

January 15, 2008

Director Greg Sellers  
VTA Board of Directors  
3331 N. First Street  
San Jose, CA

Dear Director Sellers,

Attached please find the Governance Committee's recommendation for strengthening VTA's governance structure as it pertains to the term of office for Directors and the procedures for selection of Directors by city groupings.

Sincerely,



Karen Antion  
President

## VTA Board Governance Recommendations January 2008

In 2007 VTA engaged the Hay Group to conduct a complete Organization and Financial Assessment. As a result of that Assessment, VTA received a set of recommendations designed to strengthen VTA's governance, financial management and organizational effectiveness. The Board has made a number of decisions to implement the recommendations resulting from the Assessment and VTA is beginning to realize the benefits it expected.

In the area of Governance, the Board started by approving the formation of an Audit Committee as a standing committee of the Board. The work required to formalize the Committee and procure the resources to develop and implement an Audit Plan is underway. The Board approved the development of a "Leadership Summit" to revisit VTA's Vision and Mission and provide guidance to the staff on required revisions. The Summit is scheduled for February 1, 2008. The Board also made the decision to designate Director Greg Sellers to serve as the Board's representative to work directly with the VTA staff and consultants to implement governance related recommendations.

The work plan for the "Governance Committee" activities is listed below:

### Governance Work Plan Activities

1. Review and Evaluate Governance Structure
  - a. Term of Office for Directors
  - b. Procedures for selection of Directors by city groupings
2. Develop and Implement a Board Self Assessment Program
3. Reduce the number of Advisory Committees
  - a. Evaluate opportunities for consolidating Advisory Committee responsibilities. Consider the recommendation from the Hay Group as well as alternative strategies.
    - i. Hay Recommendation-Work with the Policy Advisory Committee and the Technical Advisory Committee to consolidate the responsibilities, goals and objectives of the two committees.
  - b. Recommend changes to by-laws and new work-plans to reflect responsibilities for advisory committees affected by the consolidation.

The Committee met to develop a strategy for reviewing and evaluating the governance structure as it pertains to the term of office for Directors and the procedures for selection of Directors by city groupings. The following changes to the governance structure are recommended.

#### Recommended Changes to the Governance Structure

The Hay group identified board turnover as a critical challenge to the governance structure at VTA. Directors are currently eligible to serve one two year term. The report recommends that the VTA Board look at alternatives to lengthen the term of office for directors and also work with appointing authorities to ensure that eligibility for selection to serve on the VTA Board include appropriate qualifications and experience as well as the time left in the elected officials term of office so that they do not “term out” during their tenure as a VTA Director.

The Assessment also spoke to the VTA Board’s responsibility as a regional policy Board. Specifically, the report states “The board has been charged with serving as a regional policy body. Appointing authorities and the VTA Board of Directors need to work together to ensure that Directors appointed to the Board have a regional perspective and experience considering policy issues as well as projects and programs”.

A unique characteristic of the composition of the VTA Board is that it includes five city council members selected from among the city councils of all of the cities in the county, other than the City of San Jose, as provided by agreements among those cities. The cities involved created three “city groupings” where each city within the grouping serves on the VTA Board on a rotational basis.

A solution to help reduce Board turnover and at the same time help move the VTA Board structure to one that has more “regional representation” may lie with the election of these five Directors and the specific definition of the city groupings. The current configuration was based primarily on population and secondarily on geography. VTA’s history and Directors’ experience has shown that cities that are geographically proximate have very similar issues, challenges and opportunities. Our recommendation looks to group cities based on geographic proximity first and population second. The population analysis is based on current data and also contemplates areas of new and planned growth in the County. The population analysis supporting this recommendation is attached.

Recommendation:

1. Reconfigure the city groupings and add a new group based on geographic proximity and population size to create “regions” within the county. (Refer to the Chart below). The fourth region has been added in recognition that San Martin is seeking its designation as a city and that the South County region is the fastest growing region in Santa Clara County.

WEST VALLEY	(1 SEAT)	NORTH WEST	(1 SEAT)	NORTH EAST	(2 SEATS)	SOUTH COUNTY	(1 SEAT)
Campbell	38,138	Los Altos	29,300	Milpitas	65,050	Gilroy	48,527
Cupertino	53,000	Mountain View	71,995	Santa Clara	110,771	Morgan Hill	37,091
Los Altos Hills	8,482	Palo Alto	62,000	Sunnyvale	133,754	San Martin	5,000
Los Gatos	29,132						
Monte Sereno	3,900						
Saratoga	31,097						
<b>TOTAL</b>	<b>163,749</b>		<b>163,295</b>		<b>309,575</b>		<b>90,618</b>
Pop/seat	163,749		163,295		154,788		90,618

2. Eliminate the concept of city rotation within the region. Each of the regions of the county will “select” their representative(s) to serve as a Director on the VTA Board.
3. Regional representatives serving on the VTA board will serve a four year term.
4. A process should be developed for selection of regional representatives on the VTA Board of Directors. Regional representatives serving as VTA Directors should have the required experience, qualifications and time available in their term to serve a four year term on the VTA Board.

In conclusion, the Organization and Financial Assessment conducted by the Hay Group recommended that the VTA board explore alternatives for lengthening Directors’ terms of office in order to reduce Board turnover. A solution to help reduce Board turnover and at the same time help move the VTA Board structure to one that has more “regional representation” involves creating four regions within the county based on geographic proximity and population size. A process for each region to select their representative would replace the practice of city rotation. Directors would serve four year terms and be selected based on qualifications and time available in their term to serve a four year term on the VTA Board. This solution is one that is within the VTA Board’s current authority to implement.

<b>CURRENT BOARD CONFIGURATION</b>							
<b>WEST VALLEY</b>	<b>(1 SEAT)</b>	<b>NORTH COUNTY</b>	<b>(3 SEATS)</b>	<b>MGM</b>	<b>(1 SEAT)</b>		
Campbell	38,138	Los Altos	29,300	Gilroy	48,527		
Cupertino	53,000	Los Altos Hills	8,482	Milpitas	65,050		
Los Gatos	29,132	Mountain View	71,995	Morgan Hill	37,091		
Monte Sereno	3,900	Palo Alto	62,000				
Saratoga	31,097	Santa Clara	110,771				
		Sunnyvale	133,754				
	155,267		416,302		150,668		
Pop/seat	155,267		138,767		150,668		
<b>OPTION 1--RECONFIGURE EXISTING GROUPS</b>							
<b>WEST VALLEY</b>	<b>(2 SEATS)</b>	<b>NORTH COUNTY</b>	<b>(2 SEATS)</b>	<b>SOUTH COUNTY</b>	<b>(1 SEAT)</b>		
Campbell	38,138	Milpitas	65,050	Gilroy	48,527		
Cupertino	53,000	Mountain View	71,995	Morgan Hill	37,091		
Los Gatos	29,132	Santa Clara	110,771	San Martin	5,000		
Los Altos	29,300	Sunnyvale	133,754				
Los Altos Hills	8,482						
Palo Alto	62,000						
Monte Sereno	3,900						
Saratoga	31,097						
TOTAL	255,049		381,570		90,618		
Pop/seat	127,525		190,785		90,618		
<b>OPTION 2--ADD NEW GROUP</b>							
<b>WEST VALLEY</b>	<b>(1 SEAT)</b>	<b>NORTH WEST</b>	<b>(1 SEAT)</b>	<b>NORTH EAST</b>	<b>(2 SEATS)</b>	<b>SOUTH COUNTY</b>	<b>(1 SEAT)</b>
Campbell	38,138	Los Altos	29,300	Milpitas	65,050	Gilroy	48,527
Cupertino	53,000	Mountain View	71,995	Santa Clara	110,771	Morgan Hill	37,091
Los Altos Hills	8,482	Palo Alto	62,000	Sunnyvale	133,754	San Martin	5,000
Los Gatos	29,132						
Monte Sereno	3,900						
Saratoga	31,097						
TOTAL	163,749		163,295		309,575		90,618
Pop/seat	163,749		163,295		154,788		90,618