CALL TO ORDER

The Santa Clara Valley Transportation Authority’s (VTA’s) Ad-Hoc Financial Recovery Committee (“Committee”) meeting was called to order by Chairperson Gage at 3:09 p.m., in Building A - Auditorium, VTA River Oaks Campus, 3331 North First Street, San José, California.

The Agenda was taken out of order.

2. PUBLIC PRESENTATIONS

Ruth Farnsworth, VTA Employee, spoke to Principle Number 5 on the handout entitled “Guidance on Operating Expenditure Priorities, Key Financial Principles and Deficit Reduction Targets.” Ms. Farnsworth recommended auditing employee health insurance premiums, to ensure the assigned-rate level per employee corresponds with the number of individuals insured through that employee. Ms. Farnsworth stated healthcare costs should be proportionate to salary.

Ethan Winston, VTA Employee, noted with the reduction in overtime and compensation his take home pay has been reduced by more than five percent. Mr. Winston expressed his hope and support that VTA will meet its goals.

Vice Chairperson Herrera took her seat at 3:13 p.m.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Represents</th>
<th>Status</th>
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<tbody>
<tr>
<td>Don Gage</td>
<td>VTA Board of Directors</td>
<td>Present</td>
</tr>
<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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</tbody>
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### Recovery Committee Stakeholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Status</th>
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<tbody>
<tr>
<td>John Carlson</td>
<td>American Federation of State County and Municipal Employees (AFSCME)</td>
<td>Present</td>
</tr>
<tr>
<td>Bena Chang</td>
<td>Silicon Valley Leadership Group (SVLG)</td>
<td>Present</td>
</tr>
<tr>
<td>Cindy Chavez</td>
<td>South Bay AF of L/CIO Labor Council</td>
<td>Present</td>
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<tr>
<td>Tammy Dhanota</td>
<td>Service Employees International Union (SEIU)</td>
<td>Present</td>
</tr>
<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>William Hadaya</td>
<td>Santa Clara County Coalition of Chamber of Commerce</td>
<td>Present</td>
</tr>
<tr>
<td>Aaron Morrow</td>
<td>Committee for Transit Accessibility (CTA)</td>
<td>Absent</td>
</tr>
<tr>
<td>Joe Pirzynski</td>
<td>Policy Advisory Committee (PAC)</td>
<td>Absent</td>
</tr>
<tr>
<td>Raj Sedhev</td>
<td>Transportation Authority Engineers &amp; Architects Association (TAEA)</td>
<td>Present</td>
</tr>
<tr>
<td>LaVon Hamilton</td>
<td>Amalgamated Transit Union (ATU)</td>
<td>Present</td>
</tr>
<tr>
<td>Tom Williams</td>
<td>Santa Clara County City Managers Association</td>
<td>Absent</td>
</tr>
</tbody>
</table>

A quorum was present.

3. **CHAIRPERSON’S REPORT**

Chairperson Gage welcomed everyone in attendance. He noted his plan to provide an Ad-Hoc FRC report at the Board’s September 2, 2010, meeting. He noted his belief that the Committee could achieve a resolution during its meeting that day.

Chairperson Gage stated, based upon input received to date, a document had been created that would provide some policy direction to the Board to meet VTA’s ongoing structural difficulties. He noted the handout entitled “Guidance on Operating Expenditure Priorities, Key Financial Principles and Deficit Reduction Targets,” (“Guidance Document”) brought before the Committee at its August 25, 2010, meeting had been updated to reflect Committee comments and concerns. Chairperson Gage stated his belief that the changes requested by Committee members were reasonable and made the Guidance Document a stronger statement.

Chairperson Gage noted Stakeholder Chavez had recommended additional changes to the Guidance Document on the expenditure reduction targets. He noted the requested changes were in a handout before the Committee. He stated the concept the Organized Labor Union Stakeholder Representatives (“Labor Representatives”) would like the Committee to consider is ranges and targets. Chairperson Gage stated he would be willing to accept reasonable ranges. He then stated achieving the targets will take considerable effort and sacrifice, so setting reasonable targets that have flexibility in helping VTA meet its goal is the real benefit.
4. **FINAL REPORT**

Chairperson Gage drew the Committee’s attention to the Guidance Document. Jim Lawson, Executive Policy Advisor and Staff Liaison, stated the Guidance Document had been edited to include the comments made at the August 25, 2010, meeting. Mr. Lawson reviewed the changes to the Guidance Document with the Committee.

Stakeholder Chavez referenced Principle Number 2: Limit Use of Capital Funding in the Guidance Document. She requested the following language be added, “but should be reviewed on an annual basis” and the following language be removed, “for a limited period, but should not be used for operating purposes on an ongoing basis. By FY2017, VTA should return to its historical practice of allocating 35 percent of eligible capital funding for operating purposes, and 65 percent for capital purposes.” With those changes, the last sentence of Principle Number 2 now reads, “100 percent of eligible capital funding may be used for operating purposes but should be reviewed on an annual basis.” Stakeholder Chavez stated her belief the shared vision was achieved by adding that simple language and would provide a broad opportunity to review funding.

Chairperson Gage questioned the use of capital funds for operations and maintenance and whether limits were in place with regard to how VTA may utilize those funds. Mr. Lawson noted capital preventative maintenance funds are used in practice at VTA, in a split between labor and capital funding, to ensure that VTA’s capital infrastructure remains in a state of good repair. He then noted that occasionally 100 percent of the funds are used for operating purposes. Mr. Lawson stated these capital funds are administered by the Metropolitan Transportation Commission (MTC). He stated that MTC will not allow VTA to use 100 percent of the funds for operating expenses for an extended period of time.

Vice Chairperson Herrera questioned whether the requested change in language would impact VTA funding eligibility. Mr. Lawson stated it would not affect funding eligibility.

Stakeholder Chavez noted a request to add language to Principle Number 5 - Negotiate Sustainable Bargaining Unit Agreements. She stated the language was originally contained in an earlier draft of the Guidance Document and had been removed. Stakeholder Chavez stated the requested language to add is “the jobs of VTA’s employees to the extent possible and protecting”. Stakeholder Chavez noted, with the added language, the sentence now reads: “In developing cost reduction strategies and plans, and in negotiating labor agreements, VTA shall work collaboratively with its employee bargaining units to identify ways to protect VTA’s financial condition and liquidity, including ways to control the cost to VTA of employee benefit programs, while also preserving the jobs of VTA’s employees to the extent possible and protecting the quality and integrity of VTA services.”
Stakeholder Chavez referenced Principle Number 6: Use of Contracted Services. She stated the Labor Representatives had raised concerns over how to ensure any discussions related to service delivery options were inclusive. The Labor Representatives are requesting that the following language be added: “B. With input from stakeholders, contracting principles should be developed and designed to consider the risks and rewards of contracting in and out. These principles should consider multiple service delivery options and contain a method for rigorous cost benefit analysis.”

Stakeholder Chavez informed the Committee that the Labor Representatives had pooled its resources to hire the consulting firm of Harvey M. Rose Associates, LLC (“Harvey Rose”), to assess VTA’s potential deficit. She stated the information provided by Harvey Rose will better equip the Labor Representatives to discuss strategies with the Board.

Stakeholder Chavez stated the Labor Representatives are recommending proposed deficit reduction ranges instead of specific targets. She noted this will provide the Board, the labor community, and the other stakeholders the flexibility needed to determine how best to approach VTA’s deficit.

Chairperson Gage reminded the Committee that its charter was to resolve a $40 million deficit. He stated the importance of achieving a solution prior to the end of the calendar year. Chairperson Gage noted his belief that the Committee as a whole is more comfortable utilizing ranges. He reported VTA’s financial projections remain the same and noted the sales tax revenue has been further reduced.

Chairperson Gage noted the Ad Hoc FRC recommendations will be discussed at the October 7, 2010, and November 4, 2010, board meetings. If more discussions are necessary, there will be a board workshop meeting. He expressed his concern that any delays in this process would result in service cuts.

Vice Chairperson Herrera thanked Chairperson Gage for his leadership. She then thanked the VTA staff and committee’s stakeholders for their input. Vice Chairperson Herrera noted her belief that important changes had been made to the Guidance Document. She noted she was an advocate for ranges.

Vice Chairperson Herrera stated the proposed figures within the Guidance Document did not add up to $40 million. She stated her belief that the Committee would not be doing its duty if the Committee returned to the Board with an amount less than $40 million. Vice Chairperson Herrera recommended increasing the Employee Expenses range from its present $5 - $10 million to $5 - $13 million. She noted her belief that this was a reasonable amount and still down from the original $23 million.

Member Abe-Koga expressed her appreciation to Chairperson Gage, Vice Chairperson Herrera, and to staff for providing answers to her questions. She noted she had reviewed
the documents and stated what had been proposed was very similar to her own thoughts. Member Abe-Koga stated deficiency is an area of concern, and a candidate for potential change, with a recommended goal to go paperless.

Member Abe-Koga noted her willingness to discuss the recommended $5 - $13 million range for employee expenses.

Member Abe-Koga stated more effort must be put into determining ways to gain new revenue. She noted variable pricing might have to be considered. Member Abe-Koga noted the current Eco-pass system is very generous. She stated the cost of the pass might have to change to increase the number of passes and thereby increase the level of ridership.

Stakeholder Chang stressed that innovation is very important to the SVLG members. She noted SVLG would like to explore partnership opportunities with VTA to identify innovative new ways the two entities could work together, including the EcoPass program, jointly funding shuttle programs, and bus services.

Stakeholder Chang noted SVLG supports VTA taking a serious look at the employee expenses category. SVLG encourages VTA and the unions to continue to work together to protect VTA’s longtime health. Stakeholder Chang noted her agreement with Vice Chairperson Herrera that the Committee should ensure the $40 million target is reached.

Chairperson Gage encouraged the SVLG to provide its recommendations to the Board. Stakeholder Chang reported the SVLG is concerned with healthcare costs and referenced the cities of San Jose and Palo Alto as having recently addressed some of these issues. Stakeholder Chang stated all local governments are faced with these issues, so there are a lot of “best practices” available.

Chairperson Gage questioned whether anyone had an issue with Vice Chairperson Herrera’s request to increase the Employee Expenses Proposed Deficit Reduction Range from its current $5 - $10 million to $5 - $13 million.

Stakeholder Chavez stated the Labor Representatives have an issue with this increase. She noted that, although it was understood that much work had been performed on internal efficiencies, the Labor Representatives had not been a part of those efforts. Stakeholder Chavez noted concern with service delivery. She stated if an additional $3 million must be distributed, it would be best to divided it among the three separate categories: 1) Internal Efficiencies, 2) Employee Expenses; and 3) Service Delivery (“Categories”). Stakeholder Chavez then stated her belief that the deficiency figure will not reach $40 million. She reiterated her desire that the $3 million not be placed into one category.

Vice Chairperson Herrera noted her concern that 70 to 75 percent of the costs are employee expenses. She stated $5 to $13 million was a reasonable range. Vice Chairperson Herrera expressed her belief that healthcare benefits should be reviewed.
Stakeholder Dhanota reported the Service Employees International Union (“SEIU”) members would be more comfortable adding $1 million to each of the Categories. She expressed her concern that, as had been experienced in the past, additional monies will be received and will not be negotiable because the Board would have already approved the budget. Stakeholder Dhanota encouraged the Committee to divide the reductions among the Categories for the Board to review.

Vice Chairperson Herrera identified $5 to $13 million as a reasonable range that will then have to be negotiated with management and the Labor Representatives. She stated her belief that a willingness to look at reasonable ranges sends the right message from the Committee to the Board.

Chairperson Gage referenced the important message the Committee would send to the Board with a unanimous decision.

Stakeholder Hamilton referenced a comment she attributed to Vice Chairperson Herrera, that the employees know best where the internal efficiencies can be achieved, and encouraged the Board to continue to work with the employees.

Stakeholder Hadaya stated his belief that the range should have been higher than $13 million. He expressed concern that such a small range would create a risk for potential layoffs in the future.

Stakeholder Chavez noted, through furloughs, delayed raises, and pay cuts, the VTA employees had made a commitment to the organization and are now being asked to accept an additional percentage of reduction. She stated the goal for employing Harvey Rose was to ensure that all employee and bargaining groups understand exactly what funds are available and what mechanisms must be put into place to keep VTA operative.

Stakeholder Chavez noted her expectation that the leaders of VTA will continue to keep an open and creative dialog with the Labor Representatives. She stated the goal of ensuring that the employees and their union leaders are fully informed as they prepare for the upcoming meetings. Stakeholder Chavez noted the importance of giving both the Board and the bargaining units the flexibility they need to solve the problem.

Member Abe-Koga noted her initial belief that the targets were high in some areas, especially employee expenses. She noted what she gleaned from the presentations was that VTA employees are middle-of-the-road salary wise. Member Abe-Koga stated healthcare costs are the real issue. She acknowledged the fact that the employees have come to the table in the past. Member Abe-Koga noted new revenue may not be forthcoming and that there is a need for flexibility in the use of capital funds. She noted all of the ranges should be adjusted in order to be equitable and to reach a compromise.
Vice Chairperson Herrera stated that VTA is looking at a structural deficit and that the savings must be ongoing and not one time.

Vice Chairperson Herrera commended the employees for accepting the one-time savings, including the furloughs. She noted they are meaningful and have saved money. She expressed her appreciation to the employees for coming to the table in an open manner with ideas for efficiencies.

Member Herrera stated that raising the employee expenses number shows good faith and trust. She noted the importance of going back to the Board having reached the $40 million number. She expressed her hope that more efficiencies will be found, or a different way to deliver healthcare, noting she was open to innovation.

Chairperson Gage again stressed the importance of bringing a consensus to the Board. He noted that these are only numbers and that there will be a great deal of discussion. He stated the Board may dramatically change the new revenues by going to the ballot.

Stakeholder Chavez requested five minutes for the Labor Representatives to meet privately. Chairperson Gage agreed. He reminded the Committee that dividing the remaining $3 million among the Categories does not work in this instance. He stressed that if the funds were divided among the Categories VTA would be facing layoffs.

Stakeholder Chavez stated that the ranges and numbers mattered. She noted both Vice Chairperson Herrera and Stakeholder Hadaya as having quoted the initial deficiency figure the Committee had started with. Stakeholder Chavez noted the range provides flexibility. She reported some employees are dividing up numbers and coming up with a percentage they believe will come out of their paychecks.

Chairperson Gage encouraged the stakeholders to not require the Board to focus on an unrealistic number.

At 4:09 p.m. the Labor Representatives left their seats.

At 4:14 p.m. the Labor Representatives took their seats.

Vice Chairperson Gage acknowledged the return of the Labor Representatives.

Stakeholder Chavez reported that the Labor Representatives, in an effort to be cooperative and to guide and protect VTA, would agree to increase the Employee Expense category from $5 - $10 million to $5 - $13 million. She reiterated Chairperson Gage’s point of not wanting a division within VTA. Stakeholder Chavez expressed her appreciation to the board members for their efforts on behalf of the employees at VTA.

Chairperson Gage confirmed the Committee’s acceptance of all of the proposed language changes to the Guidance Document as discussed during the meeting.
Chairperson Gage acknowledged the efforts of Mr. Lawson, VTA staff, and the Committee, and expressed his appreciation for the sacrifices each individual made to participate in the Ad-Hoc FRC meetings. He noted he would be acknowledging the joint effort of the Committee to the Board.

Chairperson Gage asked for a motion.

Vice Chairperson Herrera noted she would make a motion, but first wished to thank Stakeholder Chavez and South Bay Labor Council for their involvement and their input to the discussion. She then thanked all of the stakeholders for trusting in the process and working with the board members. Vice Chairperson Herrera encouraged VTA to listen to its employees and to move forward with creative ideas to grow the business. She noted the importance of providing transportation for all residents within the county, which means growing VTA and providing more jobs.

M/S/C (Herrera/Abe-Koga) to approve submitting the document entitled Guidance on Operating Expenditure Priorities, Key Financial Principles and Deficit Reduction Targets document, as amended by the Committee, to the VTA Board of Directors.

5. ADJOURNMENT

On order of Chairperson Gage and there being no objection, the Ad-Hoc Financial Recovery Committee meeting adjourned at 4:19 p.m.

Respectfully submitted,

Susan E. Garcia, Board Assistant
VTA Office of the Board Secretary