

BOARD OF DIRECTORS' WORKSHOP MEETING

October 19, 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 9:17 a.m., in the Board of Supervisors' Chambers, County Government Center, 70 West Hedding Street, San Jose, California.

The oath of office was administered to Alternate Board Member Kansen Chu.

2. ROLL CALL

Members Present

Nora Campos
David Cortese
Dean J. Chu, Chairperson
Don Gage
Liz Kniss, Vice Chairperson
Sam Liccardo
Greg Sellers
Forrest Williams
Ken Yeager, Ex-Officio

Members Absent

Breene Kerr
Laura Macias
Chuck Reed
Dolly Sandoval

Alternates Present

Kansen Chu, Alternate

Alternates Absent

Dominic Caserta, Alternate
Kathleen King, Alternate
Pete McHugh, Alternate
Roland Velasco, Alternate

* Alternates do not serve unless participating as a Member.

A quorum was present.

3. PUBLIC PRESENTATIONS

Ross Signorino, Interested Citizen, expressed concern regarding the BART tunnel that is designed to go through downtown San José. He suggested linking BART to the Light Rail that travels to Downtown San José at the Norman Y. Mineta San José International Airport.

Member Cortese took his seat at 9:22 a.m.

Jerry Grace, Interested Citizen, expressed concern regarding the tragic accident that took the life of a 20 year old skateboarder. He stressed the need for laws that would regulate the use of safety equipment.

4. Roles and Responsibilities of Local Officials in Debt Issuance/Role of Debt Financing for VTA

Jerry Mikolajczyk, Chief Financial Officer, provided a brief report that highlighted the following topics: 1) Obligations of VTA regarding federal securities law and disclosure of information to current and potential investors; and 2) Role of debt financing for VTA.

Kimberly Koenig, Debt Administration & Business Analysis Manager, provided a PowerPoint presentation entitled, “Disclosure and Debt Issuance” that highlighted the following: 1) Agenda; 2) Outstanding Debt; 3) Debt Service as a Percentage of Budget – 7%; and 4) Debt Issuance Process.

Ex-Officio Board Member Yeager took his seat at 9:43 p.m.

Vice Chairperson Kniss referenced slide number four of the presentation, and queried if there is an industry standard on an agency’s percentage of debt financing. Ms. Koenig responded that there is no industry standard. She added that debt financing depends on the programs set by every agency.

Ms. Koenig introduced Mary Collins, Chairperson of Orrick’s Transportation Finance Group. Ms. Collins provided a PowerPoint presentation entitled, “Role & Responsibility of VTA Board Members In Connection With Debt Issues” that highlighted the following: 1) The Rules We Live By – Securities Act of 1933 (No Fraud); 2) The Rules We Live By – Securities Act of 1934 (No Deception); 3) The Rules We Live By – SEC Rule 10b-5; 4) The Rules We Live By – SEC Rule 15c2-12; 5) SEC Investigation and What They Tell Us; 6) Who is Responsible for Disclosure; and 7) Lessons Learned – Recommended Practices.

Vice Chairperson Kniss referenced the Massachusetts Turnpike Authority and expressed concern regarding the escalation of the project cost that was not disclosed. Ms. Collins explained the issue regarding the Massachusetts Turnpike Authority. She noted the importance of disclosing the financial information of a project even if there is a good intention for nondisclosure.

Board Member Campos inquired about the General Manager’s plan of action if VTA undergoes the same situation that happened with the Massachusetts Turnpike Authority. Michael T. Burns, General Manager, responded that the financial status of projects will be forwarded to the Board of Directors as soon as they are available. He referred to the Measure A Program and explained that once the cost estimates are completed, it will be presented to the Board of Directors. He compared VTA to the Massachusetts Turnpike Authority and stated that VTA is an agency that practices openness to the public.

Board Member Cortese recommended that a list of standard questions be prepared as a guide or instructions for the Board of Directors to ensure appropriate record of disclosure is practiced. Ms. Collins agreed with the statement made by Board Member Cortese. She added that the Board of Directors in the City of San Diego has standard due diligence questions, and they have disclosure attorneys that provide legal advice. She noted that she could work with the office of the General Counsel to establish a list of due diligence questions.

Board Member Sellers commented that the reason behind the issuance of bonds should be conducted first before due diligence questions are asked.

Ms. Koenig introduced Peter Ross, VTA Financial Adviser, Principal Ross Financial. Mr. Burns provided a brief background on the role of debt financing for VTA. He stated that the topic came up during the adoption of the expenditure plan where debts were issued to fund accelerated projects. He stressed the importance of debt financing in determining the right level of debt and to review the list of projects under the Measure A Program.

Mr. Ross provided a PowerPoint presentation entitled, "The Role of Debt Financing for VTA" that highlighted the following: 1) Why Issue Debt; 2) Debt Characteristics; 3) Limitations on Debt Sizing; 4) Debt Capacity; and 5) Credit Ratings.

Vice Chairperson Kniss stressed the importance of understanding debt financing in relation to funding projects. She stated that the County of Santa Clara Board of Supervisors had undergone a similar workshop a year ago where synthetic rate was the main topic.

Chairperson Chu asked if VTA uses credit enhancement for its ratings. Mr. Ross responded that VTA uses credit enhancement for the rating. He explained that with VTA's high underline ratings, the costs of insurance for the bonds issued are low.

Chairperson Chu referenced the table located on the slide titled, "Credit Ratings" and queried on the Moody's Long Term Ratings. Mr. Ross responded that the Aa1 rating is the highest under the Moody's Long Term Rating.

Board Member Williams queried about the factors that make up the Moody Long Term Rating. Mr. Ross explained that the following are analyzed to determine the Moody's Long Term Rating: 1) Revenue; 2) Debt service, 3) Coverage; 4) Revenue source; 5) Management; and 6) Operation.

Ross Signorino, Interested Citizen, commented that the topic about the Massachusetts Turnpike Authority was almost skipped and was not discussed in great detail by Ms. Collins. Ms. Koenig responded that it was a slight oversight, and that Ms. Collins planned to revisit the topic of the Massachusetts Turnpike Authority.

Chairperson Chu commented on the responsibilities of being a Board of Director in relation to debt financing. He noted that he is also a Board Member for the Bay Area Toll Authority (BATA) that has 36.6 percent debt service.

5. Valley Transportation Plan (VTP) and Regional Transportation Plan (RTP)

Michael T. Burns, General Manager, provided a brief report on the background of the VTP 2035 and stressed its importance to future projects and project funding. He noted that the presentation would illustrate the role of the VTP to the RTP.

John Ristow, Chief CMA Officer, provided an overview of VTP 2035 and its relationship to the RTP. He noted that the planning process would establish the Board of Directors' policy direction on programs and projects with funding and create a planning document. He added that the planning document will serve as a guide for future transportation projects.

Chris Augenstein, Transportation Planning Manager, provided a PowerPoint presentation entitled, "Valley Transportation Plan (VTP) Regional Transportation Plan (RTP)," that highlighted the following: 1) Presentation Outline; 2) The Planning Process; 3) Main Components of a Plan; 4) VTP/RTP Timelines; 5) RTP Background; 6) VTP/RTP Feedback Loop; 7) RTP 2035 Topics; 8) RTP Next Steps; 9) VTP; 10) What VTP Does; 11) VTP 2030 Accomplishments; 12) VTP 2035 Setting; 13) Nine Bay Area County Region; 14) Santa Clara County – existing conditions; 15) Santa Clara County – ABAG forecast growth; 16) VTP 2035 Core Concepts; 17) VTP 2035 Ideas & Opportunities; 18) Developing VTP 2035; 19) VTP 2035 Program Areas; 20) VTP 2035 Review Process; and 21) VTP 2035/RTP Timelines.

Board Member Campos referenced slide number 24 and expressed appreciation regarding the program areas that VTP 2035 would revisit. She recommended staff to work with the City of San José in identifying pending projects within different communities. Mr. Augenstein responded that staff would work with the City of San José and report back to the Board of Directors.

Board Member Gage referenced slide number 24 and recommended that staff should work with the County of Santa Clara to study the feasibility and cost savings of projects. He added that the findings of the study would serve as a guide to the direction and decision making of the Board of Directors to address congestion problems.

Vice Chairperson Kniss stressed the importance of the following small projects that make significant impacts: 1) Coordinated traffic signals along expressways; and 2) Countdown crosswalk signals.

Ex-Officio Board Member Yeager queried if the Metropolitan Transportation Commission (MTC) would fund projects that are not included in the VTP. Mr. Augenstein responded that if a project is not included in the constrained list of the VTP, it would not receive federal and state funding.

Ex-Officio Board Member Yeager recommended submitting a broad list of projects to MTC for funding. Mr. Augenstein responded that MTC provides financial estimates that would force the drop of projects that are not included in the constrained list of the Plan. He added that not all projects would be incorporated in the Plan. He stated that the Board of Directors would engage in a process of prioritizing projects that would be included in the constrained list. Mr. Burns explained that the selections of funded or constrained projects are based on the financial estimates the MTC will provide.

Ex-Officio Board Member Yeager commented that future funding sources are unknown, and it would be beneficial to maximize the amount of projects in the Plan. Mr. Ristow explained that MTC revisited its process of forecasting funding sources for the RTP and an aggressive approach would be utilized. He noted that this would result in increased funding for each of the counties. He added that the constrained list of projects will be derived from the estimated funding provided by MTC. He stated that an unconstrained list is also created for projects that do not have a secure source of funding.

Ex-Officio Board Member Yeager asked about the process of project prioritizing that the Board of Directors will undertake. Mr. Ristow responded that the Board of Directors would determine the projects that would be part of the constrained list.

Ex-Officio Board Member Yeager asked about MTC's process for approving projects that are included in the constrained list. Mr. Ristow responded that MTC has the authority to approve all the projects contained in the list or amend the constrained list. Mr. Augenstein stated that on a historical perspective, MTC approved projects included in the VTP 2020 and VTP 2030.

Ex-Officio Board Member Yeager asked about MTC's voting process and expressed concern that Santa Clara County is not receiving its fair share of funding. Mr. Ristow responded that staff will work with MTC regarding the list of projects in the VTP and RTP. He explained that MTC provides a figure that would be the basis for the number of projects that would be funded.

Ex-Officio Board Member Yeager asked about the possibility of contesting the financial estimate that MTC would provide. Mr. Ristow responded that it is possible to contest the financial estimate. He noted that staff is anticipating a realistic financial estimate from MTC. He added that staff would also work with MTC in determining regional priorities against local priorities.

Ex-Officio Board Member Yeager commented that the voting representation at MTC and the amount of funding provided to projects should be based on the growth of the County. Mr. Ristow supported the statement made by Ex-Officio Board Member Yeager. He noted Santa Clara County's inability to receive funding from bridge tolls and other funding sources should also be considered as a factor that affects MTC's funding.

Board Member Gage commented that MTC should be flexible in substituting projects in the constrained list as long as it is under the proposed budget.

Board Member Williams referenced slide number 21 and asked if staff has a Greening Program for VTP 2030. Mr. Augenstein responded that there are Greening Programs under the VTP 2030. He enumerated the following: 1) Community Design and Transportation Program; and 2) Bicycle and Pedestrian Program.

Board Member Williams stressed the importance of VTA's commitment to the environment. He recommended documenting VTA's contribution to promote a better environment. He suggested staff work with the City of San José regarding greenhouse gas reduction.

Chairperson Chu commented on the importance of prioritizing projects in the constrained list for VTP 2035. He also stressed on the significance of projects on the unconstrained list that would be considered for VTP 2040.

Vice Chairperson Kniss referred to the statement made by Ex-Officio Board Member Yeager that Santa Clara County is misrepresented at MTC and asked on the process to resolve the issue. Ex-Officio Board Member Yeager identified the following course of action: 1) Change the membership of MTC; 2) Legislation; 3) Be more persuasive; and 4) Build partnerships with other members.

Vice Chairperson Kniss requested that Board Members receive more information regarding the breakdown of MTC's funding. Mr. Ristow responded that staff would provide information regarding funding sources and its limitations.

Jerry Grace, Interested Citizen, recommended that the Board of Directors attend MTC meetings. He expressed appreciation regarding the VTP 2035 and expressed his support for the construction of BART to the City of San José.

Chairperson Chu announced that the ABAG MTC Summit is scheduled on October 26, 2007 at the Oakland Marriott.

Ross Signorino, Interested Citizen, commented that the membership of the VTA Board of Directors, similar to MTC, is misrepresented. He announced that the March Against Domestic Violence will be held in the City of San José.

6. ADJOURNMENT

On order of Chairperson Chu, there being no objection, the Board of Directors' Workshop Meeting was adjourned at 11:31 a.m.

Respectfully submitted,

Michael Diaresco, Board Assistant
VTA Board of Directors