

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: February 1, 2010

SUBJECT: Weekly Legislative Update: Week of January 25, 2010

FEDERAL

State of the Union Address: President Barack Obama pledged to refocus his ambitious agenda on the nation's struggling economy, vowing in his first State of the Union Address to make job creation his immediate goal and deficit reduction his holy grail. Chastened by a series of political and policy setbacks, he acknowledged missteps during his first year in office, and sought to reframe his presidency as he begins the second year of his tenure and as Democrats who control Congress face a tough mid-term election in November. "I campaigned on the promise of change—'Change we can believe in,' the slogan went," President Obama said. "Right now, I know there are many Americans who aren't sure if they still believe we can change—or that I can deliver it."

To reassure them, the President outlined modest plans: reducing business taxes, rebuilding infrastructure, and retrofitting homes. He offered to work with Republican congressional leaders, even to meet with them monthly, in search of common ground. "Rather than fight the same tired battles that have dominated Washington for decades, it's time to try something new," he commented. "Let's try common sense."

The President's speech combined soaring rhetoric with down-to-earth policies that he said Democrats and Republicans should agree on, such as incentives for companies to expand and community banks to extend credit. Casting himself as a populist, he chastised Wall Street for excessive executive pay and Washington, D.C., for catering to special interests. He challenged Congress to reverse a high court ruling that opened the spigot for more corporate and union spending on elections. "We face more than a deficit of dollars right now," the President said. "We face a deficit of trust—deep and corrosive doubts about how Washington works that have been growing for years."

President Obama devoted much of his attention to the nation's deficit of dollars: an estimated \$1.35 trillion this year and a \$12.3 trillion national debt. He called for a three-year freeze on most domestic spending, a requirement that Congress pay for tax cuts or benefit increases, and a

bipartisan task force to tackle the broader deficit. While he did not give up on revamping the nation's health care system or combating global warming, those twin goals received less attention. Both were dealt a big blow by Republican Scott Brown's upset victory in Massachusetts. Brown has already stated that he would be the 41st vote in the Senate against the health care reform plan that is currently being negotiated by the White House and Democratic congressional leaders.

Here are some of the highlights from President Obama's speech:

Jobs: "I realize that for every success story, there are other stories, of men and women who wake up with the anguish of not knowing where their next paycheck will come from; who send out resumes week after week and hear nothing in response. That is why jobs must be our number one focus in 2010, and that's why I'm calling for a new jobs bill tonight."

Small Businesses: "Tonight, I'm proposing that we take \$30 billion of the money Wall Street banks have repaid and use it to help community banks give small businesses the credit they need to stay afloat. I'm also proposing a new small business tax credit—one that will go to over one million small businesses who hire new workers or raise wages. While we're at it, let's also eliminate all capital gains taxes on small business investment, and provide a tax incentive for all large businesses and all small businesses to invest in new plants and equipment."

Bank Fees: "I've proposed a fee on the biggest banks. Now, I know Wall Street isn't keen on this idea. But if these firms can afford to hand out big bonuses again, they can afford a modest fee to pay back the taxpayers who rescued them in their time of need."

Energy Programs: "To create more of these clean energy jobs, we need more production, more efficiency, more incentives. And that means building a new generation of safe, clean nuclear power plants in this country. It means making tough decisions about opening new offshore areas for oil and gas development. It means continued investment in advanced biofuels and clean coal technologies. And, yes, it means passing a comprehensive energy and climate bill with incentives that will finally make clean energy the profitable kind of energy in America."

Education: "I urge the Senate to follow the House and pass a bill that will revitalize our community colleges, which are a career pathway to the children of so many working families. To make college more affordable, this bill will finally end the unwarranted taxpayer subsidies that go to banks for student loans. Instead, let's take that money and give families a \$10,000 tax credit for four years of college and increase Pell Grants. And let's tell another one million students that when they graduate, they will be required to pay only 10 percent of their income on student loans, and all of their debt will be forgiven after 20 years—and forgiven after 10 years if they choose a career in public service, because in the United States of America, no one should go broke because they chose to go to college."

Health Care: "As temperatures cool, I want everyone to take another look at the plan we've proposed. There's a reason why many doctors, nurses and health care experts who know our system best consider this approach a vast improvement over the status quo."

Debt and Deficits: “Starting in 2011, we are prepared to freeze government spending for three years. Spending related to our national security, Medicare, Medicaid, and Social Security will not be affected. But all other discretionary government programs will. We will continue to go through the budget, line by line, page by page, to eliminate programs that we can’t afford and don’t work. We’ve already identified \$20 billion in savings for next year. I’ve called for a bipartisan fiscal commission. This can’t be one of those Washington gimmicks that lets us pretend we solved a problem. The commission will have to provide a specific set of solutions by a certain deadline.”

Disaster Response: “We are launching a new initiative that will give us the capacity to respond faster and more effectively to bioterrorism or an infectious disease—a plan that will counter threats at home and strengthen public health abroad.”

Immigration: “We should continue the work of fixing our broken immigration system—to secure our borders and enforce our laws, and ensure that everyone who plays by the rules can contribute to our economy and enrich our nation.”

High-Speed Rail: California will receive \$2.25 billion, the largest amount for any state, in federal economic stimulus funds under the American Recovery and Reinvestment Act (ARRA) to develop a high-speed rail line running from Anaheim, through Los Angeles, the Central Valley and San Jose, to San Francisco. Overall, the Obama Administration plans to distribute \$8 billion for work on 13 rail corridors, including a Midwest line from Chicago to St. Louis and one in Florida running from Tampa to Orlando. According to the White House, the ARRA funds will help “lay the groundwork for a nationwide infrastructure expansion that will spur economic growth in communities across the country, provide faster and more energy-efficient means of travel, and establish a new industry in the U.S. that provides stable, well-paid jobs.”

California had sought \$4.7 billion in ARRA funds. But the state was competing with 44 applicants from 23 other states. The applications totaled \$50 billion. California argued that it was further along in planning than other states, citing voter approval in 2008 of Proposition 1A, a \$10 billion high-speed rail bond measure.

Positive Train Control: The Federal Railroad Administration (FRA) unveiled regulations for equipping the nation’s freight and passenger trains with automated braking systems required by Congress after the 2008 Metrolink crash in Chatsworth, which killed 25 and injured 135. The rules will regulate the design and installation of positive train control technology that must be implemented on all freight railroads, and intercity and commuter passenger rail systems by December 2015. Safety experts believe such a system could have prevented the Chatsworth accident, one of the worst in California’s history. According to federal investigators, that accident occurred when a Metrolink engineer who was text-messaging on his cell phone failed to stop at a red signal and collided head-on with a Union Pacific freight train.

Under study since the mid-1980s, positive train control systems send and receive data transmitted by wireless signals about the location, speed and direction of trains. The technology relies on digital radio links, global positioning systems, and trackside computers that aid dispatchers and rail crews. If an engineer fails to stop at a red signal, exceeds a speed limit or is

on the wrong track, positive train control is designed to automatically stop the locomotive—both if they are on a collision course—and alert dispatchers to the problem. FRA said tens of thousands of positive train control devices would be installed nationally along 69,000 miles of track and aboard 30,000 engines. The agency estimates that the systems would cost about \$5.5 billion to install, and \$820 million annually to maintain and repair.

Middle-Class Plan: President Obama is offering new ideas meant to help the middle class, which he claimed has been “under assault for a long time.” The proposals, which are the result of the work of a middle-class task force that Vice President Joe Biden headed, are as follows:

- Nearly doubling the child and dependent care tax credit for middle-class families making under \$85,000 a year.
- Providing a \$1.6 billion increase in child care funding, the largest one-year increase in 20 years, to help an additional 235,000 children.
- Limiting a student’s federal loan payments to 10 percent of his or her income above a basic living allowance.
- Requiring all employers to provide the option for employees to enroll in a direct-deposit IRA.
- Expanding tax credits to match retirement savings.
- Enacting new safeguards to protect retirement savings.
- Expanding support for families balancing work with caring for elderly relatives.

STATE

State Budget: Legislative Democrats are working on their own solutions to the state’s financial woes. Among the first proposals being drafted is a measure to counter Gov. Arnold Schwarzenegger’s plan to restructure state transportation funding. The Governor’s proposal generally calls for eliminating the state sales tax on gasoline and diesel fuel, and partially backfilling for this cut by increasing the per-gallon excise tax on gasoline and diesel fuel by 10.8 cents. The revenues from the excise tax increase would be used to: (1) pay debt service on transportation-related bonds; and (2) compensate the State Transportation Improvement Program (STIP) and local streets/roads for the amount of funding that they would lose through the elimination of the state sales tax on motor vehicle fuels.

The Governor says his plan would create a dedicated revenue source to pay off transportation-related bonds and save the General Fund about \$1.8 billion, while reducing taxes at the pump by about 5 cents per gallon. However, it would have a number of negative consequences for transportation. Among other things, it would: (a) result in a net reduction in annual transportation funding statewide of at least \$976 million; (b) eliminate all of the revenue sources for the Public Transportation Account, resulting in a loss of approximately \$1.6 billion in annual state funding for public transit; (c) result in a net reduction in revenues for the STIP, which funds larger-scale highway and public transit construction projects, thereby cutting individual county STIP shares, including Santa Clara County’s share; and (d) remove important protections built into Proposition 42, thereby exposing local streets/roads and the STIP to potential funding cuts in future fiscal years.

The proposal being worked on by Democratic legislative leaders would tweak Gov. Schwarzenegger's plan. Similarly, it would eliminate the sales tax on gasoline, and raise the gasoline excise tax by a per gallon rate that would be close to the 10.8 cents recommended by the Governor. However, unlike the Governor's plan, the Democrats' proposal would maintain the sales tax on diesel fuel and continue to dedicate these revenues to public transit. In addition, the Democratic plan would give local agencies new authority to levy their own fees at the pump to raise money for public transit.

Democrat legislative leaders are hoping to finalize this plan in the coming days and to offer it as part of a mid-year budget fix for the current fiscal year.

Infrastructure Bonds: The Treasurer's Office renewed its concerns that a long political squabble over the state's \$20 billion budget deficit could keep California from selling enough bonds in time to pay for ongoing projects. According to the Treasurer's Office, without a budget in place by July, the state would have little hope of enticing investors to purchase its debt.

And beyond that immediate problem may loom an even larger one. Even if the state does make it to the market this spring, nervous investors may be less than eager to buy what the state is selling. That worry—coupled with rising discontent over the state's growing debt burden—could push lawmakers and the Schwarzenegger Administration into making tough choices about which projects to endorse and which to shelve. Under such a scenario, transportation projects, university buildings, elementary schools, and children's hospitals would all compete against each other.

The state's most recent foray into the bond market, a \$4.4 billion sales pitch last fall, fell short of expectations by hundreds of millions of dollars. And with California's credit rating still the nation's worst, the Treasurer's Office believes there is a very real chance that bond sales will continue to underwhelm.

Gov. Schwarzenegger has already proposed at least \$2 billion in new bond spending in his FY 2011 budget plan. At the same time, he has joined Treasurer Bill Lockyer and Legislative Analyst Mac Taylor in urging lawmakers to take a more realistic, longer-term approach that would lay out clear priorities for how bond money should be spent. Part of that process, they say, should include comparing the economic benefits of bond spending against the state's looming debt burden. Servicing the state's debt costs the cash-strapped General Fund hundreds of millions of dollars a year.

REGIONAL

Bay Area Toll Authority (BATA): At its January 25 meeting, BATA approved a plan to raise tolls on the seven state-owned toll bridges in the Bay Area beginning July 1. Under the plan, the toll for cars will increase from \$5 to \$6. In addition, carpoolers will begin paying a toll for the first time. That rate would be \$2.50 per car. BATA also agreed to test a congestion pricing program for the Bay Bridge. Under this program, cars will be charged \$6 during the peak periods (5 a.m. to 10 a.m. and 3 p.m. to 7 p.m.), \$4 during off-peak hours, and \$5 on weekends. The new toll rates include a 40 percent increase for trucks with three or more axles, but the

increase will be phased in over two years to offset the impact on commercial trucking companies. The new toll will go to \$10.50 for a three-axle truck in July 2011 and then increase to \$15 in July 2012.

According to BATA, the toll increase is needed to raise additional money to offset higher financing costs and to fund \$750 million in seismic retrofit work on the Dumbarton and Antioch Bridges.

Metropolitan Transportation Commission (MTC): At its January 25 meeting, MTC reaffirmed its commitment of \$70 million in ARRA funds to the Oakland Airport Connector Project, subject to the condition that BART submit, and the Federal Transit Administration (FTA) approve, an action plan to correct any Title VI deficiencies by February 16. If favorable FTA action has not occurred by that date, then the ARRA funds would be re-directed to Bay Area public transit agencies for previously identified projects. The need for this action is the result of a letter from FTA to BART citing an inadequate study of whether the Oakland Airport Connector Project discriminates against low-income residents.

NOTE: Also contributing to this report were Steve Palmer with Van Scoyoc Associates; Mark Watts with Smith, Watts & Company; and Scott Haywood, VTA's Policy and Community Relations Manager.

From: Weymouth, Sandra
Sent: Wednesday, February 03, 2010 4:21 PM
To: Board.Secretary
Subject: Correspondence to the Board of Directors

Attached you will find three items:

1. A letter to the VTA Board of Directors from Amalgamated Transit Union (ATU) regarding the Ad-Hoc Financial Recovery Committee;
2. Carbon copy to the Board of Directors memo from Board Chairperson to the Members of the Legislature;
3. Carbon copy to the Board of Directors letters to Diane Feinstein and Barbara Boxer requesting appropriation for the Silicon Valley Rapid transit Project (SVRT) – the BART Silicon Valley Project.

VTA
RECEIVED

AMALGAMATED TRANSIT UNION

2010 JAN 28
LOCAL 265

BOARD SECRETARY
1590 La Pradera Drive
CAMPBELL, CALIFORNIA 95008-1533
PHONE (408) 874-0900
FAX (408) 874-0907



1902 Charter Seal



AFL-CIO

January 22, 2010

Mr. Sam Liccardo, Chairperson
SCVTA Board of Directors
Santa Clara Valley Transportation Authority
3331 N. First Street, Building B
San Jose, CA 95134-1906

Subject: Ad-Hoc Financial Recovery Committee
ATU Local 265 Appointment to Stakeholder Group

Dear Chairperson Liccardo:

We are in receipt of your letter dated January 14, 2010 regarding the newly created Ad-Hoc Financial Recovery Committee (Committee). I will serve as the ATU Local 265 Representative on the Committee's Stakeholder Group. In my absence, ATU Local 265 Recording and Financial Secretary LaVon Hamilton will be our Alternate.

We appreciate the Board's acknowledgement of Labor's sacrifices during these financially difficult times, and are grateful for the expansion of the Stakeholder's Group to include the other bargaining units associated with SCVTA.

We look forward to working productively with the Stakeholder's Group and Committee Members.

Sincerely,


LORETTA A. SPRINGER
President and Business Agent

Cc: Don Gage
Rose Herrera
Margaret Abe-Koga

MEMORANDUM

TO: Members of the California State Legislature

FROM: Sam Liccardo, Chairperson
Board of Directors
Santa Clara Valley Transportation Authority

DATE: February 1, 2010

RE: Governor's Budget Plan

As part of the budget plan that he submitted to the California State Legislature on January 8, Gov. Arnold Schwarzenegger proposed a major restructuring of state transportation funding that generally calls for eliminating the state sales tax on gasoline and diesel fuel, and partially backfilling for this cut by increasing the per-gallon excise tax on gasoline and diesel fuel by 10.8 cents. The revenues from the excise tax increase would be used to: (1) pay debt service on transportation-related bonds; and (2) compensate the State Transportation Improvement Program (STIP) and local streets/roads for the amount of funding that they would lose through the elimination of the state sales tax on motor vehicle fuels. The Santa Clara Valley Transportation Authority (VTA) opposes this complex "swap" proposal for the following reasons:

1. Results in a net reduction in annual transportation funding statewide of at least \$976 million, which will severely impact California's economic recovery and threaten jobs in Silicon Valley and throughout the state.
2. Eliminates all of the revenue sources for the Public Transportation Account, resulting in a loss of approximately \$1.6 billion in annual state funding for public transit. In addition, it completely eliminates California's ability to fund public transit operations. This comes at a time when the state, by policy through the enactment of AB 32 (Nunez) and SB 375 (Steinberg), is demanding reductions in auto travel. Failure to meet historic levels of state funding support for public transit not only threatens California's mobility and economy, but it also hinders the ability of the state to achieve its climate change goals.
3. Results in a net reduction in revenues for the STIP, which funds larger-scale highway and public transit construction projects. This will result in a reduction in individual county STIP shares, including Santa Clara County's share. The decrease in STIP programming capacity will negatively impact both highways and public transit.
4. Replaces the growing funding base for Proposition 42 with a declining revenue stream, which will negatively impact future funding for local streets/roads and the STIP.

5. Eliminates important protections built into Proposition 42, thereby exposing local streets/roads and the STIP to potential funding cuts in future fiscal years.
6. Eliminates the dedicated revenue source for operations, maintenance and capital improvements for the state's intercity rail system, including the Capitol Corridor, and forces intercity rail to compete in the General Fund for future funding. VTA is a member agency of the Capitol Corridor Joint Powers Authority (JPA) and, therefore, we are concerned about the negative impacts that the Governor's proposal would have on this service.

For these reasons, VTA strongly urges you to oppose the Governor's transportation funding "swap" proposal. Thank you for your consideration of our request.

February 5, 2010

The Honorable Barbara Boxer
U.S. Senate
112 Hart Senate Office Building
Washington, DC 20510

Dear Senator Boxer:

The Board of Directors of the Santa Clara Valley Transportation Authority (VTA) is pleased to write this letter to request a \$20 million appropriation for the Bay Area Rapid Transit (BART) Silicon Valley Project under the New Starts Program for final design and utility relocation work in the FY 2011 Transportation, Housing and Urban Development, and Related Agencies (THUD) appropriations bill.

This project consists of extending the BART regional rail system south from a future Warm Springs Station in the city of Fremont in Alameda County, through the cities of Milpitas and San Jose in Santa Clara County, to a terminus at the Caltrain Commuter Rail Station in the city of Santa Clara. The 16.1-mile alignment would be at-grade, above ground or in a retained trench, with a subway through downtown San Jose. The project includes six stations, a new BART maintenance facility in the city of Santa Clara, and the purchase of rail cars needed to operate the extension once it is built.

The alignment for the project generally parallels I-680 and I-880, two major north/south regional corridors in the Bay Area that link residential areas in Alameda, Contra Costa and San Joaquin Counties with numerous high technology and other employment centers in Silicon Valley. I-680 and I-880 are among the most congested corridors in the nine-county Bay Area Region. By extending BART to Silicon Valley, the project will provide a rail transit alternative to relieve traffic congestion in these corridors.

The BART Silicon Valley Project represents the last link needed to complete the connection of all of the region's rail systems around San Francisco Bay, and it will tie together the region's three major metropolitan centers—San Jose, San Francisco and Oakland. The project is vital to Silicon Valley's future. It will support the regional economy; enhance regional connectivity; alleviate traffic congestion; accommodate future travel demand; improve access to employment, education, medical, and retail centers; and maximize public transit usage. Finally, it will provide efficient and convenient passenger connections to the core BART system; California's proposed high-speed rail system; and at least seven other intercity, regional, and local rail and bus systems.

Federal New Starts funding is being sought for the first phase of the project—the extension of the BART system 9.9 miles from Alameda County to the cities of Milpitas and San Jose in Santa Clara County. The New Starts candidate project contemplates \$900 million in federal funding in the financial plan that has been developed by VTA in conjunction with the Federal Transit

The Honorable Barbara Boxer
February 5, 2010
Page Two

Administration (FTA). This represents 44 percent of the \$2.051 billion total cost of the project in current-year dollars. The remaining 56 percent, or \$1.151 billion, would be provided through Santa Clara County's 2000 Measure A local transportation sales tax and the state Traffic Congestion Relief Program (TCRP). It is important to point out that the residents of Santa Clara County have voted on two separate occasions, with a two-thirds majority, to tax themselves in order to provide capital, operating and maintenance funding for the project.

Other relevant information is as follows:

- FTA formally approved advancing the BART Silicon Valley Project into New Starts preliminary engineering in December 2009, and the project has a "medium" overall rating in the 2010 Annual New Starts Report.
- It is estimated that an average of 2,300 annual temporary jobs would be created by the construction of the BART Silicon Valley Project. In addition, up to 7,400 permanent jobs would be created per year as a result of the project.
- For every dollar spent on construction, operations and maintenance of the BART Silicon Valley Project, \$4 to \$10 will be reinvested in the Bay Area's economy.
- According to the New Starts candidate project's current schedule, completion of the federal environmental process is expected in April 2010, final design in early 2013, and construction in late 2018.
- The BART Silicon Valley Project is included in "Transportation 2035: Change in Motion," the metropolitan transportation improvement plan for the Bay Area. This plan was adopted by the Metropolitan Transportation Commission (MTC) in April 2009.

On behalf of the VTA Board of Directors, please accept our appreciation for considering this important project.

Sincerely,

Sam Liccardo, Chairperson
Board of Directors
Santa Clara Valley Transportation Authority

February 5, 2010

The Honorable Dianne Feinstein
U.S. Senate
331 Hart Senate Office Building
Washington, DC 20510

Dear Senator Feinstein:

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The alignment for the project generally parallels I-680 and I-880, two major north/south regional corridors in the Bay Area that link residential areas in Alameda, Contra Costa and San Joaquin Counties with numerous high technology and other employment centers in Silicon Valley. I-680 and I-880 are among the most congested corridors in the nine-county Bay Area Region. By extending BART to Silicon Valley, the project will provide a rail transit alternative to relieve traffic congestion in these corridors.

The BART Silicon Valley Project represents the last link needed to complete the connection of all of the region's rail systems around San Francisco Bay, and it will tie together the region's three major metropolitan centers—San Jose, San Francisco and Oakland. The project is vital to Silicon Valley's future. It will support the regional economy; enhance regional connectivity; alleviate traffic congestion; accommodate future travel demand; improve access to employment, education, medical, and retail centers; and maximize public transit usage. Finally, it will provide efficient and convenient passenger connections to the core BART system; California's proposed high-speed rail system; and at least seven other intercity, regional, and local rail and bus systems.

Federal New Starts funding is being sought for the first phase of the project—the extension of the BART system 9.9 miles from Alameda County to the cities of Milpitas and San Jose in Santa Clara County. The New Starts candidate project contemplates \$900 million in federal funding in the financial plan that has been developed by VTA in conjunction with the Federal Transit

The Honorable Dianne Feinstein
February 5, 2010
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Other relevant information is as follows:

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- The BART Silicon Valley Project is included in "Transportation 2035: Change in Motion," the metropolitan transportation improvement plan for the Bay Area. This plan was adopted by the Metropolitan Transportation Commission (MTC) in April 2009.

On behalf of the VTA Board of Directors, please accept our appreciation for considering this important project.

Sincerely,

Sam Liccardo, Chairperson
Board of Directors
Santa Clara Valley Transportation Authority

From: Board.Secretary
Sent: Thursday, February 04, 2010 12:03 PM
To: Board.Secretary
Subject: Correspondence to the Board of Directors

Attached you will find two items:

1. Carbon copy to the Board of Directors letter to Mike Honda requesting appropriation for the Silicon Valley Rapid transit Project (SVRT) – the BART Silicon Valley Project; and
2. Carbon copy to the Board of Directors letter to Dianne Feinstein requesting appropriation for final design and engineering for Phase 2 of the Diridon Station South Terminal Improvement Project.

February 5, 2010

The Honorable Mike Honda
U.S. Senate
1713 Longworth House Office Bldg.
Washington, DC 20510

Dear Congressman Honda:

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The Honorable Mike Honda
February 5, 2010
Page Two

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On behalf of the VTA Board of Directors, please accept our appreciation for considering this important project.

Sincerely,

Sam Liccardo, Chairperson
Board of Directors
Santa Clara Valley Transportation Authority

The Honorable Dianne Feinstein
U.S. Senate
331 Hart Senate Office Building
Washington, DC 20510

Dear Senator Feinstein:

The Peninsula Corridor Joint Powers Board (JPB) is submitting an FY 2011 federal appropriations request to your office for \$2 million for final design and engineering for Phase 2 of the Diridon Station South Terminal Improvement Project. The Santa Clara Valley Transportation Authority (VTA) would like to express its full support for this request. This funding would help ensure that final design work for a fourth track between the Diridon Station in downtown San Jose and Caltrain's maintenance facility to the north can proceed as planned, moving us a step closer to increasing system capacity where a bottleneck currently exists.

Ultimately, the Diridon Station South Terminal Improvement Project will improve capacity and add operational flexibility necessary to maintain reliable service for the Caltrain commuter rail service and other public transit systems that utilize this multi-modal terminal. The project will include additional station platforms and mainline tracks required to accommodate increased Caltrain moves between its new Centralized Maintenance and Operations Facility and the Diridon Station, and to expand the frequency of the Capitol Corridor intercity rail service.

These improvements are critical because during the peak commute hours, trains move through the Diridon Station every two minutes. Currently, delays reverberate throughout the public transit systems that the Diridon Station serves, including Caltrain, the Altamont Commuter Express (ACE), the Capitol Corridor, and the Amtrak Coast Starlight. Thousands of passengers travel through San Jose daily; therefore, increased capacity would result in greater reliability and efficiency for all of these public transit systems, as well as help accommodate eventual high-speed rail service to San Jose.

Furthermore, constructing new, robust public transit networks, and expanding and improving existing systems are critical to our efforts to reduce greenhouse gas emissions that cause global warming. The Diridon Station South Terminal Improvement Project will provide more efficient, more reliable public transit service throughout Silicon Valley.

Thank you for considering VTA's strong support for this request.

Sincerely,

Sam Liccardo, Chairperson
Board of Directors
Santa Clara Valley Transportation Authority

From: Weymouth, Sandra

Sent: Thursday, February 04, 2010 1:11 PM

To: Board.Secretary

Subject: Message from VTA General Manager Michael Burns

VTA Board Members:

The National Highway Traffic Safety Administration has launched an investigation concerning recent complaints of a braking issue with the 2010 model year Prius. Toyota is indicating it will cooperate fully with NHTSA's investigation, but, at this time they are not recalling the vehicles. VTA does not have many details about the investigation, however, we are closely monitoring the situation, given that 23 Prius vehicles in the Outreach paratransit fleet are of this model year.

Although there has been no official recall, Outreach has decided not to run these vehicles until they can be inspected by the Toyota dealership. This should not impact service as there are other vehicles available to cover the down time. Outreach is taking this step to address the safety concerns that our drivers and customers may have given the recent announcement.

We will keep you updated as we learn more about this situation.

Michael Burns

General Manager

From: Board.Secretary
Sent: Friday, February 05, 2010 1:28 PM
To: Board.Secretary
Subject: Gas Tax Swap

Board of Directors:

There is action taking place in the legislature that can have a serious impact on transit throughout the state of California and at the Santa Clara Valley Transportation Authority in particular. While the governor's proposal to eliminate the sales tax on gasoline and divert an increased excise tax to the General Fund is a major problem, the modified proposal by legislative leaders is equally problematic.

The governor's 2010-11 State Budget proposes a transportation funding "gas tax swap" which eliminates the sources of state transit funding. His proposal eliminates the sales tax on gasoline and diesel (a total of \$1.586 billion) and increases the excise tax on gas (by 10.8 cents) in order to provide General Fund relief and greater capacity to pay down bond debt service. In addition, the swap creates a reduction in revenue which means that the proposal can be approved on a majority vote of the legislature.

The legislature is expected to take action on a modified proposal early next week that is similar to the governor's proposal except that it increases the gas tax by an additional amount not to exceed 5 cents, maintains the sales tax on diesel for transit (\$313 million for FY 2010-11), and offers a local option through voter approval to assess a fee at the pump for transit.

This modified proposal is not the best way to provide relief to the General Fund while maintaining a viable program of state support for local public transit systems.

Attached is a detailed description from the California Transit Association of the problems we see with the modified proposal. If you have any questions or need further information, please contact Jim Lawson at 408 321-5516 or Kurt Evans at 408 321-5556.

California Transit Association

Issues with the "Gas Tax Swap"

The Governor's 2010-11 State Budget proposes a transportation funding "gas tax swap" which eliminates the sales tax on gasoline and diesel (a total of \$1.586 billion) and increases the excise tax (by 10.8 cents) in order to provide General Fund relief and greater capacity to pay down bond debt service. In addition, the swap creates a reduction in revenue which means that the proposal can be approved on a majority vote of the legislature. The legislature is expected to take action on a modified proposal early next week that is similar to the Governor's proposal except that it increases the gas tax by an additional amount not to exceed 5 cents, maintains the sales tax on diesel for transit (\$313 million for FY 2010-11), and offers a local option through voter approval to assess a fee at the pump for transit.

- **The proposal impacts all transportation programs – including highways and transit.** The legislature's proposal would permanently eliminate almost all funding sources for transit while creating a \$1.3 billion deficit (\$1.6 under the governor's proposal) for transportation in FY 2010-11. This deficit will compromise funding for highway projects in the State Transportation Improvement Program (STIP). Furthermore, the lack of funding for transit operations makes Proposition 1B and ARRA capital investments less relevant. You need people to operate the equipment. Transit has already lost \$3.4 billion since FY 07-08. Although the legislature's proposal retains the sales tax on diesel as revenue for the Public Transportation Account (PTA), this drastically reduces the amount of revenues available for state transit assistance as well as the state's historic transit obligations, including Caltrans and Intercity Rail. This sole remaining source of revenue would not be anywhere near enough to sustain the state's transit needs, local public transportation operations, and capital projects.
- **Skirting the law.** The legislative proposal remains in line with the governor's January proposal by eliminating the sales tax on gasoline. This is clearly designed to respond to the California Transit Association's litigation against the 2007-08 State Budget, *Shaw v. Chiang*, and as upheld by the California Supreme Court -- requiring the spillover revenues (which result from the sales tax on gasoline) to be deposited in the PTA, and for those revenues to be spent on mass transportation purposes. As much as the law requires spillover revenues to be spent on transit if the revenues materialize, state law cannot force those tax revenues to be collected; therefore the governor proposes eliminating the tax source so he doesn't have to spend the revenues on transit.
- **It's about job retention and job creation.** Transit operators have already laid off over 1600 employees and as many as 33,000 jobs are at risk due to the lack of state funding for operations. In addition, half of the cuts to transit represent nearly \$700 million in funds that are planned for transit capital projects that would create jobs and benefit the construction industry. This is the equivalent of roughly 26,000 jobs that we are taking out of the economy for FY 01-11 at a time that the state has a 12% unemployment rate. Now is time to invest in highway and transit construction for two reasons: 1) job creation will happen almost immediately, and 2) contractors are bidding the lowest prices in decades providing a great bargain to state and local government. With the recent deficit of STIP funding and lack of Proposition 1B allocations, more jobs will be compromised.

- **Local option a mirage?** The proposal claims that transit will ultimately be better off by allowing either a region's governing board, such as regional transportation planning agency, or a majority vote of the public in a locality's jurisdiction to impose a fee at the pump for transit capital and operations. It is unclear however whether the local electorate would approve such a fee or if this proposal would withstand litigation based on the nexus argument of using revenues generated at the pump for transit.
- **Less bang for the buck.** Transportation needs additional revenues, not less. The maintenance for the state highway system (SHOPP) is already \$3 billion short. This proposal creates a stagnant revenue stream that is less dynamic by relying on the excise tax rather than the growth of sales tax revenue. In fact, the excise tax grows at 1% annually while the sales tax grows at 4%.
- **Weaker protection for transportation funding revenue, unlike Prop 42.** Proposition 42 provides protections which include limited borrowing restrictions by Legislature of no more than two occurrences in ten years, with no loans permitted while outstanding balance exists, and payback is required, with interest, within three years. In contrast, Article XIX of the California Constitution permits diverting up to 25% of gas tax revenues to pay for debt service on transportation bonds and it doesn't have to be paid back. Putting all transportation revenues into the gas tax increases the risk of diversion because the revenues from which to draw will be so much larger. Article XIX also provides for borrowing by the General Fund for up to three years of the excise tax or the Highway Users Tax Account (HUTA) with no interest requirements and no restriction on consecutive or limited year borrowing. The substantial constitutional protections afforded to Prop 42 are stronger than the excise tax or HUTA protections in Article XIX.
- **The residual "tax capacity", achieved by the partial full funding backfill, is approximately equal to 5-cents per gallon, or \$976 million.** The concern is this "tax capacity" could be used to impose "revenue neutral" taxes not related to transportation, thus robbing transportation of nearly a billion dollars that otherwise would have been raised at the pump. The Governor's proposal dedicates 5-cents towards servicing GO debt on transportation bonds, but there is no guarantee that this priority will be maintained by future Legislatures.
- **The mass transit cuts come at a time when the state, by policy through AB 32 and SB 375, is demanding reductions in vehicle miles of auto traffic.** Failure to meet historical state transit support levels threatens Californian's mobility, and will also severely limit choices by regional agencies in providing balanced transit/highway improvements in the coming years. Our fear is that without transit service to meet the SB 375 goals, both road and development projects will be stalled and become more costly as California begins to emerge from the recession.
- **Let's Make a Deal.** The transportation community is more than willing to discuss with legislative leaders how to equitably and reasonably provide General Fund relief on a short to mid-term basis and fund a viable program of state support to transportation programs.