1. CALL TO ORDER

The Santa Clara Valley Transportation Authority’s (VTA’s) Ad-Hoc Financial Recovery Committee (Ad-Hoc FRC) meeting was called to order by Chairperson Gage at 3:11 p.m., in Building A - Auditorium, VTA River Oaks Campus, 3331 North First Street, San Jose, California.

ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Represents</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td><strong>Recovery Committee Members</strong></td>
<td></td>
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<tr>
<td>Don Gage</td>
<td>VTA Board of Directors</td>
<td>Present</td>
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<tr>
<td>Rose Herrera</td>
<td>VTA Board of Directors</td>
<td>Present</td>
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<tr>
<td>Margaret Abe-Koga</td>
<td>VTA Board of Directors</td>
<td>Present</td>
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<tr>
<td><strong>Recovery Committee Stakeholders</strong></td>
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<tr>
<td>John Carlson</td>
<td>American Federation of State County and Municipal Employees (AFSCME)</td>
<td>Absent</td>
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<tr>
<td>Bena Chang</td>
<td>Silicon Valley Leadership Group (SVLG)</td>
<td>Present</td>
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<tr>
<td>Cindy Chavez</td>
<td>South Bay AF of L/CIO Labor Council</td>
<td>Present</td>
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<tr>
<td>Brian Darrow</td>
<td>South Bay AF of L/CIO Labor Council Alternate</td>
<td>NA</td>
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<tr>
<td>Tammy Dhanota</td>
<td>Service Employees International Union (SEIU)</td>
<td>Present</td>
</tr>
<tr>
<td>Steve Barber</td>
<td>Service Employees International Union (SEIU) Alternate</td>
<td>NA</td>
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<tr>
<td>William Hadaya</td>
<td>Santa Clara County Coalition of Chamber of Commerce</td>
<td>Present</td>
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<tr>
<td>Robert Jacobvitz</td>
<td>Citizens Advisory Committee (CAC) and 2000 Measure A Citizens Watchdog Committee (CWC)</td>
<td>Absent</td>
</tr>
<tr>
<td>Aaron Morrow</td>
<td>Committee for Transit Accessibility (CTA)</td>
<td>Present</td>
</tr>
<tr>
<td>Emma Eljas</td>
<td>Committee for Transit Accessibility (CTA) Alternate</td>
<td>Present</td>
</tr>
<tr>
<td>Joe Pirzynski</td>
<td>Policy Advisory Committee (PAC)</td>
<td>Present</td>
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<tr>
<td>Raj Sedhev</td>
<td>Transportation Authority Engineers &amp; Architects Association (TAEA)</td>
<td>Present</td>
</tr>
<tr>
<td>Marc Delong</td>
<td>Transportation Authority Engineers &amp; Architects Association (TAEA) Alternate</td>
<td>NA</td>
</tr>
</tbody>
</table>
A quorum was present.

The Agenda was taken out of order.

3. CHAIRPERSON’S REPORT

Jim Lawson, Senior Policy Advisor, introduced Evelynn Tran, Senior Assistant Counsel, who was attending for Kevin D. Allmand, General Counsel.

Chairperson Gage noted that the Committee’s goal is to present recommendations for specific savings in different categories. The intention is for the Committee to set policy level targets and instruct staff to come up with appropriate savings and solutions. He stressed the importance of understanding the nature of the financial problem, noting that costs outstrip the revenues.

4. Recommendations for Financial Recovery

Vice Chairperson Herrera took her seat at 3:17 p.m.

Mr. Jim Lawson reviewed the Objectives and Process for Developing Specific Recommendations to the Board of Directors and the work plan.

Stakeholder Chang referenced the Guidance on Expenditure Prioritization and stressed the importance for VTA to be innovative and flexible in establishing unique partnerships with private sector. Vice Chairperson Herrera supported Stakeholder Chang’s comment and recommended including it in the Guidance on Expenditure Prioritization.

2. PUBLIC PRESENTATIONS

There were no Public Presentations.

4. Recommendations for Financial Recovery (continued)

Bob Kuo, Consultant, provided a PowerPoint Presentation entitled, “Overview of Structural Deficit.” He reviewed VTA’s operating budget; operating revenues; operating expenses, service levels and inflation; and cost risk.

Member Abe-Koga requested a detailed breakdown of the VTA 10-year Operating Projection.
Cindie Fonseca, Local 21 of Professional & Technical Engineers (IFPTE/AFL-CIO), inquired about the following: 1) the assumption of sales tax growth on the VTA 10-year Operating Projection; and 2) the $42 million difference on labor costs.

Carol Lawson, Fiscal Resources Manager, responded the $42 million difference is the labor charged on capital projects. She noted that contract employees working on capital projects are charged on capital projects.

Stakeholder Sedhev expressed concern about the following: 1) amount charged by consultants on capital projects; and 2) the comparison of between the 18 percent decrease on the number of employees versus the 42 percent increase on average wages per employee.

Ms. Carol Lawson responded that based on preliminary analysis, the comparison between the decrease in employees versus the increase on wages is constant across all bargaining units. She noted that a detailed response would be provided at a future meeting.

M/S/C (Herrera/Abe-Koga) to approve the following topics: Key Principles, to include VTA to be innovative and flexible in establishing unique partnerships with the private sector; and Process for developing savings target recommendations.

Stakeholders Dhanota and Springer expressed concern that the Key Principles do not specify departmental issues such as the number of support staff.

Mr. Jim Lawson explained that the General Manager is aware of the departmental issues. He noted the guiding principles will be changed or improved if it does not resolve the issues.

Stakeholder Sedhev noted that the process of controlling cost is not listed in the Key Principles. Mr. Jim Lawson responded that controlling cost will be discussed under Internal Efficiencies which is scheduled for August 11, 2010.

Chairperson Gage explained that the intent of the Key Principles is to provide general guidelines. Mr. Jim Lawson noted the main priority is preservation of service.

Stakeholder Chavez expressed concern regarding the sequence of topics of discussion for future meetings.

Member Abe-Koga commented that more information and discussion is needed for the following topics: 1) Assumption on new revenues; 2) Operating reserve at 15 percent; and 3) Use of capital funding for operating. She expressed concern about the zero dollar figure on the topic of Assumption on New Revenues and suggested that it should be accompanied by recommendations to pursue new revenues. She also recommended creating a subcommittee that will continue looking at producing new revenues.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
Vice Chairperson Herrera commented that the Committee needs to get more information and engage in more discussions to have a better understanding of each category. She stressed the importance of looking at the way VTA does business and suggested the following: 1) involve the private sector; 2) establish a subcommittee to look for revenues; and 3) look at how transportation agencies around the world function and learn from their practices.

Chairperson Gage stressed the importance to move the categories forward. He explained that the purpose of the outlined categories is to show the facts to the Board. The Board has to make policy decisions that would tackle each category in further detail. He noted the Committee will ask the Board how they want to look for new revenues.

Stakeholder Pirzynski expressed support for the comments made by the Committee Members. He noted that the plan, as outlined by the different categories, is a good approach to reach the savings target and restructure VTA. He explained that VTA’s financial crisis will be resolved as the economy improves and when the all the recommendations are implemented.

Member Abe-Koga commented that VTA should change the way they do business to avoid another financial crisis.

Stakeholder Morrow expressed concern regarding the use of capital funding for operating.

Mr. Jim Lawson explained the Use of Capital Funding for Operating was categorized to get direction from the Committee and the Board to continue using Capital Funds at the current eight percent level.

Member Abe-Koga requested information that shows scenarios with dollar figures.

Ms. Koenig commented that a 15 percent operating reserve, $50 million, is a few months worth of working capital.

Stakeholder Chang and Vice Chairperson Herrera stressed the importance of keeping the promise to the voters to use capital funds for capital projects.

Chairperson Gage clarified that the capital funding outlined is not associated with the 2000 Measure A funds.

Stakeholder Sehdev expressed concern about the proposed target savings under the Employee Expenses category.

Chairperson Gage explained that target savings from employee expenses will depend on the negotiations between the management and the unions.

Stakeholder Springer requested to receive information on capital funds that may be used for operating. She inquired if the California diesel tax was included in the presentation.
Mr. Jim Lawson responded the requested information will be provided and staff has to verify if the diesel tax was included.

Stakeholder Morrow and Alternate Stakeholder Eljas left the meeting at 4:35 p.m.

Stakeholder Chavez expressed concern about the proposed savings and targets that do not have ranges. She requested staff to restructure the document to include ranges. She recommended incorporating the average figures from the last five years as a basis for revenue assumptions. She stressed the importance of identifying the timeframe to achieve the 15 percent operating reserve.

Member Abe-Koga expressed concern about the operating reserve at 15 percent.

Mr. Jim Lawson explained that the operating reserve at 15 percent is a target for staff when they create the next biennial budget a year from now.

**M/S/C (Herrera/Abe-Koga)** to approve the following topics: Assumption on New Revenues; and Operating Reserve target at 15 percent.

5. **ADJOURN**

**On order of Chairperson Gage** and there being no objection, the Ad-Hoc Financial Recovery Committee meeting adjourned at 4:50 p.m.

Respectfully submitted,

Michael Diaresco, Board Assistant
VTA Office of the Board Secretary