

BOARD OF DIRECTORS WORKSHOP MEETING

Friday, April 24, 2009

9:00 AM

MINUTES

CALL TO ORDER

The Workshop Meeting of the Santa Clara Valley Transportation Authority's (VTA) Board of Directors was called to order by Chairperson Sandoval at 9:05 a.m. in the Board of Supervisors' Chambers, County Government Center, 70 West Hedding Street, San Jose, California.

1. Roll Call

Attendee Name	Title	Status
Nora Campos	Alternate Board Member	Absent
David Casas	Board Member	Present
Dominic Caserta	Board Member	Absent
Dean Chu	Ex-Officio Board Member	Present
Don Gage	Board Member	Present
Rose Herrera	Board Member	Present
Ash Kalra	Board Member	Present
Yoriko Kishimoto	Board Member	Present
Liz Kniss	Board Member	Present
Bob Livengood	Alternate Board Member	Absent
Chris Moylan	Alternate Board Member	Present
Chuck Page	Alternate Board Member	Absent
Nancy Pyle	Board Member	Present
Chuck Reed	Board Member	Present
Greg Sellers	Board Member	Present
George Shirakawa	Alternate Board Member	Absent
Ken Yeager	Ex-Officio Board Member	Absent
Sam Liccardo	Vice Chairperson	Absent
Dolly Sandoval	Chairperson	Present

A quorum was present.

2. PUBLIC PRESENTATIONS

Ross Signorino, Interested Citizen, stated he read an article on San Jose Mercury News regarding the San Jose earthquake fault line and expressed concern the BART tunnel is

going to be built along the fault line. He urged VTA to look at the safety issue in proceeding with this project.

3. Fiscal Years 2010 and 2011 Draft Recommended Biennial Budget

Michael T. Burns, General Manager, thanked the board members, and public for coming to the workshop. He stated staff will make a presentation on the operating, capital, Measure A, and congestion management budgets. The final recommended budget will be presented to the Board for adoption at the June Board of Directors meeting.

Mr. Burns stated staff is recommending cuts in non-labor costs, fare increases, reallocation of federal funding from capital projects to fund the maintenance budget, utilizing the infrastructure bonds and stimulus funds to preserve a portion of the capital budget and continuing to re-invest in infrastructure. He stated despite these measures, the proposed operating budget is still not balanced. Staff proposes to draw down on reserves for the next two years to bring the budget into balance. Staff is looking for suggestions to finalize the recommended budget.

Mr. Burns and VTA staff, Joe Smith, Jim Unites, Michael Hursh, John Ristow, Mark Robinson and Carolyn Gonot, provided a PowerPoint presentation on the draft recommended Biennial Budget Fiscal Years 2010 and 2011.

Mr. Burns reported on the Economic Outlook in Santa Clara County: 1) Unemployment rate; 2) Housing; 3) Building Permits; and 4) Decline in auto sales. He stated the result of the downfall is the significant decline in sales tax revenues. He proposed to proceed with the two year budget plan with the following objectives: 1) Preserve service; 2) Preserve jobs and avoid layoffs; 3) Maintain infrastructure; 4) Advance capital programs and continue investment without incurring debt; and 5) Balanced approach to build reserves.

Board Member Sellers took his seat at 9:15 a.m.

Board Member Kalra took his seat at 9:30 a.m.

Joe Smith, Chief Financial Officer, presented the Fiscal Years 2010 and 2011 Recommended Budget Summary. The major budget assumptions are: 1. Revenues: a) Increase in fares; b) Decline in sales tax revenues; c) Elimination of the State Assistance Funding (STA); and d) Maximizing use of the Federal Transit Administration (FTA) funds for preventive maintenance. 2. Expenses: a) Maintain current vacancy rates; b) Negotiate with bargaining units on wage and benefits; c) Implement savings measures; d) Recommend Paratransit service modifications; and e) No increase from FY 09 contribution for Caltrain and Altamont Commuter Express (ACE).

Mr. Smith reported on the Operating Assumption Risks: 1) Decline in sales tax receipts more than what was projected; 2) Increase in pension contribution rate; and 3) Increase in health care premiums more than what was projected. Mr. Smith also reported on the current and proposed fixed-route fares, ADA paratransit fares, and ECO pass fares.

Jim Unites, Deputy Director of Service Planning, reported on the Service Level Changes for the bus and light rail. He stated the Board adopted the Annual Transit Service Plan in

April 2009 which deferred service improvements and discontinued unproductive services. The light rail service was modified on April 6, 2009 by reducing peak car requirements. Mr. Unites reported the FY10 ridership projection is very positive. There is, however, a 3% ridership decrease for FY11 due to fare changes. He also reported on the paratransit service modifications with a potential \$1.3 million savings.

Mr. Smith reported on the VTA Transit Operating Budget: 1) FY2010 and FY2011 Revenues; and 2) Analysis of Expenses by Category; and the Transit Capital Budget which reflected continuous investment in infrastructure.

Mr. Smith and Mr. Michael Hursh, Deputy Director for Maintenance and Security, reported on the Federal Stimulus Funds. Mr. Smith stated \$47 million of the federal stimulus fund is programmed for the purchase of hybrid diesel buses. Funds must be obligated by May 31, 2009. Mr. Hursh stated VTA is currently preparing application for the Transit Investments for Greenhouse Gas and Energy Reduction Grants (TIGGER) for additional hybrid buses and for the installation of large solar Array at North Division.

Mr. Hursh reported on the Transit Capital Budget FY10 and FY11 Program Activities specifically: 1) Revenue Vehicles and Equipment - purchase of hybrid diesel buses and paratransit vehicles, replacement of CCTV on buses and repair of light rail vehicles; 2) Non-Revenue Vehicles - replacement of diesel-powered non-revenue vehicles; 3) Operating Facilities and Equipment; 4) Light Rail Way, Power and Signal; 5) Passenger Facilities; and 6) Information Systems and Technology. Mr. Smith reported on other miscellaneous Program Activities: Caltrain capital contribution and Caltrain right-of-way, Joint Development sites and contingencies. He also presented the summary of VTA Transit Sources and Uses of Funds.

Mr. Smith provided a presentation on the 2000 Measure A Budget highlighting: 1) Budget Parameters; 2) Comparison of Revenues and Non-Project Expenses; 3) Net FY10 and FY11 Capital Appropriation by Program; and 4) Two-year Projected Capital Expenditures by Program.

John Ristow, Chief Congestion Management Agency Officer, Mark Robinson, Chief Engineering and Construction Officer, and Carolyn Gonot, Chief SVRT Officer, provided a presentation on the 2000 Measure A FY10 and FY11 Program Activity Expenditures. Mr. Ristow reported on the: 1) Bus Rapid Transit (\$170 million); 2) Highway 17 Service; 3) Other expenditures (\$1 million) which includes Eastridge, Vasona extension and Airport People Mover; and 4) Swap Projects (\$32 million). Mr. Robinson reported on the: 1) Commuter Rail (\$69 million) which includes the Caltrain, Palo Alto Transit Center and the Dumbarton Rail; 2) Light Rail (\$5 million); and 3) Freight Rail Relocation project (\$150 million). Ms. Gonot reported on the status of the SVRT project (\$245 million).

Mr. Smith presented the summary of 2000 Measure A Sources and Uses of Funds.

Mr. Ristow reported on the Congestion Management Program highlighting: 1) Work Program Elements; 2) Comparison of Revenues and Expenses; 3) Sources and Uses of Funds Summary; and 4) Member Agency Assessments which is a major funding source.

Mr. Ristow reported on the following: 1) VTP Highway Project Appropriations and Funding Sources; and 2) VTP Highway Capital Budget Program Activities which include: a) US 101 improvements, I-280 to Yerba Buena Road; b) I-880 improvements, SF237 to US101; c) US 101 Aux Lanes, SR 85 to Embarcadero Road; and d) I-280/I-880/Stevens Creek Interchange Improvements.

Mr. Smith stated VTA staff will be presenting the budget at community and committee meetings at various times and locations. The budget will be submitted to the Board for adoption at the June Board of Directors meeting

Mr. Burns confirmed the budget objectives and assumptions at the end of the staff presentation.

Board Member Gage, in reference to Paratransit Service Modifications, which mentioned VTA exceeds the ADA requirement, suggested VTA look into this, as it is a discretionary expense. Mr. Burns responded the proposal is to realign the paratransit services area in accordance with the American Disabilities Act (ADA). Board Member Gage inquired on the possibility of increasing the paratransit fare to keep service when riders have to go beyond the service area. Mr. Burns responded this is something staff can look at and bring back. He also stated Outreach staff are trying to maximize the efficiency of the schedule.

Board Member Casas, in reference to Current vs. Proposed Fixed-Route Fares, suggested a column be added to the report identifying the increased revenue for the changes based on ridership. In reference to Paratransit Service Modifications, queried the impact of transfer from one service area to another. Mr. Unites responded VTA has transfer arrangements with Samtrans for the peninsula and with East Bay AC Transit. Board Member Casas asked what is VTA's plan to preserve service if it does not make any increase in revenue. Mr. Burns responded VTA needs to achieve the labor savings at the level that was projected. The guiding principle is no layoffs and no reduction in services and this can be done through negotiation and discussions with the bargaining units.

Board Member Casas requested tracking versus expectations information on the SVRT project. It would be helpful for the community to know the status of the project.

Mr. Burns, in response to Board Member Kniss' inquiry on the Federal Stimulus Package, stated VTA is not adding to the community bus fleet or increasing services for the next two-year period. Board Member Liz commented she is hoping VTA will head toward hybrid community buses. She asked for a comparison on the cost to run a regular bus versus hybrid bus.

Mr. Ristow, in response to Board Member Kniss inquiry regarding Member Assessments, stated the draft work program and budget were reviewed with the Technical Advisory Committee, Policy Advisory Committee and Congestion Management Program and Planning Committee last month with all committees suggesting deferring the increase in assessments.

Mr. Smith, in response to Board Member Reed's question regarding the Pension contribution increase, stated VTA did an analysis/comparison of the pension funds and the ATU fund performed better compared with other California pension funds.

Board Member Reed, in reference to the Airport People Mover, suggested VTA communicate with the City of San Jose to make sure the schedule and funding for this project does not overlap.

Board Member Pyle queried when the hybrid buses to be purchased with federal stimulus funds would go into service. Mr. Ristow responded it takes approximately two years after the issuance of a purchase contract to receive the buses. Mr. Burns added the buses are identified for the Eastridge to Santa Clara Alum Rock service area.

Mr. Ristow, in response to Alternate Board Member Moylan's inquiry on the 2000 Measure A - Bus/BRT, stated the BRT is in various levels of development. Funding is recommended for initial work on El Camino Real. Alternate Board Member Moylan asked if there is a policy on what percent of the budget should be maintained in reserve. Mr. Burns responded the Board has a policy to maintain a 15% reserve.

Mr. Burns, in response to Alternate Board Member Moylan's inquiry on the sources of funding for the hybrid buses, stated the stimulus fund will be used for the 40-foot hybrid buses, the replacement buses for the fleet, and the Measure A funds is for the Bus Rapid Transit (BRT) project. Alternate Board Member Moylan asked what happens if the funds for the BRT are de-obligated for two years. Mr. Burns stated he will report back on that issue.

Mr. Burns, in response to Ex-Officio Board Member Chu's inquiry on Service Cuts, Fare Increases and Layoffs, stated service reduction would be less than 1%.

Ex-Officio Board Member Chu stated bids were opened for the first phase of construction on BART to Warm Springs with the bid 40% below the engineer's estimate.

Board Member Sellers asked why VTA makes assumptions about ridership and what are the implications given the recent ability to see decrease in ridership. Mr. Burns responded the assumptions were based on industry-wide experience and data.

Board Member Herrera, in reference to 2000 Measure A Budget Parameters, expressed concern regarding the Capitol Light Rail project. She stated the project has a defined start and completion date, and by seeking federal funds we do not have a defined timeframe. Mr. Ristow responded there are no dates to seek or receive federal funds. There are opportunities next year to receive funds. Board Member Herrera asked how much have we spent for this project to date and how much do we have left to spend to have it completed. Mr. Ristow will report back to Board Members with the detailed information.

Board Member Herrera asked what the largest amount of money VTA has received from a federal source for a non-new start project. Mr. Ristow will report back to Board Members with the information.

Board Member Herrera would like staff to return with an itemized timeline for the completion of the Environmental Impact Report (EIR) process. She asked if it is possible to fast track the EIR. Mr. Ristow responded federal documents require Federal Transit Administration (FTA) approval. Mr. Burns noted the process has started.

Board Member Reed left his seat at 11:07 a.m.

Board Member Kishimoto asked if staff had considered charging more for BRT. Mr. Burns responded we are looking at the fares as part of the strategic plan that will come back to the Board. He stated there are issues that have come up in the employee forums as to when fare increases would be implemented: 1) why is VTA waiting for next year to implement the fare increase; and 2) looking at eliminating free transfers.

Board Member Kishimoto, in reference to Project Appropriations, and Projects Funding Sources, asked how much of the 48 million is for capacity increase. Mr. Ristow responded the primary cost of the project is the complete replacement of the Tully overcrossing. Most of the cost is tied up in replacing Tully Bridge with a brand new bridge. Board Member Kishimoto requested for a breakdown of the cost.

Board Member Kishimoto requested information on the decrease in security funding. Mr. Hursh responded there is no cut back on the security funding, the expansion of service was eliminated.

Board Member Kalra stated he is in full support of the memorandum from Supervisor Cortese regarding the funding plan for the light rail extension to the Eastridge Transit Center.

Board Member Gage commented on the Caltrain that if VTA has to cut service or reduce number of trains, VTA has to look at how it will affect services. VTA needs to look at projects that we have that do not improve the current level of service.

Board Member Herrera, in reference to the VTP Highway Capital Budget, queried if there is funding for the US 101 and I-880 improvement projects. Mr. Ristow responded, phase 2 of the US 101/Capitol Expressway interchange project is not yet funded. There are opportunities for additional funding coming in next year as a result of the federal stimulus.

Aaron Morrow, Chairperson, Committee on Transit Accessibility, expressed concern that VTA needs to have a fair and transparent budget process.

Maria Valero, VTA employee and Service Employees International Union (SEIU) representative, expressed concern the budget lacks information to support labor cost savings. She urged the Board to work with management to extend the SEIU contract.

Ralph Rapp, SEIU Negotiating Committee, stated the presentation given by management was unpleasant. He also stated SEIU is a pro-active union that is often involved in public service activities and had assisted in political campaigns.

Sylvia Resendez, VTA employee and SEIU member, expressed concern that her family will be greatly impacted if the labor savings strategies will be implemented. She stated VTA should consider using the emergency fund.

Kendall Whitson, VTA employee and SEIU member, stated SEIU is expected to bear 2.215 million in FY10 and 3.282 million in FY11 of the labor savings. In a bargaining unit with approximately 270 employees, that comes out to an average cut of 12 ½ percent per person in FY10 and 18 ½ percent in FY11. She asked if this is a fair share of the burden. She asked management to take time to explore other cost savings options before committing to the proposed budget.

Jose Padilla, VTA employee and SEIU member, expressed concern regarding the proposed benefit reductions. He urged the Board to have management work with SEIU in a fair and collective manner.

Jeffery Ballou, VTA Senior Transportation Planner and American Federation of State, County and Municipal Employees (AFSCME) Board Member, expressed concern VTA wants employees to bear the majority of the projected deficit in the budget cycle.

Edna Pampy, VTA Senior Management Analyst and AFSCME representative, stated the General Manager discussed the budget and stated VTA has a revenue problem. She added VTA does not have the financial capacity to meet its policy goals and objectives and levels of service. She asked what VTA has done in this regard.

Pam Sarabia, VTA Management Analyst and AFSCME representative, stated one of the cost savings that VTA can take a look at is the areas of consultants and contractors. VTA staff should absorb work done by consultants. VTA has many well-qualified professional, technical and support staff who can do the work.

John Carlson, VTA employee and president of AFSCME, stated they would like to get involved and help VTA find the money. He proposed extending the budget to September to give them a couple of months to help VTA with the problem.

Ruth Farnsworth, SEIU representative, requested permission to relinquish her two minutes to Tammy Dhanota. Chairperson Sandoval approved her request.

Tammy Dhanota, VTA employee and Chief Steward of SEIU, expressed concern VTA is not disclosing what cuts were done to bonuses and management. She urged the Board to change the budget strategy to be a more productive and transparent approach. She stated SEIU members have always worked with management and is willing to work with VTA like they have done in the past.

Matthew Wahlin, Chairman of Involved Evergreen Neighborhood Association in East San Jose, expressed concern on the proposal to cut the Eastridge Light Rail extension. He urged Board not to de-obligated funds for Eastridge Light Rail extension.

Phil Asgedom, SEIU organizer, stated they would consider extension of the contract or other options. He urged the Board to work with SEIU.

Jim Zito, Chairperson, San Jose Planning Commission, expressed concern that Capitol Light Rail funds were de-obligated and that delay in project will only cost more money. He asked the Board to work with the San Jose Planning Commission.

Bonnie Mace, President of the District Day Community Roundtable in East San Jose, recommended the Capitol Light Rail project be continued to Eastridge for the following reasons: it is a very transit dependent population; lead to job creation; and that 95% of the design is already done. She stated none of the committee meetings were held in East San Jose. It would be helpful if a VTA representative would come to their meeting to discuss the budget.

Gina Gates, small business owner, expressed concern regarding the Eastridge Extension. She stated the community and small businesses need to have transportation come to Eastridge.

Ross Signorino, Interested Citizen, expressed concern regarding raising fares. He stated in a transit system, when fare increase, people go back to using their cars.

Richard Zappelli, Council District 6 Leadership Group, expressed concern regarding the Eastridge Light Rail and Capitol Light Rail extension. He stated funding for these projects should be a priority.

Gerri Garcia, Interested Citizen, stated there is need for Light Rail to Eastridge. He added going to school is a challenge when you have to walk everyday to school.

Eyedín Zonobi, San Jose State University (SJSU), stated he manages the Eco Pass Program for employees and students at SJSU. He expressed concern the 20% increase in Eco Pass is high and may jeopardize the continuation of the program. SJSU is expecting further discussions and meetings with VTA regarding this increase.

Chairperson Sandoval thanked the public for respectfully speaking to the Board and giving their views. She assured those present that their comments were heard.

Mr. Burns confirmed a presentation to the Eastside community could be scheduled on May 7th.

Chairperson Sandoval directed staff to have the Hay Group Report put on CD for distribution.

Board Member Gage left his seat at 12:11 and a quorum was no longer present
Board Members Kishimoto, Kalra and Kniss left their seats

Alternate Board Member Moylan stated he heard good ideas and wants to see how labor cost decrease and to include all employees of VTA in the cost reduction. He also suggested implementing hard criteria for using reserves.

Board Member Casas stated we have a revenue problem and there will be impacts. Whether our decision is labor or capital expense reductions, we need to move forward and move respectfully.

Alternate Board Member Moylan left his seat at 12:16 p.m.
Board Member Pyle left her seat 12:16 p.m.

Board Member Herrera thanked the public and staff for coming to the workshop. She stated we are in a time of budget crisis. We must connect East San Jose to BART.

Chairperson Sandoval thanked everyone for attending the workshop.

4. ADJOURN

On order of Chairperson Sandoval and there being no objection, the Board of Directors' Workshop Meeting was adjourned at 12:20 p.m.

Respectfully Submitted,

Yolanda Cruz, Assistant Board Secretary
VTA Board of Directors