

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: April 27, 2009

SUBJECT: Weekly Legislative Update: Week of April 20, 2009

FEDERAL

Economy: President Barack Obama warned of more “difficult and unpopular choices” in the months ahead as the nation’s economy continues to struggle, and he urged Congress to act on his long-term agenda. This year “will continue to be a difficult year for America’s economy,” the President said. “The severity of this recession will cause more job loss, more foreclosures and more pain before it ends. The market will continue to rise and fall. Credit is still not flowing nearly as easily as it should.”

President Obama noted that although actions taken during his first three months in office have helped, including nearly \$800 billion in new federal government spending; rescue plans for the banking industry, housing and non-bank credit markets; and bailouts for domestic automakers, he urged Congress to consider longer-term measures. Those include an overhaul of the nation’s health care system, which could include cuts in Medicare and Medicaid, and investments in alternative forms of energy and education.

Greenhouse Gases: The U.S. Environmental Protection Agency (EPA) issued an “endangerment finding” that would allow the federal government to regulate greenhouse gases under the Clean Air Act, even if Congress fails to enact climate change legislation. The finding declares that greenhouse gases contribute to air pollution and “pose a threat to public health and welfare.” The proposed finding, which would go into effect following a 60-day comment period, covers six greenhouse gases, including carbon dioxide.

Energy: President Obama announced plans to allow offshore wind-energy production. “We are establishing a program to authorize for the first time the leasing of federal waters for projects to generate electricity from wind, as well as from ocean currents and other renewable sources,” the President commented. He said the move would allow the nation to generate as much as 20 percent of its electricity from wind by 2030 and create an estimated 250,000 jobs.

Health Care: The White House said a compromise is within reach on a federal government health care plan for the middle class that would not drive private insurers out of business. Offering the option of government coverage to workers and their families has become one of the most contentious issues in the debate about overhauling health care to cover the uninsured and curb costs. President Obama has proposed a public plan, and Democratic lawmakers insist that it be part of any final deal. Congressional Republicans and businesses, however, fear that it could open the door for a federal government takeover of the system.

According to the White House, a public plan could be designed to address concerns about the federal government overreaching in its role. One compromise might be that the public plan pays hospitals and doctors rates that are similar to what private insurers pay. That would address fears that the federal government would use its muscle to pay rock-bottom prices for medical services, allowing the public plan to charge discounted premiums that private insurers could not compete with. Even if the government plan paid private market rates to doctors and hospitals, it could still cut costs because it would not have to turn a profit, and it could save on administrative expenses.

The federal government already pays nearly half of the nation's health care tab. Government programs cover seniors, low-income families and many children. President Obama has proposed to expand that. His plan would offer middle-class workers and their families the option of enrolling in a public plan, along with private insurance, through a new kind of purchasing pool. But the President has avoided filling in the details, thereby giving himself some room to compromise.

Auto Industry: The U.S. Treasury Department has made a new offer to Chrysler's lenders, asking banks and hedge funds that hold \$6.9 billion in debt to forgive \$5.4 billion and take a 5 percent stake in a Chrysler-Fiat alliance. The Treasury is negotiating with lenders as Chrysler races to meet a government-imposed April 30 deadline to swap debt for equity, cut labor costs and negotiate an alliance with Italy's Fiat Group.

Chrysler is living on \$4 billion in federal loans and could get another \$500 million in working capital to survive through April. But without restructuring and a deal with Fiat, Chrysler would not get any more aid. The Obama Administration is offering an additional \$6 billion to Chrysler if it meets the April 30 deadline. If it fails, federal government aid would end, and Chrysler would likely face liquidation.

STATE

State Budget: Facing what could be the largest cash-flow problem in state history, California officials are asking the federal government to back billions of dollars in short-term loans that the state must seek in July. While the state routinely borrows money at the start of a new fiscal year by issuing interest-bearing Revenue Anticipation Notes (RANs), a combination of factors have conspired to form a huge hurdle this time around. Those factors include the sheer size of the amount needed—at least \$13 billion—the state's low credit rating and the problems facing the nation's financial markets.

State Treasurer Bill Lockyer and others have been quietly exploring the idea of asking the federal government for help. Precisely what kind of help has not been decided. There are several ideas being considered. One is that buyers of RANs issued by the state would be able to resell them to the federal government. The funds would come from the Troubled Assets Relief Program (TARP), the \$700 billion program that buys assets and equity stakes from financial institutions. Another possibility is that the federal government would provide RAN “enhancements,” or guarantees that if the state defaults on the notes, the feds would pick up the tab. The state would pay the federal government a fee for providing the guarantees.

The state traditionally pays most of its bills in the first half of the fiscal year and collects most of its tax revenues in the second half. That means the state must borrow from scores of “special funds” that are earmarked for specific programs or issue RANs, which are usually purchased by banks, money market mutual funds and other institutions, in order to meet its cash-flow needs. Normally, state special funds have as much as \$20 billion available at the start of a fiscal year that could be tapped to pay day-to-day General Fund bills. But because of the sour economy and earlier borrowing, special fund reserves are expected to be as low as \$6.9 billion at the end of June. In addition, because tax revenues have badly lagged behind estimates, the state’s finance officials are projecting the need to borrow at least \$13 billion in the coming fiscal year. That number would grow if voters reject several revenue-producing measures on the May 19 special election ballot or if tax revenues continue to be lower than estimated. Compounding the headache is the fact that the national credit agencies bumped the state’s bond ratings into a “second tier” of financial instruments. As a result, many of the usual buyers are avoiding California RANs without some form of assurance that the notes would be repaid.

State Government Reform: California’s never-ending budget crisis has solidified broader acceptance of the notion that the state’s governance is deeply flawed and needs a fundamental overhaul. Two bipartisan civic groups—California Forward and the Bay Area Council—are pushing two different and somewhat competitive reform strategies, both of which are aimed at asking voters next year to take action of some kind.

California Forward, an organization financed with millions of dollars from the state’s top foundations, has been pursuing an incremental approach to reform. It endorsed shifting legislative redistricting to an independent commission, which voters approved last year. It has endorsed the six budget-related measures on the May 19 special election ballot and has been poised to support a form of open primary elections on next year’s ballot, aimed at reducing partisanship. In addition, California Forward is pushing for sweeping changes in fiscal procedures, including tax reform, two-year state budgets and eliminating the two-thirds voting requirement for enacting a budget; and is working on measures to modify legislative term limits; and strengthen local governments.

The Bay Area Council, on the other hand, has been developing two ballot measures for 2010 that are related to calling a constitutional convention to overhaul state and perhaps local government.

Both efforts have implicit, and sometimes explicit, support from Gov. Arnold Schwarzenegger. “I think that eventually the state of California has to look at a constitutional convention, to really

look at the whole thing, the way government works in California,” the Governor said recently, “because there are many aspects of government in California that are dysfunctional.”

REGIONAL

Metropolitan Transportation Commission (MTC): At its April 22 meeting, the commission adopted Transportation 2035, the Bay Area’s long-range transportation plan, and the accompanying environmental impact report. The plan includes the list of transportation projects that the region would like to build with the revenues that are expected to be available over the next 25 years. For Santa Clara County, the plan includes the complete project list that the VTA Board of Directors approved earlier this year in Valley Transportation Plan 2035 (VTP 2035). Transportation 2035 also includes funding to help maintain the Bay Area’s existing transportation infrastructure, as well as funding for new programs that address climate change, land use and freeway performance.

The commission also took action to provide \$160 million in federal economic stimulus funding to existing Proposition 1B bond projects in the region that are ready to move into construction. This action also frees up funding capacity for new Proposition 1B highway projects in the Bay Area that MTC would consider in the next few months. Also included in this package is additional federal economic stimulus funding for local street/road rehabilitation projects and for VTA’s State Route 237/I-880 Express Connector Project.

Finally, the commission adopted the legislative framework for the Bay Area Express Lane Program. Under this framework, MTC will work collaboratively with the congestion management agencies (CMAs) to develop and implement a regional express lane network. The framework sets the parameters for AB 744 (Torrico), which provides the appropriate statutory authority for putting the network in place.

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.

MEMORANDUM

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TO: VTA Board of Directors

THROUGH: Michael T. Burns
General Manager

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

DATE: April 30, 2009

SUBJECT: VTA, Inter-agency Partners, and Contracted Services Ridership for March 2009

March 2009 total monthly system ridership for bus and light rail was 3,803,106, an increase of 4.4% over March 2008. The average weekday system ridership for March 2009 was 3.2% more than March 2008 and the highest March average weekday ridership since 2003. March 2009 had one more weekday compared to March 2008.

Bus average weekday ridership for March 2009 was 111,260, a 2.1% increase compared to March 2008. Light rail recorded an average weekday ridership of 33,654 for March 2009, an increase of 7.1% compared to March 2008, and the highest light rail March average weekday ridership in VTA history.

Three of VTA's inter-agency partners, Caltrain, ACE Express and Capitol Corridor trains, recorded ridership decreases of 1%, 5.4%, and 8.4%, respectively. The remaining inter-agency partner services (Dumbarton Express, Highway 17 Express, Monterey-San Jose Express, and Caltrain Shuttles) experienced ridership increases for the month of March 2009 when compared to March 2008.

For contracted services, only ACE shuttles recorded a decrease in average weekday ridership. The ACE shuttles service recorded a 4.1% average weekday ridership decrease compared to last year.

The ridership decreases experienced by our partner agencies and contracted services is an indication that the weakened economy coupled with increased unemployment has impacted ridership.

<u>VTA Ridership</u>	March 2009	March 2008	Percent Change
VTA System Boardings	3,803,106	3,641,910	4.4%
System Average Weekday	144,914	140,401	3.2%
Bus Boardings	2,910,633	2,817,683	3.3%
Bus Average Weekday	111,260	108,983	2.1%
Light Rail Boardings	892,473	824,227	8.3%
Light Rail Average Weekday	33,654	31,418	7.1%

<u>Inter-agency Partners Ridership</u>	March 2009	March 2008	Percent Change
Dumbarton Express Boardings	23,477	18,265	28.5%
Dumbarton Average Weekday	1,067	870	22.6%
Highway 17 Express Boardings	26,615	23,740	12.1%
Highway 17 Average Weekday	955	887	7.7%
Monterey-San Jose Express Boardings	2,667	1,748	52.6%
Monterey-San Jose Average Weekday	84	50	68.0%
Caltrain Boardings	964,058	974,083	-1.0%
Caltrain Average Weekday	36,529	36,606	-0.2%
Caltrain Shuttles Boardings	79,130	64,432	22.8%
Caltrain Shuttles Average Weekday	3,597	3,068	17.2%
Altamont Commuter Express Boardings	62,132	65,685	-5.4%
ACE Average Weekday	2,824	3,128	-9.7%
Capitol Corridor Boardings	126,646	138,211	-8.4%
<u>Contracted Services Ridership</u>	March 2009	March 2008	Percent Change
Paratransit Boardings	92,894	88,311	5.2%
Paratransit Average Weekday	3,748	3,673	2.0%
ACE Shuttles Boardings	19,191	19,097	0.5%
ACE Shuttles Average Weekday	872	909	-4.1%
IBM/Hitachi Light Rail Shuttle Boardings	2,616	2,392	9.4%
IBM/Hitachi Shuttle Average Weekday	119	114	4.4%