

# **BOARD OF DIRECTORS' WORKSHOP MEETING**

April 25, 2008

## **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 Kniss at 9:07 a.m., in the Silicon Valley Community Foundation, 2440 West El Camino Real, Suite 300, Mountain View, California.

### **2. ROLL CALL**

#### **Members Present**

Nora Campos  
David Casas  
Dean J. Chu, Ex-Officio  
Don Gage  
Yoriko Kishimoto  
Liz Kniss, Chairperson  
Sam Liccardo  
Nancy Pyle  
Chuck Reed  
Dolly Sandoval, Vice Chairperson  
Greg Sellers  
Forrest Williams  
Ken Yeager, Ex-Officio

#### **Members Absent**

Dominic Caserta

#### **Alternates Present**

Christopher Moylan, Alternate  
McHugh, Pete Alternate

#### **Alternates Absent**

David Cortese, Alternate  
Kathleen King, Alternate  
Robert Livengood, Alternate

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

**A quorum was present.**

### **3. PUBLIC PRESENTATIONS**

There were no Public Presentations.

#### **4. 2000 Measure A Program**

Michael T. Burns, General Manager, noted that the purpose of this Workshop Meeting is to build a foundation for reviewing the 2000 Measure A Expenditure Plan. Mr. Burns commented that staff would provide: 1) Update and progress of the projects in the Measure A Program; 2) Discussion of policy guidance which will set the framework for staff to develop a portfolio of plans that would meet policy criteria; and 3) Discussion of the financial model.

Mr. Burns stated that 3 major projects reaching decision points for next steps include: 1) Double Tracking to South County (Phase I); 2) Silicon Valley Rapid Transit Corridor Extension to San Jose, Santa Clara and Milpitas; and 3) The Eastridge Light Rail Extension. Mr. Burns commented that Board discussion regarding policy guidance would provide valuable input regarding the 3 identified major projects.

Mr. Burns thanked the Silicon Valley Community Foundation for their hospitality.

Chairperson Kniss, and Member Campos and Alternate Member McHugh  
arrived at 9:13 a.m.

Mark Robinson, Acting Chief Engineering and Construction, provided a PowerPoint presentation entitled, "2000 Measure A Program Update" highlighting: 1) BART to Milpitas, San Jose and Santa Clara accomplishments, status, and key funding process milestones; 2) Freight Relocation Project; 3) Caltrain South County; 4) Caltrain-Related Projects that include service upgrades, Caltrain Electrification, Ace Upgrades, and Dumbarton Rail Corridor; 5) Capitol Expressway Light Rail to Eastridge; and 6) Other Measure A Projects.

Mr. Burns clarified that the purpose of the presentation is to provide an overview and update of the status of the Measure A projects. Mr. Burns noted that there are 3 major projects and several supporting projects that will require some decision-making by the fall of 2008. Mr. Burns further noted that the major projects in the next year or two would total approximately \$800 million in Measure A expenditures

Mr. Burns commented that the purpose of the update to the Expenditure Plan is to obtain specific guidance and direction with regard to the Expenditure Plan for the next 2-3 years within the concept of the 30-year overall policy of the program.

Chairperson Kniss commented that difficult decisions must be made regarding the Expenditure Plan and that many things have changed within the transportation climate. She stated that VTA should not depend on state or federal funds in the consideration of the major projects. Mr. Burns acknowledged that there is a short fall of funds to complete all the projects.

Member Casas asked how much has been spent on the SVRT- BART Extension Project. Mr. Burns commented that \$600 million has been spent to date to accomplish 65 percent design and for right-of-way acquisitions.

Member Casas inquired regarding the timeline to secure new funding and/or make a decision not to move forward with the SVRT project. Mr. Burns noted that VTA continues to seek new funding. He commented that VTA hopes to re-enter the New Starts Program in 2009, become eligible for Federal funding, and to become authorized in the Re-Authorization Bill. Mr. Burns stated that the decision will rest with the Board of Directors as to what next steps are needed to move the process forward.

Member Gage asked that of the \$800 million that is needed, how much is accumulated and how much must be bonded. Mr. Burns answered that through Measure A, \$430 million has been issued with \$50 million retired, \$240 million available and approximately \$350 million in Measure A funds. Member Gage suggested a pay as you go strategy so the programs would continue to move forward, and to escalate the program schedules that would coincide with the economic recovery.

Member Kishimoto requested clarification regarding funds accumulated and funds needed for the Measure A Projects. Member Kishimoto noted that the Comprehensive Agreement between VTA and BART contains a clause that indicates in January 2009 that VTA must pay BART. Mr. Burns clarified that the January 2009 date was predicated on a revenue service date and would be studied with recommendations to amend the agreement. Member Kishimoto commented that alternatives should be considered for the SVRT-BART Extension Project.

Members Reed, Liccardo and Pyle took their seats at 9:30 a.m.

Ex-Officio Member Chu asked if the Freight Rail Relocation Project is a subset of the SVRT project. Mr. Burns responded that the Freight Rail Relocation project is a component of the commitment made to Union Pacific Railroad in purchasing the right-of-way. VTA is obligated to do the work to relocate the freight operations as part of that agreement. Mr. Burns commented that the Freight Rail Relocation Project includes some aspects that would benefit any project regarding right-of-way situations.

Member Campos expressed concern that the Capitol Expressway Light Rail to Eastridge project must move forward according to schedule.

## **5. Proposed Policy Guidance for Measure A Revenue and Expenditure Plan**

Carolyn Gonot Chief SVRT Program Officer, provided a brief update and overview of the Measure A Revenue and Expenditure Plan Policy Guidance that highlights: 1) Purpose of the Plan; 2) Development of Policy Guidance will be consistent with the VTA Transit Sustainability Policy; 3) The Proposed Policy Guidance; 4) The Financial Feasibility Test; and the 5) Measure A Sales Tax Projections.

Ms. Gonot stated that the Proposed Policy Guidance principles include: 1) Maintain the Financial Integrity of the Organization which becomes the foundation policy for the Measure A Program; 2) Increase Transit Usage; 3) Achieve Environmental

Improvements; 4) Support Transit-Oriented Land Use; 5) Strengthen Complimentary Partnerships; 6) Take Advantage of Leveraged and New Fund Sources; 7) Model Various Financial Conditions that would investigate a “Portfolio of Plans” including No New Revenue, VTP 2035 Revenues, 1/8-Cent Sales Tax, and 1/4-Cent Sales Tax; 8) Achieve a Balanced Transportation Plan; and 9) Implement the Intent of Measure A.

Ms. Gonot commented that the Policy Guidance will be consistent with the VTA Transit Sustainability Policy, the Metropolitan Transportation Commission’s (MTC) Regional Transportation Plan Policy that includes the (“3 E’s”) which are economy, environment, and equity, and the VTA Vision Statement that is currently being modified.

Robert Peskin, AECOM Consult, Inc., provided a report regarding the debt service coverage levels highlighting: 1) Minimum Debt Service Coverage; 2) Target Debt Service Coverage Ratios; 3) Measure A Sales Tax Projection; 4) Measure A Revenue Applied to Debt Service at Alternative Levels of Net Debt Service Coverage; and 5) Capital Capacity at Alternative Levels of Net Debt Service Coverage.

Vice Chairperson Sandoval commented that she appreciated the information regarding the Policy Guidance and expressed concern that the partnership questions must be addressed. She recognized that the schedule is very ambitious and asked if work on the “Portfolio of Plans” is happening right now. Mr. Burns answered that the intent of the schedule is to receive adoption of the Policy Guidance by June 2008 and in the months of June and July 2008 staff will prepare the “Portfolio of Plans” for presentation in August 2008.

Member Kishimoto inquired if alternatives would be considered for the expenditure component of the Policy.

Member Casas referred to Page 11 of 21 of the staff handout. Member Casas referred to the Proposed Policy Guidance and expressed concern that VTA is cautiously and conservatively estimating the impact of some of the transportation options.

Member Liccardo expressed concern with the construction cost assumptions. Mr. Peskin replied that there is optimal timing to commit to a construction schedule.

Member Liccardo expressed concern with the language with Page 4 of 21 and the reference to “Protect Current Transit Services as a Priority.” Member Liccardo suggests amending the language to indicate providing transit where the riders are located.

Vice Chairperson Sandoval recommended implementing into the timeline discussion as to where the plan progresses after the 65 percent completion target.

Member Gage commented there are some programs discussed today that are outside of the Measure A Plan. He expressed concern that these projects remain in the plan. Member Gage stated that approximately \$80 million from Measure A funds is allocated to the operations and maintenance of the basic system. He expressed concern that within

the assumptions of the new projects significant problems such as bus schedules and travel destinations of the riders must be considered.

Member Reed recommended that the modeling assumptions identify moving toward a greater farebox recovery or same operating cost level.

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.

Alternate Member McHugh left the meeting at 10:42 a.m.

**6. VTA Measure A Financial Planning Structure and Process/VTA June 2006 Measure A Expenditure Plan Updated Financial Analysis**

Robert Peskin, AECOM Consult, Inc., provided a report and PowerPoint presentation entitled, "Measure A Financial Planning Structure and Process," highlighting: 1) Presentation Objectives that introduces the financial model tool and its capabilities, review of the updated model and plan assumptions, and summarize the application of the model to examine the June 2006, adopted Measure A Plan; 2) Presentation Outline; 3) Measure A Financial Planning Process; 4) Financial Analysis Process Overview; 5) Financial Analysis Model Structure; 6) Financial Feasibility Test; 7) Risk Analysis 8) Major Changes in Assumptions, Major Revenue Variances; 9) Uses of Funds that includes the Capital Program and Operating and Maintenance (O&M) Costs; 10) Sources of Funds; 11) Economic Projections; 12) Draft Revised Plan Sources and Uses of Funds; and 13) Addressing Financial Plan Feasibility.

Mr. Peskin commented that the goal of the financial analysis is to demonstrate that VTA has the ability to continue to operate the transportation services that are currently being provided, and to invest in that infrastructure through the Capital Improvement Program and maintain those assets in a state of good repair.

Mr. Peskin stated that the Measure A Financial Planning Process demonstrates capital and operating financial capacity to build and operate the proposed Measure A Projects and to test the assumptions in the Adopted Measure A Plan given changes in: 1) Project cost; 2) Project timing; and 3) Revised economic outlook. He noted that the process must be compliant with the Federal Transit Administration (FTA) New Starts Program which is required for the SVRT project.

Member Casas expressed concern with the Inflation and Interest Rate Projections and Inflation Assumptions by O & M Object Class.

Member Liccardo expressed concern with the two-tiered approach indicated in the Revised Projection of Sales Tax Revenue. Mr. Peskin commented that the reason that two sources were used in the projection is because the November 2006 projection of Santa Clara County taxable sales from the Center for the Continuing Study of the

California Economy through 2016 and from 2017 onward, an August 2007 independent projection of sales tax revenues from Moody's Economy.com is applied.

Member Williams inquired how often should the projections and forecasts be evaluated. Mr. Peskin commented that goal is to position VTA in a way that it can respond to future uncertainties.

Member Kishimoto stated that one of the major changes in the assumption projected a no growth scenario for light rail yet assumed a population growth. She inquired how that scenario would affect level of service and asked if the 25 percent farebox recovery is included. Mr. Peskin stated that the flat level of service would be evaluated and ridership will continue to grow faster than the level of service. He further stated that the farebox recovery ratio will also improve greatly over time.

Member Kishimoto commented that the ridership model should include issues with roadways, highways, local agencies, and projected parking charges at transit stations. Ms. Gonot noted that parking charges are being evaluated and considered regionally through MTC.

Ex-Officio Member Yeager commented that all options should be considered in the quest to obtain revenue sources.

Member Gage expressed concern that the assumption that raising fares would add to the capital budget is not prudent. He stated that alternative scenarios are needed so the Board has options to evaluate those scenarios.

Chairperson Kniss asked Mr. Burns to address the yearly fee that must be paid by VTA to connect to BART. Mr. Burns commented that the agreement with BART requires VTA to pay for every and all conceivable costs associated with the BART Extension including 100 percent of the net operating cost to operate the system as well as a contribution to capital for the future replacement and upgrade of the existing facilities. The agreement is extremely challenging for Santa Clara County. Mr. Burns stated that this a regional issue and an alternative agreement and structure that is more equitable must be formulated.

Member Liccardo left the meeting at 11:21 a.m.

Ex-Officio Member Chu commented that it is imperative to identify committed funds for each project and to determine revenue shortfalls. Mr. Burns commented that staff will bring to the Board scenarios that will work within the assumptions that are developed.

Member Casas recommended that a sensitivity analysis should be implemented. Member Williams asked if the green initiative is considered in the modeling. Mr. Burns commented that there is no assumption that the green initiative would cut costs and so has not been configured in the model.

Ex-Officio Member Yeager left the meeting at 11:43 a.m.

Member Reed drew the Board's attention to the unanticipated revenue category. He reported that state sales tax revenue may be modified, reduced, and spread across services. Member Reed inquired how unanticipated revenue would be factored in the model. Mr. Burns commented that the Board would make the determination as to what unanticipated revenue sources could be incorporated into the model.

Chairperson Kniss recommended a revisit to the VTA and BART Agreement.

Member Kishimoto requested cost estimates on the Measure A projects.

Member Gage recommended a more centralized meeting location in the County for future workshops.

**8. ADJOURNMENT**

**On order of Chairperson Kniss**, there being no objection, the Board of Directors' Workshop Meeting was adjourned at 12:00 p.m.

Respectfully submitted,

Jacqueline F. Golzio, Board Assistant  
VTA Board of Directors