coffers over the next year and a half. By broadening the sales tax base, this proposal not only would give the state more money now, but it also would soften the blow when the rate increase expires in three years. But it also raises a question of fairness: Why golf and not bowling? Why amusement parks and not movies?

Income Tax Surcharge: As an alternative to the Governor's proposals, the Legislative Analyst's Office is suggesting a 5 percent surcharge added to the final liability of income taxpayers. That would raise $2.25 billion in revenues. And unlike sales taxes, the surcharge could be deducted on federal income tax returns. Since it is based on income, the surcharge would fall less on low-income Californians. However, it also could exacerbate the state's over-reliance on a very small percentage of taxpayers to foot a very large percentage of the income tax bill.

Raising the Car Tax: Virtually the first thing that Gov. Schwarzenegger did when taking office in 2003 was to cut the vehicle license fee (the part of registration fees that is determined by the value of the vehicle) from 2 percent to 0.65 percent. That rolled back the average fee from $223 to $73. The Legislative Analyst's Office estimates that raising the rate to 1 percent would generate $1.6 billion in the next fiscal year. However, the Governor has been leery about rolling back the first promise that he kept.

Closing Loopholes: In April, the Legislative Analyst's Office produced a list of $2.7 billion worth of tax credits and exemptions that lawmakers might consider eliminating—for example, reducing the $294 credit for each dependent child on personal income tax forms to the $94 that single taxpayers get. Proponents argue that it is unfair to give tax breaks to some without regard to whether they need it or not. Legislators did close a small $21 million loophole for buyers of boats, planes and recreational vehicles earlier this year. But Republican lawmakers have balked at closing anything with a larger price tag, contending that cutting a tax break is tantamount to raising a tax.

Raiding Special Funds: Over the past 20 years, voters have approved ballot measures that require significant amounts of various tax revenues to be spent only on specific programs, or that lock in minimum levels of state spending on specific programs. These range from 1988's Proposition 98, which locked in about 40 percent of the General Fund for schools, to Proposition 99 (1988) and Proposition 10 (1998), which require nearly $1 billion a year from cigarette taxes to be spent on anti-tobacco education, health care for the poor and early childhood development programs. Easing the requirements to spend the money only on specific categories would give legislators and the Governor more wiggle-room in producing a budget each year. But at least some of the changes would require voter approval.

REGIONAL

Capitol Corridor Joint Powers Authority (CCJPA): At its November 19 meeting, the Capitol Corridor Joint Powers Authority approved several items, including: (a) the annual performance report; (b) a resolution to secure $1.9 million through the Proposition 1B Transit Security and Safety Account; and (c) a resolution to submit federal grants for projects identified in existing Capitol Corridor planning documents. The JPA also authorized staff to participate in the negotiations to purchase the Union Pacific Oakland Subdivision right-of-way for the Dumbarton Rail Project. The JPA has a vested interest in this right-of-way because Capitol Corridor trains will operate over these tracks to serve the new Union City BART Intermodal Station.

The Capitol Corridor continues to post record-setting ridership numbers. In October 2008, ridership was up 16.8 percent, with a new 12-month record high of 1,716,159 passengers. Revenues also continue to grow. For October 2008, revenues were 20.8 percent higher than last October.

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.