



## **BOARD OF DIRECTORS' WORKSHOP MEETING**

April 27, 2007

### **MINUTES**

#### **1. CALLED TO ORDER**

The Workshop Meeting of the Santa Clara Valley Transportation Authority's (VTA) Board of Directors was called to order by Chairperson Chu at 9:21 a.m., in the Board of Supervisors' Chambers, County Government Center, 70 West Hedding Street, San Jose, California.

#### **2. ROLL CALL**

##### **Members Present**

Dean J. Chu, Chairperson  
Don Gage  
Breene Kerr  
Liz Kniss, Vice Chairperson  
Sam Liccardo  
Laura Macias  
Chuck Reed  
Greg Sellers  
Forrest Williams

##### **Members Absent**

Nora Campos  
David Cortese  
Dolly Sandoval  
Ken Yeager, Ex-Officio

##### **Alternates Present**

Pete McHugh, Alternate

##### **Alternates Absent**

Dominic Caserta, Alternate  
Judy Chirco, Alternate  
Kathleen King, Alternate  
Roland Velasco, Alternate

\* Alternates do not serve unless participating as a Member.

**A quorum was not present and a Committee of the Whole was declared.**

#### **3. PUBLIC PRESENTATIONS**

There were no Public Presentations.

#### **4. Recommended Budget for Fiscal Years 2008 and 2009**

Michael T. Burns, General Manager, noted that the purpose of this Workshop Meeting is to discuss the Recommended Biennial Budget for Fiscal Years 2008 and 2009. Mr. Burns announced that the May 18, 2007 and August 17, 2007 Board of Directors Workshop Meetings are cancelled.

Mr. Burns stated that the Recommended Biennial Budget for Fiscal Years 2008 and 2009 incorporates various financial components into one document to allow for consideration in one approval process. The components include VTA's Transit, Congestion Management Program/VTP 2030 Highway Program, Measure A Transit Improvement Program, 1996 Measure B Transit Improvement Program, and the Appendices.

Mr. Burns stated that for each of the components, staff has identified the sources and uses of funds and included a five-year outlook to place current expenditures in a long-term framework. This approach is the first step in presenting financial information to the Board, noting that staff is reevaluating how transit services are delivered through the Comprehensive Operations Analysis (COA). The COA is intended to better serve VTA customers and address how VTA meets its long-term commitments, goals, and increases ridership.

Mr. Burns expressed appreciation and thanked Board Member Campos and Former Board Member Jamie Matthews, RIDE Task Force Co-Chairpersons, for their diligent work and effort leading in the Ridership Initiative to Develop Energy-Efficiency (RIDE) Task Force. Mr. Burns stated that the RIDE Task Force recommendations were taken very seriously and are incorporated within the budget proposal, including the recommendations to reduce fares for Senior/Disabled and Youth Monthly Passes. This recommendation was made with the intention to address the significant decline in Senior/Disabled and Youth fares that occurred after the fare increase was implemented in January 2005. The Recommended Biennial Budget also restores funding in staffing key areas that positively impact ridership.

The proposed Recommended Biennial Budget reflects a reduction in reliance on federal operating assistance, redeploys resources to previously deferred capital infrastructure investments, and continues to pursue Joint Development opportunities, which will positively impact ridership and revenues.

The proposed Recommended Biennial Budget proceeds with several of the 2000 Measure A Program projects including the approval to advance the BART Project to the 65 percent design phase over the next two years.

The proposed Recommended Biennial Budget includes the implementation of the Community Bus Program and maintains resources to accept the recommendations of the Comprehensive Operations Analysis (COA), funding for implementation of various initiatives from the Organizational and Financial Assessment Plan. VTA will continue to work with the Administration and Financial (A&F) Committee related to the workplan and implementation of the recommendations from the Organizational and Financial Assessment Plan.

Mr. Burns stated that the near term financial picture for VTA is stable and optimistic.

Mr. Burns stated that Jerry G. Mikolajczyk, Chief Financial Officer, will provide a brief overview of the Recommended Biennial Budget for Fiscal Years 2008 and 2009 and Division Chiefs will provide a report on their divisions.

Board Member Kerr asked if by approving the budget that means we are approving the expenditure for the BART 65 percent design. Mr. Burns responded, "yes." Board Member Kerr queried about the BART Project. Mr. Burns responded that at this time the scope of work is to complete the BART Project design work to 65 percent level. Mr. Burns stated that the design work will provide VTA with additional information to assist with future decisions related to the project.

Board Member Macias asked if the Board is "sealing its fate" so that the only path is BART, or if the Board still had alternatives. Mr. Burns responded that the Board still has alternatives; the Board direction is that staff move forward with the 65 percent design of the BART Project.

Mr. Burns stated that there are many question and concerns with regard to the BART Project in terms of operating funds, but noted that nothing in the proposed recommended budget prevents the discussion or decisions related to the project.

Board Member Macias asked if the questions and/or challenges will come forward at this design phase. Mr. Burns responded, "yes." Mr. Burns stressed the importance to complete the 65 percent design phase level work then provide the Board of Directors with the information to enable the Board to make good sustainable decisions.

Chairperson Chu stated that the goal of the workshop is to discuss all the projects of VTA and not just long-term capital projects going forward. Chairperson Chu noted that he Workshop provides the opportunity for the Board to discuss the Recommended Biennial Budget for Fiscal Years 2008 and 2009, which will be forwarded for consideration and adoption at the June 7, 2007 Board of Directors Meeting.

Jerry G. Mikolajczyk, Chief Financial Officer, provided an overview of the Recommended Budget for Fiscal Years 2008 and 2009. Mr. Mikolajczyk directed attention to the presentation entitled, "Santa Clara Valley Transportation Authority Recommended Biennial Budget Fiscal Years 2008 and 2009," highlighting: General Manager's Message; Recommended Biennial Budget Resolution; Section 1 - VTA Transit; Section 2 - Congestion Management Program (CMP)/Highway; Section 3 - 2000 Measure A; Section 4 - 1996 Measure B; and Section 5 - Appendices.

Carol Lawson, Treasury and Financial Planning Fiscal Resources Manager, provided an overview of "Section 1 – VTA Transit," noting the appropriations for VTA Transit Operating Budget is approximately \$360 million for fiscal year 2008 and \$370 million for fiscal year 2009; VTA Transit Capital Budget is \$36 million for 2008 and \$54 million for 2009; Congestion Management Program (CMP) Operating Budget is \$6 million for 2008 and \$5 million for 2009; CMP Capital Budget is \$400,000 for 2008 and \$200,000 for 2009; the 2000 Measure A Operating Assistance and Program wide Budget is approximately \$67 million for 2008 and \$66 million in 2009; and the 2000 Measure A Capital Budget is \$260 million for each year.

Ms. Lawson commented that VTA Transit Operating Budget covers the delivery and support of VTA's bus, light rail, paratransit, contracted, and interagency services. Ms. Lawson stated that staff has decided to apply the funding from grants, other sources, and the one-time revenues from 2007 to an offset for the VTA Transit Capital Program in 2008.

Ms. Lawson stated that the Ending Operating Reserves for 2008 are \$60 million with an Operating Reserve of 16.8 percent and \$53 million in 2009 with an Operating Reserve of 14.3 percent. The Operating Reserve for both years is stable and close to the 15 percent goal for Operating Reserves. Sales tax based revenues represent approximately 78 percent of VTA's Transit fund, noting that the 1976 half-cent sales tax equals 47 percent; Transportation Development Act (TDA) equals 22 percent; 2000 Measure A Sales Tax Operating Assistance is 9 percent; State Transit Assistance (STA) is 2 percent; Federal Operating Grants is 5 percent; Passenger Fares is 9 percent; and Other Revenue Sources are 6 percent.

Ms. Lawson stated that the 1976 Half-Cent Sales Tax Revenues have increased over the last three years approximately 5.5 percent per year. VTA receives annual projections from the Center for Continuing Study of the California Economy (CCSCE) with latest projects reflecting a midpoint between conservative and moderate growth of 5.5 percent. Ms. Lawson stated that staff has determined that it is more prudent to utilize the 4.8 percent conservative growth level.

Ali Hudda, Disbursements Fiscal Resources Manager, provided an overview of the "Proposed Fare Changes," noting that VTA experienced a significant decline in the Senior/Disabled and Youth Monthly Passes since the fare increase implemented in January 2005. Staff's proposal to reduce fares is an attempt to reduce the sales decline in the Senior/Disabled and Youth Monthly Passes and to increase ridership. Mr. Hudda stated that the proposed changes are consistent with the final report recommendations from the RIDE Task Force.

Mr. Hudda stated that staff proposes to change the Adult Day Pass from \$5.25 to \$5.00; Express Day Pass from \$10.50 to \$10.00; Youth Day Pass from \$4.50 to \$4.00; and the Senior/Disabled Day Pass from \$2.25 to \$2.00. The proposed changes make the fares affordable and convenient for the customers. Staff proposes to change the Youth Monthly Pass from \$49.00 to \$40.00 and the Senior/Disabled Monthly Pass from \$26.00 to \$20.00.

Mr. Hudda commented that the Community Bus Program is scheduled for implementation in July 1, 2007 and staff recommends a new fare structure for the proposed Community Bus Single Ride Fare. The proposed Community Bus Single Ride for Adult Fare is \$1.00; Youth Fare is \$0.50; Disabled/Disabled Fare is \$0.50; and the Express Fare is not applicable since there is no comparable service.

Vice Chairperson Kniss arrived at the meeting at 9:45 a.m. and a quorum was declared.

Board Member Macias expressed appreciation and thanked staff for the proposed fare reduction changes since there are many individuals with low-income that depend on affordable transit services.

Board Member Gage expressed concern with the proposed fare reduction changes, noting that the Board has an established goal of 25 percent for the Farebox Recovery and VTA is not meeting this goal. Board Member Gage stated that the proposed fare reduction will take VTA in the other direction. Mr. Burns responded that the proposed fare changes are an attempt to attract the Youth and Senior/Disabled Community back to utilize transit services.

Mr. Burns stated that staff estimates a \$1 million negative impact on VTA's overall revenues, but with proper marketing initiatives it is anticipated that VTA will be able to break even. The intent is to attract the individuals back into the system, build ridership, make the service more user friendly, and affordable. Mr. Burns stated that VTA will see a small reduction in revenue, which is less than 3/10 of a percent in the overall revenues, but staff estimates that VTA will break even with the right marketing promotions.

Board Member Gage stressed the importance for staff to revisit the proposed fare changes and update the Board Members to determine if the proposal is working to attract and increase ridership. Mr. Burns responded that the proposal will be utilized for at least one year and staff will provide a report with the results. Mr. Burns commented that the intent is that the small investment will increase ridership.

Board Member Reed asked about the economic model to predict and measure the results of the proposed fare changes and route changes. Mr. Burns responded that staff utilizes various consultants to obtain the information and added that staff intends to purchase the overall model as part of the COA.

Board Member Reed asked if the economic model will assist VTA to achieve the established goal of 25 percent Farebox Recovery. Mr. Burns responded "no," staff has not conducted an analysis to determine what it will be required to enable VTA to achieve the established goal of 25 percent.

Mr. Burns commented that staff could conduct the analysis to determine how VTA could reach the established farebox recovery goal of 25 percent but noted that VTA's transportation system would have to implement significant changes to achieve the goal.

Board Member Reed stressed the importance for VTA to have a five-year or ten-year plan to reach the established farebox recovery goal of 25 percent. Board Member Reed requested that staff provide the information on the economic model related to VTA's established farebox recovery goal of 25 percent. Board Member Reed noted that the information is important to determine if the change is moving VTA in the right direction.

Board Member Sellers stated that his hope is to see a positive impact on VTA's overall revenues due the convenience for the customer and overall reduction in fare costs. Board Member Sellers stressed the importance to accurately assess the proposed fare changes and the COA separately.

Board Member Kerr stressed the importance to introduce the youth to VTA's transportation services and expressed support to further reduce the Youth category fare costs.

Board Member Kerr queried about VTA's and other transportation systems transfer exchange rate. Mr. Hudda responded that VTA recognizes a two or more zones Caltrain Monthly Pass as credit for full regular fare on any VTA bus and light rail transportation service; however, the arrangement with Caltrain is not shared.

Vice Chairperson Kniss and Board Member Gage left their seats at 10:05 a.m.

Board Member Kerr queried if Caltrain accepts VTA fare passes. Mr. Hudda responded, "no." Board Member Kerr asked why VTA has not negotiated with Caltrain regarding Caltrain accepting VTA fare passes. Board Member Kerr stressed the importance for VTA to aggressively negotiate a way to allow customers to utilize both systems. Board Member Kerr asked if VTA pays Caltrain. Mr. Burns responded, "yes."

Board Member Macias left her seat at 10:06 a.m.

Vice Chairperson Kniss and Board Member Macias took their seats at 10:07 a.m.

Alternate Board Member McHugh referenced Slide 6, "VTA Transit FY 2008 and FY 2009 Revenues," and expressed concern related to Passenger Fares reflected as 9 percent. Mr. Burns responded that according to the formula VTA's farebox recovery is 13 to 14 percent, which is low, and VTA needs to work to generate and increase ridership. Mr. Burns continued that VTA must work to attract more customers to the system and make the system more effective for potential and existing customers.

Board Member Gage took his seat at 10:08 a.m.

Alternated Board Member McHugh stated that further fare reductions will probably not assist to increase youth ridership and noted that an advertisement campaign would be more effective.

Board Member Macias queried about the reduction in fares and revenues. Mr. Burns responded that the proposed fare changes will have a .3 percent reduction in VTA's overall revenue and 3 percent reduction in VTA's fares.

Board Member Liccardo arrived at the meeting at 10:10 a.m.

Chairperson Chu asked when the proposed fare changes are scheduled for implementation. Mr. Burns responded that the proposed fare changes are scheduled for implementation on September 1, 2007 and the proposed Community Bus Fares are scheduled for July 1, 2007.

Ms. Lawson commented on VTA's Transit FY 2008 and FY 2009 Expenses, noting that Labor Costs equal 72 percent; Contracted Services equal 15 percent; Debt Services equal 7 percent; and Miscellaneous equals 6 percent. Ms. Lawson continued that the Recommended Budget assumes that all currently negotiated contract provisions for wages and benefits and all vacant positions will be filled within the first quarter of FY 2008. Any new negotiated increases will have to be managed within the existing budget. Contracted Services includes Americans with Disabilities (ADA) Paratransit, Caltrain, Altamont Commuter Express (ACE), Light Rail Shuttles, Dumbarton, and

Highway 17 Express. ADA Paratransit represents approximately 59 percent of the Contracted Services costs. Miscellaneous includes materials and supplies, fuel and traction power and is offset by the reimbursements that VTA Transit receives from Capital Projects and Contracted Services.

Board Member Reed left his seat at 10:14 a.m.

Ms. Lawson commented on expenses by Division, noting that 6 percent is allocated to Non-Departmental, which are the expenses that are beyond the control of any one division; 72 percent is allocated to Operations; 4 percent to Technology; 4 percent to Fiscal Resources; 5 percent to Development and Congestion Management; 4 percent to Construction; 3 percent to Administrative Services; .5 percent to General Counsel; and 2 percent to General Manager.

Ms. Lawson commented that the major expenditures to Non-Departmental are labor reflecting the waived medical insurance payments to VTA employees that are not enrolled in VTA's medical benefits and debt service on VTA's outstanding bonds.

The major expenditures to the General Manager's Division are related to labor costs assuming that all vacant positions are filled in the first quarter; Employee Related Expense reflecting a consolidation of all budgets related to workshops, conferences, and travel throughout VTA into the General Manager's cost center; professional services for consultant work to assist in implementing the recommendations of the Organizational and Financial Assessment; leases and rental due to the purchase of office automation equipment that had been previously leased; and miscellaneous expense due to increases in membership costs.

Board Member Reed took his seat at 10:20 a.m.

The major expenditures to Fiscal Resources are related to professional services related to studies on Asset and Liability, Disadvantage Business Enterprise (DBE) Disparity, and sales tax audits; reimbursements due to reimbursement from the capital program for staff support of the SAP upgrade and Bus Farebox Replacement projects; and other services due to the hiring of the Interim Chief Financial Officer (CFO).

Alternate Board Member McHugh queried about the increases in labor costs. Ms. Lawson responded that major expenditures related to labor costs assume that all vacant positions will be filled in the first quarter of FY 2008.

Board Member Kerr asked about the increases to the General Managers Division. Ms. Lawson responded that employee related expenses reflect a consolidation of all VTA division budgets related to workshops, conferences, and travel are moved into the General Managers cost center.

Board Member Kerr asked if VTA's Administrative and Overhead Costs growing or shrinking. Ms. Lawson referenced VTA's Transit Sources and Uses of Funds Summary, noting that VTA's Operating Revenues are above Operating Expenses.

Mr. Mikolajczyk referenced VTA Transit Comparison of Revenues and Expenses FY 2006 – FY 2009, noting that revenues has decreased 7.3 percent overall and VTA's overhead is increasing at a rate of 4.3 percent. Mr. Mikolajczyk stated that VTA's revenues are actually increasing at a great rate of the expenses.

Board Member Macias asked what the operating reserve percentage was in FY 2006 and FY 2007. Ms. Lawson responded that for FY 2007 the projected ending operating reserve was 18.6 percent.

Board Member Macias asked if retirement benefits are included in VTA's labor costs. Ms. Lawson responded "yes," and that they include labor costs and benefits. Ms. Lawson stated that pension contributions are approximately 17 percent of labor wages.

Board Member Macias queried about the option for employees to waive medical insurance. Ms. Lawson responded that VTA requires that employees that waive medical insurance provide proof that they are covered elsewhere.

Board Member Macias asked who was responsible for the expenses if an employee was injured on the job and has waived medical insurance. Mr. Burns responded that injuries incurred on the job would be covered by workers compensation.

Alternate Board Member McHugh queried about the increase in the General Manager's Division related to Employee Related Expenses. Ms. Lawson responded that the increase reflects a consolidation of all budgets related to workshops, conferences, and travel throughout VTA into the General Managers cost center but that line item in the other division budgets reflects an offset reduction. Mr. Burns stated that the intention of the consolidation in one area is for better control and oversight of the expense account.

Alternate Board Member McHugh queried about the increase in the General Manager's Division related to professional services. Ms. Lawson responded that the increase is related to consultant work to assist in implementing the recommendations of the Organizational and Financial Assessment.

Suzanne B. Gifford, Legal Counsel, stated that the major expenditures to General Counsel are related to labor and reimbursements reflecting increase support of the 2000 Measure A Program. Ms. Gifford commented that the Office of the General Counsel consists of seven attorneys and two support staff employees with one vacant attorney position. The Office of the General Counsel handles all legal aspects of the organization in-house except for overflow, conflicts, federal railroad matters, bond counsel, and environmental.

Ms. Gifford stated that VTA utilizes outside counsel services for very few matters, which require specialized services. Ms. Gifford stated that legal services that VTA spends for Enterprise Fund, Congestion Management, and all projects is less than one-half percent of the combined budgets for all of those.

Bill Lopez, Chief Administrative Officer, stated that the Administrative Services Division consists of 57 employees and represents about 3 percent of VTA's operating

budget. The Administrative Services Division is responsible for the business and employee support functions including human resources, employee services, risk management, and labor relations. Mr. Lopez commented that functions include recruitment and selection of employees, employee development and training, job classification and compensation, pension administration, health care and other benefits, workers compensation and public liability claims, insurance procurement, health and safety, substance abuse testing, and labor contract negotiations and grievance administration.

Mr. Lopez stated that the major activities planned for the upcoming years include labor negotiations, administering a new business model related to workers compensation benefits, and implementation of the recommendations of the Organizational and Financial Assessment.

Mr. Lopez stated that the major expenditures to Administrative Services are related to insurance reflecting a recent actuarial study and employee related expenses due to new initiatives in employee education and training as a result of the recommendations of the Organizational and Financial Assessment.

Alternate Board Member McHugh asked for clarification regarding the increase in employee related expenses within the General Manager's Division and Administrative Services Division. Ms. Lawson responded that employee related expenses has six components, noting that the workshop, conferences, and travel expenses were consolidated to the General Managers Division but education and training remain in the individual divisions with the majority of education and training included in the Administrative Services Division.

Jack J. Collins, Chief Construction Officer, commented that the Construction Division completes engineering designs and implements construction projects that are part of VTA's rail, facilities, and highway transportation improvement program. The goals of the Construction Division are to complete the following projects: San Jose Transit Mall Platform Modifications; Caltrain Double Tracking Design to Gilroy; Route 87 North High Occupancy Vehicle (HOV) Lane; and Route 152/156 Interchange Project. The proposed projects for the next two years are the Guadalupe Corridor Platform Program – South Line Modifications; De Anza College Transit Center; BART Project 65 percent Preliminary Engineering (PE); Caltrain Capital Improvements; and PE for Capital Expressway Light Rail (LR) Project.

Mr. Collins commented that full time equivalent staffing levels are 112 with currently 14 vacancies and assuming that all vacant positions will be filled in the first quarter of FY 2008. The Construction Division FY 2008 Total Expenses are budgeted at \$15.4 million and \$16 million in FY 2009. Mr. Collins stated that the major expenditures to Construction are related to labor costs and reimbursements reflecting an increase support of the 2000 Measure A Program and revised indirect cost allocation plan (ICAP) rate charged to the capital program. Mr. Collins stated that the Construction Division recovers its labor and expense costs along with indirect costs associated with other VTA Divisions that are supporting capital projects.

Board Member Gage asked if VTA is looking at ways to reduce debt service in the proposed budget. Mr. Mikolajczyk responded that the Recommended Budget does not reflect reducing debt service since it will require additional funding.

Mr. Mikolajczyk stated that staff will continue to look for the additional funding but it is not reflected in the proposed budget. He noted that as staff identifies additional sources of revenue it will be included and the excess funds will be applied where applicable.

Carolyn M. Gonot, Chief Development Officer, commented that the Development and Congestion Management Division (DCM) is responsible for the planning, marketing, project development, highway development, fund programming, congestion management, and commercial development functions for VTA. Ms. Gonot stated that the DCM provides specialized staff support services to the Congestion Management Program, VTA Capital Program, VTA Highway Program, and the 2000 Measure A Transit Improvement Program.

Ms. Gonot commented that currently full time equivalent staffing levels are budgeted at 127 positions and planning to grow to 131 positions in support of the 2000 Measure A Program activities. The DCM Division is responsible for the production of the long-range multi-modal transit plan; Bicycle and Pedestrian Program; Travel Model Development and Forecasting. The Project Development Department is responsible for state, federal, and local fund programming; grants management; overseeing environmental planning and real estate management; traffic engineering and transportation systems operations; and highway project development.

Ms. Gonot stated that the Marketing and Public Affairs Department is responsible for customer service, call center operation, community outreach, media relations, and marketing activities.

Ms. Gonot stated that the DCM Division will continue to work on the BART to Santa Clara County; the planning and environmental support of the BART and Federal Transit Administration (FTA) coordination and liaison work; the Downtown East Valley Project; Bus Rapid Transit (BRT); VTA Commercial Development Activities; and the development of the Real Estate Management tool.

Ms. Gonot commented on the projects in the Highway Development Division include the Corridor Mobility Improvement Account; Stevens Creek Boulevard I-880 to I-280 Interchange; and the Route 101/25 Interchange Project.

Ms. Gonot stated that the major expenditures to Development and Congestion Management are related to labor costs assuming that all vacant positions are filled in the first quarter and other services reflecting expanded marketing initiative efforts. The DCM Division overall budget total is \$11.4 million in FY 2008 and the same in FY 2009.

Ms. Gonot commented that the Marketing and Public Affairs Department budgets have increased due to expanded marketing and advertising efforts and printing costs. Major marketing initiatives for FY 2008 and FY 2009 include the promotion of the new Community Bus Service; service changes as a result of the Comprehensive Operations

Analysis (COA); target audience promotions based on Market Segmentation results; and advertising of Fare Modifications.

Board Member Liccardo queried about labor and staffing levels within the DCM Division. Ms. Gonot responded that currently the DCM Division is at a 15 to 17 percent vacancy rate.

Board Member Liccardo queried about the \$4.5 million increase in labor costs between FY 2007 and FY 2008. Ms. Lawson responded that the DCM Division labor costs assume that all vacant positions will be filled in the first quarter of FY 2008.

Board Member Gage requested that staff provide the breakdown of the items listed in miscellaneous category and the components in each division. Ms. Lawson responded that staff will provide the information and noted that the VTA Transit Revenue and Expense Category Descriptions list the category and description types in Appendix D included in VTA's Recommended Biennial Budget for Fiscal Years 2008 and 2009.

Board Member Williams arrived at the meeting at 10:46 a.m.

Board Member Reed left his seat at 10:46 a.m.

Vice Chairperson Kniss asked where information regarding Community Bus can be located in the Recommended Biennial Budget. Mr. Burns responded that information regarding Community Bus is connected to the COA and noted that any new services will be conducted within VTA's existing resources and service plan.

Vice Chairperson Kniss asked for information regarding the costs to operate the different types of buses within the organization. Mr. Burns responded that staff can provide the detailed information to the Board of Directors.

Vice Chairperson Kniss stated that the use of Community Bus is good for the community and asked for information why the use of Community Bus will be beneficial for VTA's Recommended Budget. Mr. Burns responded that staff can provide the detailed cost comparison between Community Bus and regular buses to the Board of Directors.

Vice Chairperson Kniss asked if it were less expensive for VTA to operate the Community Buses compared to the regular buses. Mr. Burns responded, "yes."

Vice Chairperson Kniss stated that the City of Palo Alto operates shuttle bus service at no charge and stressed the importance to support this type of service for the community.

Board Member Liccardo expressed concern regarding the large increase in labor costs in the DCM Division between FY 2007 and FY 2008. Ms. Lawson responded that the increase assumes that all vacant positions will be filled in the first quarter of FY 2008, includes negotiation increases, step progression increases, and base increases in the amount.

Mr. Burns stated that staff will forward a detailed explanation related to labor costs.

Alternate Board Member McHugh requested that all information requested be distributed to all Board Members.

Board Member Reed took his seat at 10:54 a.m.

Board Member Kerr asked if the Community Bus Program is included in VTA's Recommended Budget as a line item. Mr. Burns responded that the budget includes line items to hire Community Bus Operators.

Board Member Kerr requested information the cost to allow children under 18 years of age to utilize the system for free.

Doug Beley, Acting Chief Technology Officer, stated that the Technology Division is responsible for technology design and selection, technical support, systems management and administration, technology acquisition, and strategic planning, and consulting services for VTA. The Technology Division manages business systems for VTA's finance, payroll, network infrastructure, transportation systems, Advanced Communications System, and Closed Circuit Television (CCTV) that serve the administrative and operational needs of VTA.

Mr. Beley commented that the Technology Division enables VTA to achieve business goals through the effective management of its technology. The Technology Division currently has full time equivalent staffing levels of 56. The major expenditures to Technology are related to labor, communications; data processing to improve and enhance the long-term viability of several VTA core business applications and hardware/software support costs; and reimbursements due to support the SAP upgrade project.

Board Member Williams queried about the SAP System and the savings provided to VTA. Mr. Beley responded that the value of the SAP System is experienced throughout VTA.

Mr. Beley stated that the SAP System allows payroll to complete the same work with less individuals and provides better communication between the maintenance and operations staff. The SAP Systems upgrade project will provide VTA with several immediate features and benefits.

Board Member Williams stressed the importance for staff to assess the benefits of implementation of the SAP System upgrade project within VTA.

Dan Smith, Chief Operating Officer, stated that the Operations Division currently has full time equivalent staffing levels of 1641 positions. The major expenditures to Operations are related to labor, materials and supplies; protective services; professional and specialized services; fuel; traction power; tires; paratransit services; and other services.

The Operations Division is responsible for delivering safe, courteous and reliable transit service to the residents of Santa Clara County. The Operations Division consists of 8 functional units: Operations Administration; Bus and Rail Transportation; Operations

Planning; operations Maintenance and Engineering; Service and Operations Planning; Accessible Services; and Protective Services.

Mr. Smith commented that the Operations Division represents approximately 76.6 percent of VTA's entire workforce. The Operations Division is proposing 23 new positions to support the Community Bus Program and 11 new positions to improve operating efficiencies.

Mr. Smith continued that the Operations Division will continue to experience cost increases due to the expiration of bus and light rail vehicles warranties. VTA's system wide security is provided through a combination of Santa Clara County Sheriff's Department and contracted private security. VTA's Recommended Biennial Budget retains the current level of Sheriff's Transit Patrol. The contracted private security contract continues to reflect operational changes and efforts to improve effectiveness and working to streamline the cost of the contract.

Mr. Smith stated that the proposed budget reflects a reduction in professional and specialized services as a result of the conclusion of non-recurring activities and the COA Study, which will move into the implementation phase.

Mr. Smith commented that the recommended budget includes \$.3 million in FY 2008 and in FY 2009 for scheduled replacement of tire rims for the entire bus fleet over the two-year period. The revised budget assumes \$2.62 per gallon for diesel fuel and \$3.43 per gallon for gasoline with the assumption of VTA utilizing 93 percent diesel fuel and 7 percent gasoline. The FY 2008 and FY 2009 proposed budget related to traction power assumes the rate of \$0.12 kWh with a 3 percent escalation in the latter fiscal year. The proposed budget includes an estimated annual VTA use of 29 million kWh hours per year.

Mr. Smith reported that the costs for the delivery of paratransit services will increase by 5.6 percent in FY 2008 and 4.9 percent in FY 2009 associated to the increase in the number of trips anticipated over the two-year period. The paratransit services average trip rate is estimated at \$25.

Vice Chairperson Kniss asked if VTA was able to negotiate better gasoline prices since VTA purchases large quantities. Michael Hursh, Operations Deputy Director, responded that VTA participates in the Regional Transit Cooperative Purchase and VTA selects the best gasoline price for our area, which is approximately \$.33 cents less than at the pump.

Mr. Hursh continued that VTA budgets for fuel prices at a higher rate as protection to address cost increases since fuel prices are highly volatile and fluctuate significantly.

Ms. Lawson stated that VTA attempts to be conservative and budget for fuel costs accordingly since fuel prices are a highly volatile commodity.

Board Member Kerr asked if VTA was able to receive a better traction power rate of \$0.12 kWh. Ms. Lawson responded that VTA pays a fixed rate, which is less than the average household rate.

Board Member Liccardo expressed concern regarding the labor costs in the Operations Division. Mr. Burns responded that the proposed budget does not include any wage increases within any of the division budgets but noted that contract negotiations for Amalgamated Transit Union (ATU) have yet to be negotiated.

Mr. Burns stated that the FY 2008 and FY 2009 Operations Division labor costs will reflect a higher amount but staff has structured the budget so that VTA will manage the increase within the existing budget.

Board Member Macias expressed support to reduce and condense the amount of paper distributed to the Board of Directors and request that the information be available on-line. Mr. Burns responded that VTA is working in that direction and working collaboratively with the Office of the Board Secretary to organize and streamline the distribution of paper within the entire VTA organization.

Chairperson Chu queried about the proposal to replace tire rims for the entire bus fleet. Mr. Hursh responded that the majority of the bus fleet is from 1992; therefore, it is prudent to replace them at this time. The new tire rims and wheels are stronger and will hold up better over time.

Board Member Macias left her seat at 11:23 a.m.  
Vice Chairperson Kniss left the meeting at 11:23 a.m.

Mr. Mikolajczyk provided an overview of the reimbursements by division and discussed how the various VTA divisions direct labor and non-labor are charged to projects. The makeup of the Capital Program will effect how the various divisions are reimbursed. Mr. Mikolajczyk stated that the Construction Division is heavily effected by the Capital Program since it is totally dedicated to supporting and developing the projects.

Mr. Mikolajczyk commented on the following reimbursements to VTA's various divisions, highlighting, that the Construction Division will be reimbursed 56 percent; Development and Congestion Management 17 percent; Operations 9 percent; Technology 8 percent; Fiscal Resources 6 percent; Office of the General Manger 2 percent; Office of the General Counsel 1 percent; and Administrative Services 1 percent.

Mr. Mikolajczyk provided an overview of the VTA Transit FY 2008 and FY 2009 Recommended Capital Projects, highlighting:

Revenue Vehicles

- Community Buses
- Bus Farebox Replacement
- Bus Surveillance Equipment Replacement
- Paratransit Vehicles

Non-Revenue Vehicles

- Non-Revenue Vehicles

### Operations Facilities & Equipment

- Small Bus Operating facility Upgrades
- Facility Maintenance Equipment Replacement Program
- Facility and Equipment Emergency Repair Allowance
- Roofing Management Program
- Painting Management Program
- HVAC Scheduled Replacement Program
- Pavement Management Program
- Chaboya Bus Wash Rehabilitation and Detail Area
- Paint Mixing Room at Guadalupe Division Paint Shop
- Cerone Division Minor Maintenance Bay Pit Modifications
- “Green” Sustainability Facility Improvement

### Light Rail Way, Power & Signal

- Rail Replacement and Rehabilitation
- Substation Rehabilitation & Replacement
- Cooling Systems for LRT Signal and Communications Cabinets
- Abatement of Light Rail Left-Hand Turn and Track Intrusion Incidents

### Passenger Facilities

- Guadalupe Corridor Platform Retrofit Program – South Line
- CCTV/Video On Demand
- De Anza College Transit Center
- Bus Stop Improvement Program
- Upgrade LRT Station Public Address System
- Transit Enhancement Projects
- Transit Center/Park & /Ride Lot Upgrades

### Information Systems, Communications, and Technology

- Server Replacement
- Router Memory Upgrade
- SAP Upgrade

### Miscellaneous

- VTA Customer Information Management
- Caltrain Capital Contribution

Mr. Mikolajczyk stated that the grand total VTA Transit Capital Program budget including remaining appropriations to existing projects in the FY 2008 and FY 2009 Recommended Capital Program is approximately \$90 million for a total of 32 projects.

Board Member Macias took her seat at 11:28 a.m.

Board Member Gage asked what was the average administrative overhead cost across the entire organization. Ms. Lawson responded that for the Capital Programs the current indirect rate is 8 percent.

Board Member Gage queried about the type of project costs that could be charged back for reimbursement. Ms. Lawson responded that direct labor and non-labor costs are charged back to the projects.

Board Member Williams queried about project reimbursements and asked if the repayment delay negatively impacts VTA. Mr. Mikolajczyk responded affirmatively and noted that VTA is negatively impacted when there is a delay in the coding where to direct the project costs.

Mr. Mikolajczyk commented that VTA finally received the \$151 million approval from the State related to the Silicon Valley Rapid Transit (SVRT) Corridor Project; however, VTA has spent the funding over the last two-years. VTA will make it a priority to place the reimbursement funding in the bank when it is received.

Board Member Williams stressed the importance to have project reimbursements processed immediately so not to negatively impact VTA.

Board Member Gage requested that a meeting with Mr. Mikolajczyk be scheduled with him to discuss in more detail the Recommended Biennial Budget for Fiscal Years 2008 and 2009. Mr. Burns responded that Mr. Mikolajczyk is available for one-on-one meetings with Board Members.

Ms. Gonot commented that the Congestion Management Agencies (CMA) were designated to meet the goals of increasing the efficiency of existing transit and roadway systems, planning the best capital improvements to the systems, and improving the local land use decision making process. VTA's Congestion Management Program (CMP) serves as the CMA for the Santa Clara County. Ms. Gonot stated that the CMP is fiscally separate from VTA Transit and is funded through assessments to local jurisdictions member agencies, federal and state planning grants, grant program manager administration fees, SB 45 Monitoring Funds, and fees for services provided.

Ms. Gonot continued that the CMP's major responsibilities and programs are Congestion Management Program (CMP) and Capital Improvement Program; Valley Transportation Plan (VTP) 2030; Grant Programming; Federal Surface Transportation Program/Congestion Mitigation Air Quality Improvement Program (STP/CMAQ); Transportation Enhancement (TE); Regional Improvement Program (RIP); Transportation Fund for Clean Air Program Manager Fund (TFCA 40 percent); Transportation Development Act Article 3; Programmed Project Monitoring and Assistance; Highway Corridor Planning; Bicycle and Pedestrian Planning Program.

Ms. Gonot stated the major budgetary changes to the CMP in FY 2008 are related to a 10 percent reduction due to a fund swap with the Metropolitan Transportation Commission (MTC) that limits TFCA program administrator fees; an increase of \$0.2 million due primarily to increased funding from Local Program Reserve (LPR) for additional CMP services and studies; an increase of \$0.6 million due to additional planned activities and the purchase of parcel data and aerial photographs from the County Assessor during FY 2008; a major additional expenditure planned for the CMP is the soundwall screening program; and a monetary contribution for various studies,

which are managed by other agencies for the El Camino/Grand Boulevard Study and Peninsula Gateway Corridor Study.

Ms. Gonot stated that CMA member agency fees are anticipated to increase by 3.5 percent for FY 2008 and FY 2009. Ms. Gonot noted that the Corridor Mobility Improvement Project will be included and updated in the final Recommended Biennial Budget for Fiscal Years 2008 and 2009.

Mr. Mikolajczyk provided an overview of the 2000 Measure A Transit Improvement Program, which is a 30-year plan of major transit improvement capital projects and was approved in November 2000 at the rate of one-half of one percent of the sales tax revenues. Mr. Mikolajczyk stated that the funding was intended to be used for the following countywide transit improvement projects:

- Fund operating and maintenance costs for increased bus, rail and paratransit service;
- Extend BART to Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station;
- Provide connections from Mineta San Jose International Airport to BART, Caltrain and VTA light rail;
- Extend Light Rail from Downtown San Jose to the East Valley;
- Purchase Low-Floor Light Rail Vehicles;
- Improve Caltrain: double-track to Gilroy and electrify from Palo Alto to Gilroy;
- Increase Caltrain Service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade Altamont Commuter Express (ACE);
- Improve Highway 17 Express Bus Service;
- Connect Caltrain with Dumbarton Rail Corridor;
- Purchase Zero Emission Buses (ZEB) and construct service facilities; and
- Develop new light rail corridors.

Mr. Mikolajczyk provided an overview of the 2000 Measure A Program progress, noting that VTA has already begun work by issuing a limited amount of bonds for the following projects:

- Low-floor Light Rail Vehicles;
- Zero Emission Bus (ZEB) Vehicles and Facilities;
- Downtown East Valley Transit Improvement Plan;
- Silicon Valley Rapid Transit Corridor (SVRT) Project;
- Bus Rapid Transit Corridors;
- Highway 17 Bus Service Improvements;
- Commute Rail Program;
- Caltrain Electrification;

- Dumbarton Rail Corridor;
- Upgrade Altamont Commuter Express (ACE) Rail Service Upgrade;
- Light Rail Extension to Vasona Junction; and
- San Jose Mineta Airport People Mover (APM).

Mr. Mikolajczyk commented on the 2000 Measure A sources and uses of funds summary highlighting: total revenues for FY 2008 are \$172 million and \$180 million in FY 2009; total non-project expenses for FY 2008 are \$67 million and \$66 million in FY 2009; project expenditures are \$260 million in FY 2008 and \$260 million in FY 2009; funding from grants and other sources are \$119 million in FY 2008 and \$118 million in FY 2009; and the 2000 Measure A Program ending reserves in FY 2009 are estimated at \$125 million.

Mr. Mikolajczyk commented that the 2000 Measure A Program Revenues for FY 2008 and FY 2009 combined are \$351 million from sales taxes, \$186 million from TCRP grants, \$45 million from state infrastructure bonds, and \$8 million in other sources from investment earnings.

Mr. Mikolajczyk commented that the 2000 Measure A Program Expenditures are estimated at \$327 million in FY 2008 and \$326 million in FY 2009. Mr. Mikolajczyk continued that the Silicon Valley Rapid Transit (SVRT) Corridor Project Preliminary Engineering (PE) was completed in 2006. In December 2006, the VTA Board of Directors approved advancing the design to a 65 percent level, which began in January 2007 and is scheduled to be complete in December 2008. The Union Pacific Railroad (UPRR) right-of-way clearing from Fremont to the east tunnel portal will begin during this period and funds have been included for critical property protection.

Mr. Mikolajczyk commented that on February 1, 2007 the California Transportation Commission (CTC) approved funds in the amount of \$151 million for reimbursement of Preliminary Engineering (PE) costs and \$213.5 million to cover the costs of the 65 percent Engineering Phase, which is planned for completion by December 2008. The current completion date in the Revenue and Expenditure Plan is late 2016 and is predicated on federal approval in early 2009.

Mr. Mikolajczyk commented that the Caltrain Service Upgrades was endorsed by the Project Advisory Committee and includes the following capital projects: Safety Improvements, Santa Clara Station Upgrades, Santa Clara Station Pedestrian Underpass Extension, Downtown Mountain View Parking Structure; Blossom Hill Pedestrian Overpass; and other Service Upgrades.

Mr. Burns stated that some of the Caltrain Service Upgrade capital projects are listed in the 2000 Measure A Program but staff will continue to determine if the projects qualify in the program and will provide the information to the Board of Directors in a few weeks.

Board Member Kerr left the meeting at 11:40 a.m.

Mr. Mikolajczyk commented that the Recommended Biennial Budget for Fiscal Years 2008 and 2009 Short Term Risks include sales tax revenues, labor costs, and fuel prices.

Mr. Mikolajczyk stated that staff has determined a five-year projected outlook of VTA's Transit sources and uses of funds summary for Fiscal Years 2010 – 2012, noting that the five-year outlook determines a decline in the latter years. Staff will continue to monitor the trends and take corrective actions as necessary throughout the cycles.

Board Member Gage left the meeting at 11:42 a.m.

Mr. Mikolajczyk commented that the Recommended Biennial Budget for Fiscal Years 2008 and 2009 Long Term Risks related to funding sources include sales tax revenues and grant funds; and the risks associated to capital projects are future operating costs and future maintenance costs. Staff continues to look and pursue other opportunities for joint development projects and public/private partnerships.

Board Member Liccardo requested information on VTA's sales tax revenue projections. Mr. Burns responded that staff will forward the information obtained from the Center for Continuing Study of the California Economy (CCSCE).

Mr. Mikolajczyk commented on the next steps, noting that community meetings will be conducted in San Jose on April 30, Milpitas on May 1, Morgan Hill on May 2, Sunnyvale on May 7, and Campbell on May 8; VTA Advisory Committees will receive a presentation on May 9 and 10, 2007. The proposed budget will also be presented at the May 16 Transit Planning and Operations (TP&O) Committee, May 23 Congestion Management Program and Planning (CMPP) Committee, and May 17 Administration and Finance (A&F) Committee Meeting. Mr. Mikolajczyk noted that the Recommended Biennial Budget and an addendum will be forwarded to the June 7, 2007 VTA Board of Directors Regular Meeting for consideration and adoption.

Chairperson Chu asked why an addendum will be included with the Recommended Biennial Budget for Fiscal Years 2008 and 2009 for consideration and adoption. Mr. Burns responded that the addendum will include additional information related to questions from the public and Board of Directors as well as other budget information that needs to be included.

Board Member Williams asked about VTA's financial stability. Mr. Burns responded that VTA's financial situation is stable and noted that staff will continue to monitor the assumptions as VTA moves forward.

Chairperson Chu asked what were the sales tax increases over the last two-years. Mr. Burns responded that that last three years have averaged 5.5 percent.

Board Member Macias expressed concern related to VTA's increased labor costs. Mr. Burns responded that staff has structured the budget so that VTA will manage the increased labor costs within the existing budget.

Chairperson Chu expressed appreciation and thanked staff for the excellent presentation.

5. **ADJOURNMENT**

**On order of Chairperson Chu**, there being no objection, the Board of Directors' Workshop Meeting was adjourned at 11:50 a.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant  
VTA Board of Directors