

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: February 8, 2010

SUBJECT: Weekly Legislative Update: Week of February 1, 2010

FEDERAL

President's Budget: General: President Barack Obama sent Congress a record \$3.8 trillion budget for FY 2011 that would boost war spending, trim some domestic programs and rely on \$1.3 trillion in new borrowing. The budget would be the third in a row with a deficit of more than \$1 trillion.

A year after proposing major increases for health care, energy and education, President Obama is recommending putting almost \$30 billion more into the wars in Afghanistan and Iraq, and boosting homeland security and international spending, while imposing a three-year freeze on many domestic programs. The White House projects that the deficit would decline to about \$700 billion by FY 2014, or 3.9 percent of the nation's economy, mostly by allowing tax cuts on families making more than \$250,000 to expire in FY 2011. Then it would begin to rise again, prompting the President to call for the creation of a bipartisan commission to recommend further reductions in expenditures and tax increases.

President Obama's budget projects that the nation's economy will grow at a 3 percent rate this year, and 4.3 percent in FY 2011 and FY 2012. It estimates a 1 percent inflation rate this year, gradually increasing to 1.8 percent before leveling off toward the end of the decade. It also projects unemployment to remain at 10 percent this year, then to drop to 9.2 percent in FY 2011 and continue to decline to nearly 5 percent by the end of the decade.

Here are some of the highlights of the President's budget:

Defense: President Obama is recommending \$192.3 billion in spending for the wars in Afghanistan and Iraq for the next 18 months—\$33 billion for the rest of the current fiscal year and \$159.3 billion for FY 2011.

Health: The overwhelming majority of President Obama's \$911 billion request—more than \$830 billion—would go for mandatory spending on Medicare and Medicaid. The budget also

includes \$25.5 billion to help states cover their share of Medicaid costs until July 2011, \$1.7 billion to reduce fraud, \$6.6 billion to expand care for young children, and \$1.4 billion to improve food safety. With health care legislation in limbo, there are no dramatic changes or new programs included in this year's budget for the Department of Health and Human Services.

State: The President's budget recommends \$56.8 billion for the State Department and other foreign operations, a 12 percent increase. More than \$7.1 billion is for aid to Afghanistan and Pakistan. There is also \$1.4 billion to help developing nations fight climate change and limit carbon emissions.

Taxes: The budget recommends extending the tax cuts for households earning less than \$250,000 a year that were enacted during the Bush Administration. It also calls for expanding the Obama Administration's "Making Work Pay" tax credits of \$400 for individuals and \$800 for couples, as well as the earned income tax credit for the working poor. Meanwhile, the top tax rates for households with more than \$250,000 in income (\$200,000 for single taxpayers) would rise to 36 percent and 39.6 percent under the President's budget, up from the current top rates of 33 percent and 35 percent. The higher rate applies to incomes above \$373,000. The proposal also would cap itemized deductions for high-income taxpayers and phase out a portion of their personal exemptions. Furthermore, households with income over \$250,000 would pay 20 percent on capital gains and dividends, up from the current 15 percent. According to President Obama, the nation cannot afford tax cuts for the wealthiest 2 percent of households; instead, he wants to use the money to reduce the deficit.

Energy: In his State of the Union Address, President Obama called for more nuclear power plants. His budget recommends \$36 billion in loan guarantees to help pay for new plants, adding to the \$18.5 billion that is already available.

Education: Education is one of the few areas where President Obama wants more money for FY 2011. He is requesting \$49.7 billion for the U.S. Department of Education's discretionary budget, an increase from \$46.2 billion in FY 2010. Most of the increase would go to programs modeled after his "Race to the Top" competition for K-12 schools, which was part of the American Recovery and Reinvestment Act (ARRA) economic stimulus package. In addition, the President's budget calls for \$173 billion in loans, grants, tax credits, and work-study programs to help students go to college. President Obama wants to make the Pell Grant for low-income students a mandatory program and tie annual increases to inflation. He also is proposing to lower federal student loan repayment amounts from 15 percent to 10 percent of a borrower's discretionary income and to shorten debt forgiveness from 25 to 20 years.

President's Budget: Transportation: President Obama's proposed budget for FY 2011 calls for a modest 2 percent increase in funding for the U.S. Department of Transportation (DOT). For the Federal Highway Administration (FHWA), the budget provides a total of \$41.4 billion in obligation authority, an increase of 0.6 percent over FY 2010. In the case of the Federal Transit Administration (FTA), a total of \$10.8 billion is recommended, also a 0.6 percent increase from the current year. These numbers indicate that the White House is including transportation in the overall freeze of non-security domestic discretionary spending.

The President's budget reformats and restructures some of the existing federal surface transportation programs in order to implement new policies. These changes reflect the White House's "priority emphasis on transportation safety, livable communities and place-based development." The highlights are as follows:

National Infrastructure Fund: The President's budget contains a significant policy proposal to establish a new competitive National Infrastructure Innovation and Finance Fund that would provide grants, loans and loan guarantees for transportation projects of national or regional significance. Project eligibility would encompass highways, public transit, passenger rail, and goods movement. Of the \$4 billion that is being recommended for the fund, \$2 billion would be reserved for infrastructure grants, while the remainder would go for loans, loan guarantees and planning activities. The stated purpose of the National Infrastructure Innovation and Finance Fund is to "establish a new direction in federal infrastructure investment that emphasizes demonstrable merit and analytical measures of performance."

Livability: President Obama's budget recommends investing a total of \$527 million to support the Administration's Partnership for Sustainable Communities, a joint effort involving DOT, the Department of Housing and Urban Development (HUD) and the Environmental Protection Agency (EPA) that is designed to reduce greenhouse gas emissions, improve mobility and transportation access, and expand affordable housing choices near employment opportunities and public transit. Pursuant to the President's budget, the Job Access/Reverse Commute (JARC), Alternatives Analysis and State/Metropolitan Planning Programs under the federal transit title would be combined into a new "Livable Communities Program" in order to "refocus existing programs that expand access for low-income persons and increase the planning and project development capabilities for local communities." This new program would receive \$307 million. Approximately \$200 million would be set aside for a new competitive livability grant program under the highway title to assist states and localities in integrating project and development planning processes with transportation, land use, and natural resource conservation. The final \$20 million would be used to establish a new Office of Livable Communities within the DOT Secretary's Office to coordinate with HUD and the EPA on livability and sustainability initiatives, as well as to provide grants and technical assistance to states, local agencies and non-profit organizations to improve "performance measure capabilities."

Restructuring of Public Transit Programs: President Obama's budget calls for creating a new "Bus and Rail State of Good Repair Program," which would receive \$2.8 billion to help reduce the replacement backlog with regard to public transit equipment and assets that are in marginal or poor condition. It is unclear whether the funding for this program would be distributed on a formula basis or through competitive grants. The Bus and Rail State of Good Repair Program would be paid for by significantly reducing funding for the existing Fixed Guideway Modernization and Bus/Bus Facilities Discretionary Programs. In addition, the President's budget calls for merging the Elderly/Disabled and New Freedom Programs into a consolidated "Seniors and Persons with Disabilities Formula Grant Program."

New Starts/Small Starts: The President's budget requests \$1.8 billion in New Starts funding, a reduction of \$178 million relative to the current fiscal year. Of this total, \$1.6 billion would be

reserved for projects with current or pending Full Funding Grant Agreements (FFGAs), and \$200 million would be set aside for Small Starts projects.

Rail Transit Safety: The President's budget requests \$30 million to fund the Administration's proposed Rail Transit Safety Program, which would support 100 inspectors and other safety personnel. Legislation to provide FTA with safety inspection and enforcement authority is pending in Congress.

Greenhouse Gas and Energy Reduction Grants: Under President Obama's budget, \$53 million is being recommended for "clean fuels and environmental research," and "greenhouse gas and energy deployment and demonstrations." This program would replace ARRA's Transit Investments in Greenhouse Gas and Energy Reduction Program (TIGGER).

Workforce Development: Current FTA technical assistance and workforce development programs would be combined into a single account to "better address the technical assistance needs of transit providers nationwide" and "develop a workforce with the skill-mix to address public transportation challenges of the future." A total of \$29 million is being recommended.

High-Speed Rail: The President's budget proposes \$1 billion for high-speed rail, bringing the total federal investment for this purpose under the Obama Administration to \$11 billion when combined with ARRA (\$8 billion) and the FY 2010 appropriations bill (\$2.5 billion).

Positive Train Control: Once again, President Obama is not recommending any funding for the Railroad Safety Technology Program, which provides grants to help implement federally mandated positive train control systems. This program, which is authorized at \$50 million per year under the Rail Safety Improvement Act of 2008, was fully funded by Congress in FY 2010.

Department of Homeland Security: The President's budget proposes \$300 million for public transit and railroad security grants. This number represents a flat funding level when compared with FY 2010 appropriations, but it continues a reduction from the FY 2009 amount of \$550 million. It also is far less than the \$1.1 billion authorized under the Implementing Recommendations of the 9/11 Commission Act of 2007.

It is unclear whether Congress will agree to any of the programmatic and policy changes outlined in the President's budget in advance of a more comprehensive authorization of federal surface transportation programs. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA), the current law governing federal surface transportation programs, expired in September 2009, and has been extended on a short-term basis ever since then. The President's budget assumes that another extension would be adopted to carry SAFETEA-LU through March 2011. It also assumes a \$20 billion transfer from the General Fund to the Highway Trust Fund to allow the latter to meet all obligations through March 2011.

Jobs Bill: In his State of the Union Address, President Obama called on the Senate to quickly pass new legislation to encourage job creation. Democratic leaders of the Senate are expected to introduce two separate jobs bills in the coming days. Majority Whip Richard Durbin (D-IL) and Democratic Policy Committee Chairman Byron Dorgan (D-ND) have been leading efforts to

develop the proposals, and new investment in transportation infrastructure has been included in the drafts. In December, the House approved a jobs bill that calls for appropriating \$37.3 billion for transportation, including \$8.4 billion for public transit and \$27.5 billion for highways.

As the Senate prepares for its debate on jobs legislation, the inclusion of transportation investment is not guaranteed. Spending in the House-passed bill was offset under budget rules by money being returned by banks to the Troubled Asset Relief Program (TARP). Senate Republicans and some Democrats have signaled opposition to the use of TARP funding as an offset for new spending; thus, any bill passed by the Senate will likely not mirror the House legislation. The inclusion of money for transportation will also be influenced by discussions on how quickly spending can create jobs. Some economists have argued that transportation investment creates jobs over multiple years, while the desire of the White House and the Democratic leadership in Congress is to craft jobs legislation that could spur employment immediately, preferably before the November mid-term elections. In an effort to attract bipartisan support, Senate leaders are considering separate tax and infrastructure jobs bills, with the tax measure likely to move first.

STATE

Jobs Package: Senate President Pro Tempore Darrell Steinberg (D-Sacramento) unveiled a Democratic package of 27 bills that he says would create an estimated 140,000 jobs in California. Some of the key proposals are as follows:

- Setting a 5 percent cap on tuition fee hikes in any give year for the University of California, California State University and community college systems, and requiring students to be given estimated costs for finishing their degrees.
- Promoting the Employment Development Department’s “Work Share Program,” which allows hard-hit companies to keep some employees at reduced salaries while the department makes salaries whole in anticipation of an economic recovery and re-hiring.
- Restructuring furloughs for state workers to exempt the Franchise Tax Board, the Board of Equalization and other jobs funded at least 95 percent by sources other than the General Fund.
- Requiring a set level of renewable energy to be purchased inside California, which Steinberg claims could create 20,000 jobs. Gov. Arnold Schwarzenegger vetoed a similar bill last year based on a 33 percent renewable energy goal for public and private utilities by 2020, arguing that it could increase energy costs.
- Fast-tracking renewable energy projects eligible for federal economic stimulus funds. At least 11 projects are waiting for permits from state energy-related agencies.
- Streamlining the process for obtaining multiple permits to start businesses by setting up “one-stop” permit centers through the California Environmental Protection Agency (Cal-EPA).

- Granting a 5 percent bid preference to a company that can certify that 90 percent of employees on a state government contract will be California residents. In an average year, the state spends nearly \$35 billion on service and consulting contracts.

Several bills in the package would authorize spending federal economic stimulus dollars and bond money for projects already on the books. One such measure authorizes investing the \$2.25 billion in recently awarded federal funds to develop California's high-speed rail system, creating an estimated 50,625 jobs. Two other bills would allow the state to spend \$773 million in federal qualified school construction bonds to build schools in 43 districts, creating an estimated 11,400 jobs.

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: Monday, February 08, 2010 8:08 AM
To: Board.Secretary
Subject: Caltrain Maintenance/Operations Facility Quarterly Update

For the VTA Board of Directors:

Attached is the Caltrain Centralized Equipment Maintenance and Operations Facility (CEMOF) Monitoring Committee - Quarterly Report. Should you have any questions about this report please call Jim Lawson, 408.321.5516.

Sandra Weymouth
Board Secretary
408.321.7046

Caltrain Centralized Equipment Maintenance and Operations Facility (CEMOF) Monitoring Committee - Quarterly Report

Date of Report	Q1 Meeting, January 27, 2010	Report Issued by	Michael Smith (Chair)
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Notes

The CEMOF Monitoring Committee Quarterly Report supplements the official meeting minutes. It provides the community, the San Jose City Council, the Peninsula Corridor Joint Powers Board (JPB) and the Santa Clara Valley Transportation Authority (VTA) Board with a brief overview of unresolved issues. Each issue is assigned a tracking number when first added to the report and is removed from the report one quarter after being resolved.

Current Issues

No.	Issue	Planned Action(s)	Comment
001	Screeching train wheels on track relocated by Caltrain for CEMOF project. Primary noise sources are Union Pacific (UP) freight trains on Track #1. In violation of Shared Objectives, Goal A (Eliminate objectionable noise during nighttime hours).	UP to install rail lubricator using equipment to be provided by Caltrain. Ongoing equipment maintenance to be provided by UP.	Opened 10/26/05. UP installed rail lubricator on Track #1 in August 2006. Noise was reduced, but not eliminated. Caltrain obtained UP agreement to maintain lubricator in January 2010. Caltrain is also considering installing lubricators on Tracks #2 and #3. Trial run is planned with top-of-rail "friction modifier" as recommended by consultant following noise assessment.
010	Garden Alameda neighbors report excessive nighttime noise due to extended engine idling. Potentially in violation of Goal A (Eliminate objectionable noise during nighttime hours) and Shared Objective A-5 (Locomotives shall not be allowed to idle unnecessarily).	Caltrain to evaluate situation, including discussion with Amtrak (site contractor) management and stepped up monitoring by Caltrain staff during nighttime hours.	Opened 10/22/08. Caltrain has established procedural steps to minimize nighttime idling and instituted management reports to document anomalous occurrences. Nighttime activities are randomly monitored, and retraining/additional monitoring are provided when necessary. Extended idling noise appears to result from sequential servicing of multiple locomotives. Note that warm-up of main locomotive engines must begin ~45 minutes prior to departure to allow time for required safety checks. Resolved.
011	Loud, disruptive noise as late as 10 pm due to testing of relocated/modified horns on locomotives and cab cars. In violation of Shared Objectives, Goal A (Eliminate objectionable noise during nighttime hours).	Caltrain to impose cutoff time for horn testing, and develop/implement plan for advance identification and mitigation of potentially disruptive activities.	Opened 9/22/09. 7 pm cutoff was imposed on 9/21/09, although testing may still be performed after 7 pm as required to address horn failures. Relocation testing of horns on locomotives and cab cars was completed on 11/30/09. Plan for advance identification/mitigation of disruptive activities is under development, and will be tracked as Issue 013. Resolved.
012	Failure to respond to complaints regarding horn testing within 72 hours. In violation of Shared Objective H-3 (JPB will respond to community complaints within 72 hours of receipt).	Caltrain to develop/implement plan for improved communications regarding potentially disruptive activities.	Opened 9/22/09. On 10/28/09, Caltrain presented draft communication plan for using e-mail, public service announcements and website postings to provide: (1) advance notification and explanation of potentially disruptive activities; and (2) clear and timely responses to community complaints. Second draft was presented on 1/27/10. Caltrain has begun implementing key elements of the plan such as email notification.
013	Horn relocation project (Issue 011) identified need for advance identification/mitigation of disruptive activities to ensure compliance with Shared Objectives, Goal A (Eliminate objectionable noise during nighttime hours).	Caltrain to develop/implement plan for advance identification and mitigation of potentially disruptive activities.	Opened 1/27/10. Plan is under development and may be incorporated into communication plan (Issue 012). Caltrain's Public Affairs staff now participates in capital project planning meetings to identify potential issues and initiate work to minimize disturbances when possible.



MEMORANDUM

Writer's Direct Telephone: (408) 321-5630

TO: Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns, General Manager

FROM: Joseph T. Smith, Chief Financial Officer

A handwritten signature in black ink that reads 'Joseph T. Smith'.

DATE: February 11, 2010

SUBJECT: Reasonableness of Actuarial Assumed Rate of Return for the VTA-ATU
Pension Plan

The VTA-ATU Pension Plan is a defined benefit pension plan negotiated between VTA and the Amalgamated Transit Union (ATU). As of June 30, 2009, the plan had 966 retirees and beneficiaries receiving benefits.

An actuarial evaluation is performed each year, which takes into consideration the financial condition and demographics of the plan as of the valuation date, and uses estimates (assumptions) for expected changes in demographics such as new hires, retirements, deaths etc., inflation over the long term, and the expected return on investments over the long term. An experience study is conducted approximately every five years to review the actual experience as compared to the assumptions and adjust the assumptions if necessary.

The VTA-ATU Pension Plan assumes a rate of return of 8% on investments over the long term (20-30 years). This assumption is based on a long-term horizon over the life of the plan and recognizes that the actual rate of return will most likely be more or less depending on market conditions. If the return on investments is lower than the assumed rate of return of 8%, then contributions which are a percentage of labor costs will be higher than required to actuarially fund the plan. The most recent Public Fund Survey of 101 large public plans produced a median return assumption of 8%. Diversified pension plans have performed reasonably well, even after taking the current recession into account. The VTA -ATU Pension Plan has achieved an average composite annual rate of return of 11.3% since inception.

The Plan's actuaries EFI Actuaries Inc. have reviewed the assumptions inherent in the actuarial evaluation with the Board of Pensions and have indicated that in their opinion the actuarial assumed rate of return of 8% is reasonable given the long-term perspective of the plan.

c: Michael T. Burns
Office of the Board Secretary