Board of Directors
Friday, February 27, 2009

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

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
<th>Arrived</th>
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<tbody>
<tr>
<td>Nora Campos</td>
<td>Board Member</td>
<td>Absent</td>
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<tr>
<td>Dean Chu</td>
<td>Ex-Officio Board Member</td>
<td>Absent</td>
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<td>Don Gage</td>
<td>Board Member</td>
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<td>Liz Kniss</td>
<td>Board Member</td>
<td>Present</td>
<td>9:25 AM</td>
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<td>Dolly Sandoval</td>
<td>Chairperson</td>
<td>Present</td>
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<td>Sam Liccardo</td>
<td>Board Member</td>
<td>Present</td>
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<td>Nancy Pyle</td>
<td>Board Member</td>
<td>Present</td>
<td>9:45 AM</td>
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<td>Chuck Reed</td>
<td>Board Member</td>
<td>Present</td>
<td>10:15 AM</td>
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<td>David Casas</td>
<td>Board Member</td>
<td>Present</td>
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<td>Yoriko Kishimoto</td>
<td>Board Member</td>
<td>Present</td>
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<td>Dominic Caserta</td>
<td>Member</td>
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<td>Chris Moylan</td>
<td>Alternate Board Member</td>
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<td>Bob Livengood</td>
<td>Member</td>
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<td>Greg Sellers</td>
<td>Member</td>
<td>Present</td>
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<tr>
<td>Chuck Page</td>
<td>Alternate Board Member</td>
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2. **PUBLIC PRESENTATIONS**

Alice Frayne, Interested Citizen, suggested VTA broadcast a message on VTA vehicles notifying passengers to be considerate of others when using cell phones.

Jim Stallman, Interested Citizen, requested “Debt Service” item be included in VTA financial report.

Chairperson Sandoval reminded everyone to place on their calendars the opening of the Mary Avenue Bicycle and Pedestrian Bridge on April 30th at 3:00 p.m.

3. **Preliminary VTA Near-Term Budget Outlook**

Michael T. Burns, General Manager, thanked everyone for their attendance. He stated how important the time is right now for VTA in setting the foundation for programs, budget and plans for the next two years. VTA staff will recommend taking a conservative and prudent approach in dealing with the Measure A program for the next two years. Increase in ridership and revenues from fares continue to be up and the Construction Division received awards for construction projects.

Mr. Burns stated the workshop will provide the following: 1) an overview of the operating budget - VTA is working to develop the budget for 2010 and 2011; 2) an update on outcome of stimulus program - the allocations that will come to VTA and plans for the allocations; 3) progress and status of the BART project - an update on 65% cost estimate; and 4) a review of Measure A financial outlook both in short and long term and staff recommendation for the two year capital budget.

Joe Smith, Chief Financial Officer, stated VTA is facing extremely challenging financial times. VTA had lost significant funding sources. The State Transit Assistance fund had decreased dramatically. Mr. Smith referenced the VTA Sources and Uses of Funds Summary Report. He reviewed the FY 2009 adopted budget approved by the Board in 2007, the projection for FY 2009 and the preliminary projection for FY 2010, 2011 and 2012.

Mr. Smith reported staff is currently working on the 2010-2011 budget process with a goal of a balanced operating budget. Staff is reviewing and will be proposing the following methods to offset the declining revenues and close the projected deficit: service reductions, headcount reductions, contracted service reductions, employee benefit modifications, changes in fares and use of one-time revenues. This will be an on-going
process through the Administration and Finance Committee. The recommended budget will be presented at the Board Workshop on April 24th with adoption for June 4, 2009.

Board Member Gage emphasized the need to maximize what we can do with the limited funds we have by planning and determining the programs that can be completed.

Board Member Kniss arrived at 9:25 a.m.

Board Member Casas questioned the use of one-time revenue in that it does not necessarily solve problems but just defers decisions. Mr. Smith responded it is very unlikely that VTA will use one-time revenue to support the operating budget.

Mr. Burns clarified there are some one-time revenues as a result of a surplus above the reserve level that has been achieved over the last couple of years. Some of the funds will be used to cover operating expenses or decisions have to be made to further find reductions in expenses.

Ross Signorino, Interested Citizen, praised Board Member Gage on his comments. He suggested cutting back on projects and increasing service.

4. **Federal Economic Stimulus Legislation: Update**

Chairperson Sandoval thanked Ex-Officio Board Member Yeager and Ex-Officio Board Member Chu for their hard work in assisting VTA at the Metropolitan Transportation Commission (MTC) regarding the programming of funds for the Federal Economic Stimulus Bill.

John Ristow, Chief Congestion Management Agency Officer, provided an update on the Federal Economic Stimulus Program. The Bill was signed by President Obama on February 17th. The approval processes and funding distribution procedures are approximately the same as discussed previously. Mr. Ristow made reference to the PowerPoint presentation which highlighted the following: 1) the funding provided to mass transit, highways and bridges and multi-modal discretionary programs; 2) an illustration of funding distribution from mass transit formula grants to MTC and how MTC program the funds to transit rehabilitation projects and discretionary projects; and 3) the project list VTA submitted to MTC.

Ex-Officio Board Member Yeager commented the process worked well for Santa Clara County. He thanked VTA staff for working and speaking as one with MTC Commissioners and with some of the regional leaders as this made a difference.

Board Member Pyle arrived at 9:45 a.m.

Mr. Ristow, in response to Board Member Pyle’s query, stated the number of jobs affected by the project is not an official criteria in the selection process for funding.

Vice Chairperson Liccardo thanked Ex-Officio Board Member Yeager for his leadership at MTC and stated he was very pleased to see the coordination and cooperation between VTA and MTC delegation which helped achieved positive results from MTC.
Mr. Ristow, in response to Member Herrera, stated it has been the successful practice of VTA to move projects forward and have them ready for funding. Member Herrera stated it is very important to look at potential jobs and economic development that could work with the projects to create opportunities that work with our green goals at the city, state and federal level.

Member Kishimoto asked if there is a dollar amount attached to the Advocacy List and if the Caltrain electrification design is only limited to design. Mr. Ristow responded the list will be refined and the scope, schedule and dollar amount will be established for each project. The Caltrain electrification design will be more than the design as the Caltrain corridor will be a coordinated system with High Speed Rail.

5. **BART to Silicon Valley Project Update**

Carolyn Gonot, Chief SVRT Program Officer, provided an update on the BART to Silicon Valley project: 1) VTA had completed the 65% engineering design; 2) VTA had completed the second administrative draft Environmental Impact Statement (EIS) and was submitted to Federal Transit Administration (FTA); 3) VTA is working with FTA in the New Starts Program submittals; 4) the Freight Railroad Relocation (FRR) activities are underway; and 5) the BART Warm Springs Extension is out to bid on their first construction package.

Ms. Gonot stated the focus of the BART project for the next 18 to 24 months will be the New Starts processing and trying to attain the full funding grant agreement. She referred to the diagram that shows the process.

Board Member Gage left his seat at 9:50 a.m.

Mark Robinson, Chief Engineering and Construction Officer, reported on the Silicon Valley Rapid Transit (SVRT) 65% design cost estimate. He provided a PowerPoint presentation which highlighted the following: 1) scope of SVRT cost estimate; 2) approach and method used to develop the cost estimate; 3) review of the program and cost estimates in the past; 4) estimate summary; and 5) review of where the cost estimates go forward.

Board Member Gage took his seat at 10:00 a.m.

Vice Chairperson Liccardo asked what the assumption for construction cost is and what percentage VTA is assuming per year for price escalation. Mr. Robinson responded 35% design, commodity cost and labor cost, general elements, rail elements, and vehicle costs, all within 3.5% escalation per year.

Michael T. Burns, General Manager, commented VTA should consider doing things differently in terms of executing a project to help reduce some of the support costs. He stated with the Board’s support this is an effort VTA could investigate.

Board Member Kniss asked if VTA is considering what is happening nationally in terms of best practices. Mr. Robinson responded VTA is capturing activities in the Bay area and reflecting those dollars in the estimates. He stated VTA had great success in the Freight Railroad Relocation project in terms of contract prices, competitiveness and
interest in getting the work done. Activities on this project will progress the next year. This is a measured cost estimate and he is confident if authorized, VTA can deliver the project in 2018.

Mr. Burns stated the draft cost estimate will go to several review processes, including review by the FTA and their consultants. The estimate is not based on current market, but based on current trends taking into account things that happened in the course of the last 12 months.

Board Member Kniss clarified the segment VTA is working on is the Warm Springs/Berryessa and that is the project we have to compete for federal funds. She suggested looking at a “segment approach” once again to complete projects.

Ms. Gonot in response to Board Member Kniss inquiry regarding ridership projections stated ridership fluctuates. The ridership numbers are generated by the commute patterns and it changes with each projection.

Board Member Reed arrived at 10:15 a.m.

Chairperson Sandoval commented as we go forward with these projects to revise everything we are looking at, jobs are changing in the valley and in the region.

Board Member Casas stated he wants to make sure VTA is not underestimating or padding the estimated expense. VTA has a commitment to complete voter approved projects.

Board Member Kishimoto requested ridership numbers be provided to the Board and to the public. She also commented and asked questions on the discussion regarding segmenting, the light rail connection at Berryessa and the parking issue. Mr. Robinson responded the light rail connection will be at the Milpitas Station and there is no direct platform connection. Stationary planning studies are being done now that includes parking strategies and the appropriate level parking. This will be done over the next 12 months as a part of the readiness phase and will be available toward the end of the year.

Ms. Gonot stated VTA is working on each station individually and doing a full study with each of the cities. She noted we do not want to overbuild parking and we are looking at trying to do phasing.

Alternate Board Member Moylan asked questions on the consequences of overestimating versus underestimating and the issue of establishing parking needs. Mr. Robinson responded VTA takes pride in providing accurate estimates that we can deliver with a high level of confidence. We don’t overestimate projects and we are successful at 80% to 90% of the time in bringing projects in on the budget that was established. By not overestimating, it allows for allocation of funds to other projects.

Mr. Robinson stated there is a regional model that establishes the parking needs. VTA designs the plan and generates a cost estimate based on the model. VTA works with the cities on strategies so we do not overbuild parking initially but to have the ability to increase capacity as demand requires.
Vice Chairperson Liccardo asked if it is possible to engage in advance bidding. Mr. Robinson answered yes; there is an opportunity with the Warm Springs project.

Mr. Burns added priority activities for the next 15 months would involve the environmental process and the federal New Starts Program to secure the full funding grant agreement.

Peter Skinner, representing the Silicon Valley Leadership Group, stated the Group is committed to BART and the Measure A projects. The Group also wanted to communicate their desire to maintain transit services to the community.

Ross Signorino, Interested Citizen, asked questions about ridership, the BART going to the airport project and the cost of estimate for the 5.1 miles of twin-bore tunnel. The responses are as follows: 1) Mr. Burns stated ridership is up; 2) Ex-Officio Board Member Yeager clarified it was the BART going to Oakland Airport; and 3) Mr. Robinson stated he will provide Mr. Signorino with the estimate.

6. Measure A 2-year Capital Program

Mr. Bob Peskin, Project Manager, AECOM Consult, Inc., provided a PowerPoint presentation on the Measure A Financial Outlook highlighting the following:
1) Recap of the Financial Planning Process - Mr. Peskin stated AECOM is supporting VTA meet its fiduciary responsibilities to apply Measure A funds appropriately to advance the proposed Measure A projects. AECOM does an analysis of what happens as costs and timing of projects change and economic conditions change. He also stated the federal government demands VTA go through a financial planning process to qualify for the full funding grant agreement for the Silicon Valley Rapid Transit (SVRT) project.
2) New Data Applied in the Financial Plan - the SVRT 65% design cost estimate, new information about the grant funding other than the New Start grant funds, new information about the Capital Improvement Program.
3) Measure A ½-cents Sales Tax Revenue - Mr. Peskin provided several graphs showing the comparison of the old and the new projection.

Michael T. Burns, General Manager, commented VTA staff recommendation over the next two years is to be prudent and conservative in our expenditures and programming and that we maintain our long term vision which is to deliver the Measure A program.

Carolyn Gonot, Chief SVRT Program Officer, presented the staff recommendations for expenditures over the next two years specifically on the Measure A program. Ms. Gonot provided a PowerPoint presentation highlighting the following: 1) Measure A Planning Approach - Ms. Gonot stated the key is to have a near-term focus assessing current conditions and recognizing long-term commitments; 2) Recent Board Actions - approval of funding for San Jose Diridon and Santa Clara Caltrain stations, approval of the State Local Partnership Program funds matching Measure A funds for the Warm Springs extension and the approval of the BART funding plan into Santa Clara County; 3) Financial Status of Measure A Program - the program sources of funds and expenditures; 4) The funds available for FY 2010 and FY 2011 - $428 million; 5) The proposed capital expenditures - $655 million; 6) The proposed budget for various projects - BART
Extension, Freight Rail Relocation, Light Rail, Commuter Rail and the Bus Program. Ms. Gonot also described the different activities for each project.

Mr. Burns stated VTA is making a recommendation to continue the commitment for the entire BART project and to structure the project in a “phase approach” that is fiscally responsible, taking into account economic realities.

Mr. Peskin provided a summary of the impact of all the recommendations with regards to Measure A. He provided a PowerPoint presentation listing: 1) various projects which shows preliminary expenditures for first two years, FY10 and FY11, and the rest of the 10 years, FY12 to FY19; 2) implications of new data on Measure A Financial Plan.

Vice Chairperson Liccardo asked why VTA did not want to incur debt at this time when interest rates and construction costs are extremely low. Mr. Peskin responded we need to minimize financing cost and preserve the most amount of revenue. We incur additional debt service expenses if we build too soon and we incur additional inflation expenses if we build too late.

Mr. Burns noted the commitment to move forward and that is tied to securing a full funding grant agreement. Advancing financing to fund advance work would not be accepted by the Federal Transit Administration (FTA) until the full environmental processes is completed. It is also risky because projections are tied to sales tax revenues which will secure the debt. If sales tax revenues continue to decline, it would affect programs and operations.

Board Member Casas stated the Board needs to make a decision on what projects to move forward. He would like a clear understanding of costs versus revenues and be able to make fiscal decision that allows VTA to provide services from operational standpoint.

Board Member Sellers left at 11:45 a.m.

Board Member Reed asked if the $130 million on the bus project includes the allocation for hybrid buses. Mr. Burns responded it does not include that funding as we are focusing on Measure A projects. It includes about 2/3’s from the State infrastructure bond program and 1/3 Measure A.

Board Member Reed stated the Airport People Mover is a Measure A project. The budget projection for this project is in excess of $600 million. He urged Board to use all opportunities available and use funding from other sources to save for other projects.

Board Member Herrera asked, in terms of the federal environmental clearance for the Eastridge Light Rail Project, what does it consist of and what grants will be available for the project. Mr. Burns responded the federal environmental process will be funded through the Measure A program and takes about 12 months to complete. The only source of funding will be the stimulus funds. The Vasona Extension and the Eastridge projects are projects that are ready and VTA will position those as candidates for stimulus funding.

Board Member Herrera also asked if there is a specific grant available within the stimulus package. Mr. John Ristow, Chief Congestion Management Agency Officer, responded
we have targeted the National Service Transportation Program (NSTP) in the Discretionary Program in federal stimulus. Board Member Herrera stated VTA should move Eastridge ahead. VTA need to focus resources on transit dependent population and connect that community to BART and to Downtown San Jose.

Board Member Gage commented there are projects we have committed to voters. However, we need to rethink the project if service levels do not improve. He recommended we look at levels of service before making a final decision.

Board Member Kishimoto requested information with detail budgets. Mr. Burns responded in the course of the next three months VTA will be working through both the operating and the entire capital budget. Information will be provided to the Board.

Alternate Board Member Moylan asked what on Measure A is not on the list and if VTA has ever rank prioritized the Measure A project? Mr. Burns responded each piece of the project is moving forward as a part of the budget and the Board has taken the policy direction that BART is priority.

Noel Tebo, Citizens Advisory Committee Chairperson, suggested VTA include project design which is greener, attract more riders and costs less to operate. He announced the Advance Transit Association of the United States is sponsoring a “Carbon Free Mobility Conference” in Oakland on March 6, 2009.

Ross Signorino, Interested Citizen, stated the Eastridge Light Rail project is not a priority at this time as is too expensive. He suggested letting the project wait for a while.

Chairperson Sandoval thanked Mr. Burns and his staff for a great presentation and thanked the Board for being engaged throughout the meeting.

7. ADJOURNMENT

On order of Chairperson Sandoval and there being no objection, the Board of Directors’ Workshop Meeting was adjourned at 12:10 p.m.

Respectfully Submitted,

Yolanda Cruz, Assistant Board Secretary
VTA Board of Directors