ADMINISTRATION & FINANCE COMMITTEE

Thursday, December 21, 2017
12:00 PM

VTA Conference Room B-106
3331 North First Street
San Jose, CA

AGENDA

CALL TO ORDER

1. ROLL CALL

2. PUBLIC PRESENTATIONS:

   This portion of the agenda is reserved for persons desiring to address the Committee on any matter not on the agenda. Speakers are limited to 2 minutes. The law does not permit Committee action or extended discussion on any item not on the agenda except under special circumstances. If Committee action is requested, the matter can be placed on a subsequent agenda. All statements that require a response will be referred to staff for reply in writing.

3. ORDERS OF THE DAY

CONSENT AGENDA


5. ACTION ITEM - Recommend that the VTA Board of Directors authorize the General Manager to negotiate and execute a contract with Xerox Corporation for production level copy, scanning, and printing equipment and support services. The initial term of the lease contract is for five years estimated at $750,000 with two optional year extensions at approximately $100,000 per year for a total contract estimate of $950,000.

REGULAR AGENDA

7. ACTION ITEM - Recommend that the VTA Board of Directors authorize the General Manager to execute an amendment to the cost reimbursable portion of the contract with OUTFRONT Media Group for an amount of $500,000 to the current amount of $490,000 to fabricate, print and install decals, signage and wraps on VTA Bus and light rail vehicles, light rail station platforms and additional VTA assets. The total compensation value on this Contract will be $990,000.

8. ACTION ITEM - Recommend that the VTA Board of Directors authorize the General Manager to execute a contract with Allied Telesis in an amount not to exceed $7,407,750 for the procurement and installation and five year warranty of mobile Closed Circuit Television (CCTV) systems in 99 light rail vehicles.

9. ACTION ITEM - Recommend that the VTA Board of Directors authorize the addition of the following properties to the VTA’s Joint Development Portfolio: 1. the construction staging areas at the new Milpitas Transit Center and the Berryessa/North San Jose Transit Center, and 2. all future properties acquired for implementation of approved capital projects, including the BART to Silicon Valley Phase II Project, where VTA is the fee owner of the property and when such properties are no longer needed for construction purposes.

10. ACTION ITEM - Recommend that the VTA Board of Directors approve the 2018 Legislative Program for the Santa Clara Valley Transportation Authority (VTA).

OTHER ITEMS

11. Items of Concern and Referral to Administration.

12. Review Committee Work Plan. (Srinath)

13. Committee Staff Report. (Srinath)

14. Chairperson's Report. (Hendricks)

15. Determine Consent Agenda for the January 4, 2018, Board of Directors Meeting.

16. ANNOUNCEMENTS

17. ADJOURN

In accordance with the Americans with Disabilities Act (ADA) and Title VI of the Civil Rights Act of 1964, VTA will make reasonable arrangements to ensure meaningful access to its meetings for persons who have disabilities and for persons with limited English proficiency who need translation and interpretation services. Individuals requiring ADA accommodations should notify the Board Secretary’s Office at least 48-hours prior to the meeting. Individuals requiring language assistance should notify the Board Secretary’s Office at least 72-hours prior to the meeting. The Board Secretary may be contacted at ☎ (408) 321-5680 or ✉️ board.secretary@vta.org or ☎ (408) 321-2330 (TTY only). VTA’s home page is www.vta.org or visit us on Facebook www.facebook.com/scvta. ☎ (408) 321-2300: 中文 / Español /
Disclosure of Campaign Contributions to Board Members (Government Code Section 84308) In accordance with Government Code Section 84308, no VTA Board Member shall accept, solicit, or direct a contribution of more than $250 from any party, or his or her agent, or from any participant, or his or her agent, while a proceeding involving a license, permit, or other entitlement for use is pending before the agency. Any Board Member who has received a contribution within the preceding 12 months in an amount of more than $250 from a party or from any agent or participant shall disclose that fact on the record of the proceeding and shall not make, participate in making, or in any way attempt to use his or her official position to influence the decision. A party to a proceeding before VTA shall disclose on the record of the proceeding any contribution in an amount of more than $250 made within the preceding 12 months by the party, or his or her agent, to any Board Member. No party, or his or her agent, shall make a contribution of more than $250 to any Board Member during the proceeding and for three months following the date a final decision is rendered by the agency in the proceeding. The foregoing statements are limited in their entirety by the provisions of Section 84308 and parties are urged to consult with their own legal counsel regarding the requirements of the law.

All reports for items on the open meeting agenda are available for review in the Board Secretary’s Office, 3331 North First Street, San Jose, California, (408) 321-5680, the Monday, Tuesday, and Wednesday prior to the meeting. This information is available on VTA’s website at [http://www.vta.org](http://www.vta.org) and also at the meeting.

**NOTE:** THE BOARD OF DIRECTORS MAY ACCEPT, REJECT OR MODIFY ANY ACTION RECOMMENDED ON THIS AGENDA.
CALL TO ORDER

1. ROLL CALL

The Regular Meeting of the Administration and Finance Committee (A&F) was called to order at 12:04 p.m. by Chairperson Hendricks in Conference Room B-106, VTA River Oaks Campus, 3331 North First Street, San Jose, California.

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
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<tbody>
<tr>
<td>Jeannie Bruins</td>
<td>Member</td>
<td>Present</td>
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<tr>
<td>Larry Carr</td>
<td>Vice Chairperson</td>
<td>Present</td>
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<td>Dev Davis</td>
<td>Alternate Member</td>
<td>Excused</td>
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<tr>
<td>Daniel Harney</td>
<td>Alternate Member</td>
<td>Excused</td>
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<tr>
<td>Glenn Hendricks</td>
<td>Chairperson</td>
<td>Present</td>
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<tr>
<td>Sam Liccardo</td>
<td>Member</td>
<td>Present</td>
</tr>
<tr>
<td>John McAlister</td>
<td>Alternate Member</td>
<td>Excused</td>
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2. PUBLIC PRESENTATIONS:

There were no Public Presentations.

3. ORDERS OF THE DAY

There were no Orders of the Day.

CONSENT AGENDA

Member Liccardo requested to remove from the Consent Agenda and place on the Regular Agenda: Agenda Item # 9. Fiscal Year 2018 Statement of Revenues and Expenses for the Period Ending September 30, 2017

4. Regular Meeting Minutes of September 21, 2017

M/S/C (Liccardo/Bruins) to approve the Regular Meeting Minutes of September 21, 2017.

5. Regular Meeting Minutes of October 19, 2017

M/S/C (Liccardo/Bruins) to approve the Regular Meeting Minutes of October 19, 2017.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
6. **SR 237 Express Lanes Phase 2 – Construction Contract Award to FBD Vanguard Construction, Inc.**

   M/S/C (Liccardo/Bruins) to recommend that the VTA Board of Directors authorize the General Manager to execute a contract with FBD Vanguard Construction, Inc., the lowest responsive and responsible bidder, in an amount of $15,538,238.42 for the construction of the SR 237 Express Lanes Phase 2 Project.

7. **Budget Appropriation Related to Financing of Phase 2 SR 237 Express Lanes**

   M/S/C (Liccardo/Bruins) to recommend that the VTA Board of Directors adopt a Program Budget of $24,000,000 for the Silicon Valley Express Lanes Fund, to allow loan proceeds and any related interest earnings to pay project costs and loan costs of the Express Lanes Phase 2 Project.

8. **Retrofit Ticket Vending Machines (TVM) to Dispense Clipper® Cards**

   M/S/C (Liccardo/Bruins) to recommend that the VTA Board of Directors authorize the General Manager to execute a sole source contract with VenTek Transit, Inc. for a not-to-exceed amount of $760,000 for hardware modifications, software engineering, and field installation necessary for all VTA Ticket Vending Machines (TVM) to dispense Clipper® cards.

9. **(Removed from the Consent Agenda and placed on the Regular Agenda.)**

   Review and accept the Fiscal Year 2018 Statement of Revenues and Expenses for the period ending September 30, 2017.

10. **Monthly Investment Report - September 2017**


11. **Legislative Update Matrix**

    M/S/C (Liccardo/Bruins) to review the Legislative Update.

    | RESULT: APPROVED [UNANIMOUS] - Consent Agenda Items #4-8; #10-#11 |
    | MOVER: Sam Liccardo, Member |
    | SECONDER: Jeannie Bruins, Member |
    | AYES: Bruins, Carr, Hendricks, Liccardo |
    | NOES: None |

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**RESULT:** APPROVED [UNANIMOUS] - Consent Agenda Items #4-8; #10-#11

**MOVER:** Sam Liccardo, Member

**SECONDER:** Jeannie Bruins, Member

**AYES:** Bruins, Carr, Hendricks, Liccardo

**NOES:** None
REGULAR AGENDA


Upon inquiry of Member Liccardo, Mr. Srinath reported VTA is using expenditure savings to help offset the funds needed until the 2016 Measure B funds become available.

M/S/C (Liccardo/Bruins) to review and accept the Fiscal Year 2018 Statement of Revenues and Expenses for the period ending September 30, 2017.

RESULT: APPROVED [UNANIMOUS] – Agenda Item #9
MOVER: Sam Liccardo, Member
SECONDER: Jeannie Bruins, Member
AYES: Bruins, Carr, Hendricks, Liccardo
NOES: None


Raj Srinath, Chief Financial Officer provided an overview of the staff report.

M/S/C (Bruins/Carr) to recommend that the VTA Board of Directors adopt a resolution authorizing the refunding of certain maturities of the 2011 Bonds, approving the transaction documents (on file with the Board Secretary), and authorizing the General Manager and Chief Financial Officer to individually take all actions necessary to issue the 1976 Tax, Sales Tax Revenue Refunding Bonds, 2017 Series B (the “2017 Bonds”) and pay issuance costs.

RESULT: APPROVED [UNANIMOUS] – Agenda Item #12
MOVER: Jeannie Bruins, Member
SECONDER: Larry Carr, Member
AYES: Bruins, Carr, Hendricks, Liccardo
NOES: None

13. Authorization for Sole-Source Joint Development at Santa Clara Caltrain Station

Ron Golem, Deputy Director Real Estate, provided an overview of the staff report and provided a presentation entitled, “Santa Clara Joint Development” highlighting: 1) Santa Clara Caltrain Station; 2) Background; 3) Recommendation; and 4) Next Steps & Impacts.

Public Comment

Roland Lebrun, Interested Citizen expressed strong support, noting increased density is a top priority especially around transit stations.
Discussion ensued about the following: 1) concerns about City of Santa Clara’s receptiveness to increased density; 2) the need to have a clear understanding about the Transit Oriented Development (TOD) in the Disposition and Development Agreement; 3) goals to increase revenue and transit ridership; 4) concerns about close proximity to Santa Clara University (University), noting the development would house mostly students who would walk to the University versus taking public transit; 5) faculty and staff housing; 6) process of developing a TOD area and how to encourage utilization of public transit; 8) parking in the joint development area; 9) information gathered is common for TOD areas and not site specific; 10) Key Performance Indicators (KPI); and 11) any data to support individuals that choose public transit in TOD areas versus taking their car.

Mr. Golem noted that his staff has and continues to have many conversations with City of Santa Clara and the University in order to maximize the benefits for the TOD area. Mr. Golem reported that the goal is to have more density and that City of Santa Clara is receptive, however he would change course and come back to the Board with a different recommendation if he feels otherwise.

Members of the Committee made the following comments: 1) requested to include a presentation slide for the Board meeting listing the Committee’s concerns; 2) expressed concern about the lack of parking proposed in the TOD area; and 3) encouraged VTA staff to work with the City of Santa Clara to make sure both sides come to an understanding of one another’s objectives and goal.

M/S/C (Liccardo/Carr) to recommend that the VTA Board of Directors authorize the General Manager to enter into one or more agreements with the City of Santa Clara and/or Republic Properties Corporation and its affiliate Republic Metropolitan (Republic) in connection with the development of the City and VTA-owned parking lot at the Santa Clara Caltrain Station. The agreements include a potential Cooperative Agreement with the City and an Exclusive Negotiations Agreement (ENA) with Republic for the purpose of negotiating a sole-source Joint Development Agreement (JDA) / Disposition and Development Agreement (DDA) and any other related agreements.

RESULT: APPROVED [UNANIMOUS] – Agenda Item #13
MOVER: Sam Liccardo, Member
SECONDER: Larry Carr, Member
AYES: Bruins, Carr, Hendricks, Liccardo
NOES: None

14. Declaration of Surplus Property for Great Mall Transit Center in Milpitas

Mr. Golem provided an overview of the staff report and provided a presentation entitled, “Great Mall Transit Center Disposition” highlighting: 1) Great Mall Transit Center; 2) Background; 3) Recommendation; and 4) Next Steps, Timing & Impact.
The Committee and staff engaged in discussion about the following: 1) the possibility of rezoning the property to mixed-use/commercial; 2) the need for greater density and affordable housing; 3) making sure that any agreement or contract clearly requests VTA’s wants for the development; 4) reasons for beginning the declaration of surplus property now rather than later; and 5) VTA not being a typical developer and the need to be transparent.

Mr. Golem noted initial meetings with Milpitas city staff indicate they are not receptive to the possibility of rezoning the property. However, VTA staff will continue to engage the City about rezoning while still moving forward with the recommendation.

Public Comment

Mr. Lebrun commented that the Great Mall Transit Center is the least utilized area and that bringing Bay Area Rapid Transit (BART) station to the area will change everything.

Committee Members made the following comments: 1) noted the need to get the best use for the property; 2) reported it is critical to challenge the City of Milpitas and figure out the best way to approach the City Council; 3) expressed concerns about moving forward with the recommendation without first seeking ways to rezone the property; and 4) inquired about moving forward with the recommendation and still having the flexibility to seek the rezoning.

Jim Lawson, reported that the area has several multilevel housing being currently built. Mr. Lawson further reported that while VTA staff moves forward with the process, that staff can aggressively engage the City of Milpitas to rezone the property for mixed-use. He does not want to delay the process because once the Milpitas BART station opens, they will begin relocating all the buses to the new transit center.

M/S/C (Liccardo/Hendricks) to recommend that the VTA Board of Directors approve for permanent disposition the Great Mall Transit Center in Milpitas, California and declare it as “surplus property” in accordance with applicable law. Authorize the General Manager to offer the property for sale pursuant to applicable law, with the terms and conditions of any proposed action to be presented to the Board for review and consideration before finalization. Furthermore to engage the City of Milpitas in order to find ways to rezone the property for a mixed-use development.

RESULT: APPROVED [UNANIMOUS] – Agenda Item #14
MOVER: Sam Liccardo, Member
SECONDER: Glenn Hendricks, Member
AYES: Bruins, Carr, Hendricks, Liccardo
NOES: None

Member Liccardo noted recusal and left the room for Agenda Items #15. I-280/Winchester Boulevard Interchange Improvements- Contract Amendment (PA/ED Phase) and Agenda Item #16. Procurement for 40' Electric Buses.
15. **I-280/Winchester Boulevard Interchange Improvements- Contract Amendment (PA/ED Phase)**

Discussion ensued about the following: 1) the reasons for moving forward with the project; 2) additional developments will be add to the congestion in the area; and 3) funding sources for the project.

**Public Comment**

Mr. Lebrun reported that BART should be in this area in order to provide congestion relief in the I-280 area.

**M/S/C (Bruins/Carr)** to recommend that the VTA Board of Directors authorize the General Manager to execute contract amendments with Mark Thomas & Company to perform early development tasks to support the Project Approval/Environmental Documentation (PA/ED) phase in an amount not to exceed $1,500,000 for the I-280/Winchester Boulevard Interchange Improvements Project (Project). Member Liccardo recused.

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<tr>
<th>RESULT:</th>
<th>APPROVED [UNANIMOUS] – Agenda Item #15</th>
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<tr>
<td>MOVER:</td>
<td>Jeannie Bruins, Member</td>
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<td>SECONDER:</td>
<td>Larry Carr, Member</td>
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<td>AYES:</td>
<td>Bruins, Carr, Hendricks</td>
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<td>NOES:</td>
<td>None</td>
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<td>RECUSAL:</td>
<td>Liccardo</td>
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16. **Procurement for 40' Electric Buses**

James Wilhelm, Bus Engineering, QA & Warranty Manager, provided an overview of the staff report.

**Public Comment**

Mr. Lebrun requested clarification about the types of chargers that will be used.

Members of the Committee made the following comments: 1) noted VTA should be proud of the electric buses and that it needs to be more visible to the public; and 2) suggested VTA find ways to promote the electric bus.

Inez Evans, Chief Operating Officer reported that they will talk with the Marketing Department to see what adjustments can be done in order to visibly show the bus is all electric.

**M/S/C (Bruins/Carr)** Recommend that the VTA Board of Directors authorize the General Manager to execute a contract with Proterra Inc. (“Proterra”) of Burlingame, California, in the amount of $4,679,730.62 for the purchase of five 40-foot zero emission electric buses (with all related equipment, support, and associated charging systems), and which also includes the purchase of the following options to be exercised with future Board approval as funding becomes available for future fleet replacement requirements:

(i) up to two automatic conductive en route chargers in the amount of $762,565.00 (plus Producers Price Index (PPI)); and
(ii) up to 25 additional buses in the amount of $23,398,653.13 (plus PPI).

The execution of the contract would be subject to compliance with the Federal Transit Administration (FTA) pre-award requirements and the satisfactory clearance of any protests.

RESULT: APPROVED [UNANIMOUS] – Agenda Item #16
MOVER: Jeannie Bruins, Member
SECONDER: Larry Carr, Member
AYES: Bruins, Carr, Hendricks
NOES: None
RECUSAL: Liccardo

Member Liccardo returned to the meeting at 1:45 p.m.

17. Contract Award for Paratransit Eligibility Certification Services

Aaron Vogel, Regional Transportation Services Manager, provided an overview of the staff report.

Discussion ensued about the following: 1) conversations with the Santa Clara County (County) about who would be responsible for eligibility certification services; 2) ways to decrease the costs from the eligibility services; 3) VTA’s mobility training; 4) federal mandated guidelines; 5) the frequency of recertification, noting some disabilities do no change; and 6) assessments done annually.

Mr. Lawson reported that negotiations with the County are continuing and VTA staff will look at opportunities to reduce cost without compromising the guidelines VTA must adhere to.

M/S/C (Bruins/Carr) to recommend that the VTA Board of Directors authorize the General Manager to execute a three year contract with Medical Transportation Management, Inc. (MTM) in the amount of $3,243,000 to provide Paratransit Eligibility Certification Services.

RESULT: APPROVED [UNANIMOUS] – Agenda Item #17
MOVER: Jeannie Bruins, Member
SECONDER: Larry Carr, Member
AYES: Bruins, Carr, Hendricks, Liccardo
NOES: None

18. Commuter Shuttle Program Policy

Angelique Gaeta, Chief of Staff, and Kenneth Ronssee, Deputy Director, provided an overview of the staff report.

Ms. Gaeta provided a presentation highlighting: 1) VTA Service Area; 2) Commuter Shuttles; 3) VTA Facilities; 4) Operational Challenges; 5) Public Safety/Scheduling

Discussion ensued about the following: 1) plans for public outreach efforts; 2) positive discussions with the shuttle drivers; 2) the timeline for the development and implementation of the program; 3) concerns surrounding data sharing and any proprietary information; 4) consequences for not having a policy in place; 5) shuttle busses weighing slightly heavier, but not really having an impact to the bus pads at the transit centers; and 6) importance of public safety.

**Public Comment**

Adolph Felix Teamsters Local 853, expressed support for the policy and the need for coordination between VTA and the shuttle companies.

Chris O’Connor, Silicon Valley Leadership Group, commented about the need for the details of the policy to be fully developed prior to moving forward in order to evaluate if it will hurt or hinder the private shuttle agencies.

Mr. Lebrun made the following comment: 1) commented that private shuttles can be more successful than public transit; 2) suggested to create transportation impact fees similar to what San Francisco County Transportation Agency (CTA) did as a funding source; and 3) suggested San Francisco CTA to present and help form a policy for VTA.

Ms. Gaeta reported VTA’s goals to communicate and coordinate so that both VTA and the private shuttle companies can effectively succeed without disrupting one another.

Member Liccardo left the meeting at 2:12 p.m.

M/S/C (Bruins/Carr) to recommend that the VTA Board of Directors adopt a policy for a Commuter Shuttle Program, which requires commuter shuttle operators to adhere to a set of rules and regulations, as amended from time to time by the General Manager, in order to access VTA-owned real property and/or VTA-controlled areas, including VTA facilities.

| RESULT: APPROVED [UNANIMOUS] – Agenda Item #18 |
| MOVER: Jeannie Bruins, Member |
| SECONDER: Larry Carr, Member |
| AYES: Bruins, Carr, Hendricks |
| NOES: None |

**OTHER ITEMS**

**19. Items of Concern and Referral to Administration**

There were no items of Concern and Referral.
20. **Committee Work Plan**

   On order of Chairperson Hendricks and there being no objection, the Committee reviewed the Committee Work Plan.

21. **Committee Staff Report**

   There was no Committee Staff Report.

22. **Chairperson’s Report**

   There was no Chairperson’s Report.

23. **Determine Consent Agenda for the December 7, 2017 Board of Directors Meeting**

   **CONSENT:**

   **Agenda Item #6.** Recommend that the VTA Board of Directors authorize the General Manager to execute a contract with FBD Vanguard Construction, Inc., the lowest responsive and responsible bidder, in an amount of $15,538,238.42 for the construction of the SR 237 Express Lanes Phase 2 Project (Project).

   **Agenda Item #7.** Recommend that the VTA Board of Directors adopt a Program Budget of $24,000,000 for the Silicon Valley Express Lanes Fund, to allow loan proceeds and any related interest earnings to pay project costs and loan costs of the Express Lanes Phase 2 Project.

   **Agenda Item #8.** Recommend that the VTA Board of Directors authorize the General Manager to execute a sole source contract with VenTek Transit, Inc. for a not-to-exceed amount of $760,000 for hardware modifications, software engineering, and field installation necessary for all VTA Ticket Vending Machines (TVM) to dispense Clipper® cards.

   **Agenda Item #9.** Review and accept the Fiscal Year 2018 Statement of Revenues and Expenses for the period ending September 30, 2017.

   **Agenda Item #10.** Receive the Monthly Investment Report September 2017.

   **Agenda Item #11.** Review the Legislative Update.

   **Agenda Item #15.** Recommend that the VTA Board of Directors authorize the General Manager to execute contract amendments with Mark Thomas & Company to perform early development tasks to support the Project Approval/Environmental Documentation (PA/ED) phase in an amount not to exceed $1,500,000 for the I-280/Winchester Boulevard Interchange Improvements Project (Project).

   **Agenda Item #16.** Recommend that the VTA Board of Directors authorize the General Manager to execute a contract with Proterra Inc. ("Proterra") of Burlingame, California, in the amount of $4,679,730.62 for the purchase of five 40-foot zero emission electric buses (with all related equipment, support, and associated charging systems), and which also
includes the purchase of the following options to be exercised with future Board approval as funding becomes available for future fleet replacement requirements:

(i) up to two automatic conductive en route chargers in the amount of $762,565.00 (plus Producers Price Index (PPI)); and

(ii) up to 25 additional buses in the amount of $23,398,653.13 (plus PPI).

The execution of the contract would be subject to compliance with the Federal Transit Administration (FTA) pre-award requirements and the satisfactory clearance of any protests.

**Agenda Item #17.** Recommend that the VTA Board of Directors authorize the General Manager to execute a three year contract with Medical Transportation Management, Inc. (MTM) in the amount of $3,243,000 to provide Paratransit Eligibility Certification Services.

**REGULAR:**

**Agenda Item #12.** Recommend that the VTA Board of Directors adopt a resolution authorizing the refunding of certain maturities of the 2011 Bonds, approving the transaction documents (on file with the Board Secretary), and authorizing the General Manager and Chief Financial Officer to individually take all actions necessary to issue the 1976 Tax, Sales Tax Revenue Refunding Bonds, 2017 Series B (the “2017 Bonds”) and pay issuance costs.

**Agenda Item #13.** Recommend that the VTA Board of Directors authorize the General Manager to enter into one or more agreements with the City of Santa Clara and/or Republic Properties Corporation and its affiliate Republic Metropolitan (Republic) in connection with the development of the City and VTA-owned parking lot at the Santa Clara Caltrain Station. The agreements include a potential Cooperative Agreement with the City and an Exclusive Negotiations Agreement (ENA) with Republic for the purpose of negotiating a sole-source Joint Development Agreement (JDA) / Disposition and Development Agreement (DDA) and any other related agreements.

**Agenda Item #14.** Recommend that the VTA Board of Directors approve for permanent disposition the Great Mall Transit Center in Milpitas, California and declare it as “surplus property” in accordance with applicable law. Authorize the General Manager to offer the property for sale pursuant to applicable law, with the terms and conditions of any proposed action to be presented to the Board for review and consideration before finalization.

**Agenda Item #18.** Recommend that the VTA Board of Directors adopt a policy for a Commuter Shuttle Program, which requires commuter shuttle operators to adhere to a set of rules and regulations, as amended from time to time by the General Manager, in order to access VTA-owned real property and/or VTA-controlled areas, including VTA facilities.

**24. Announcements**

Chairperson Hendricks noted that December would be his last meeting as a Board Member.
25. **Adjournment**

On order of Chairperson Hendricks and there being no objection, the meeting adjourned at 2:15 p.m.

Respectfully submitted,

Theadora Abraham, Board Assistant
VTA Office of the Board Secretary
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Administration & Finance Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Chief Technology Officer, Gary Miskell

SUBJECT: Copy Center Production Printers

Policy-Related Action: No

Government Code Section 84308 Applies: Yes

ACTION ITEM

RECOMMENDATION:

Recommend that the VTA Board of Directors authorize the General Manager to negotiate and execute a contract with Xerox Corporation for production level copy, scanning, and printing equipment and support services. The initial term of the lease contract is for five years estimated at $750,000 with two optional year extensions at approximately $100,000 per year for a total contract estimate of $950,000.

BACKGROUND:

VTA is currently contracting with the Xerox Corporation for the service and maintenance of all Xerox equipment residing in the Copy Center at the River Oaks campus. In 2016, the Copy Center printed a total of 4.5 million impressions. VTA’s black and white printing needs have stabilized as a result of VTA’s continued efforts to convert paper-driven processes to electronic workflow; however, customer requests for specialty and color printing are increasing annually.

Current equipment is at the end of its engineered lifecycle which necessitates executing a new equipment contract that supports VTA’s current and future enterprise print demand with the added benefit of providing enhanced print capabilities at an overall lower cost of ownership. VTA is at risk for Xerox service rate increases that’s required to support these out dated models. In addition, VTA’s customer experience has been diminished due to reliability and quality issues resulting from equipment failure/downtime.
DISCUSSION:

VTA staff has determined that the most timely and cost-effective approach for acquiring new equipment was to issue a Request for Proposal for production printers. This yielded much more competitive lease and per-click charge pricing than an existing state or cooperative-network contract vehicle. The leased equipment would need to support the following tasks:

1) Deliver higher quality prints more efficiently to VTA Staff and Transit Customers.
2) Accommodate much higher print volumes.
3) Agile functionality promoting future design approaches, concepts.
4) Bring in-house approximately one (1) million currently-outsourced prints annually.
5) Yield an approximate 25% annual net savings over the current equipment—thus reducing the overall VTA copy center environment cost-of-ownership.
6) Provide customers with additional capabilities for specialty printing, more progressive design and presentation concepts, greater probability of meeting future print expectations and significant operational process improvements, such as:
   - Envelope Printing: This enables the Copy Center to further expand its current mass-mailing capabilities from tabbed self-mailers to printed envelopes with content inserted and sealed by our document/envelope inserter.
   - PrintShop Mail Software: This enhances the control and capabilities for creating in-house mailers and enables us easily personalize mailers and prints, such as banners for specific routes, targeted construction or survey mailers.
   - Booklet Maker and Square Fold Trimmer: This enables the Copy Center to produce full-bleed (printed-to-the-edge), saddle-stitched booklets such as the Senior Mobility Guide and VTA’s Annual Report—fully trimmed and completed without operator intervention.
   - C/Z Fold Unit: This provides an in-line process for brochures. It delivers professionally finished books containing mixed paper sizes to be printed, folded and assembled during the printer’s inline process, thus eliminating manual operator engagement.
   - GBC Hole Punch Unit: Currently outsourced, this new inline equipment enables the copy center to provide VTA’s Coach Operator Guide in-house at an estimated 25% cost savings. In addition, out-sourced print houses typically require minimum print thresholds regardless of needed print quantities which leads to extensive print waste. Printing the Coach Operator Guide in-house affords VTA the ability to print only needed quantities.
   - Oversized Banner Printing: This potentially provides the Copy Center the ability to print jobs such as “Employee of the Quarter” banners or “Car Cards” at approximately half the cost of current outsourced jobs.

The proposed equipment continues to provide stapling, 3-hole punch, and in-line tape binding to support all current print jobs. The proposed equipment includes a scanner for copying and archiving purposes.
**Evaluation Summary:**

New equipment, software, service is estimated at $150,000 per year under the new contract for the first five years. When comparing with previous annual print volumes, this solution provides approximately a 35% annual cost savings over the current equipment. However, we anticipate a 25% savings per year over the current equipment even with the estimated one and a half (1.5) million increase in annual prints. We plan to continue to move prints from external vendors and the more costly desk and area printers to the Copy Center.

After the initial five years, VTA has the option to buy all equipment at a $1 buyout. Therefore, the estimated spend for the two optional years no longer carries any lease costs thus further increasing cost savings.

VTA staff from the Board Office, Creative Services, and Technology evaluated the proposals from the RFP. Xerox was chosen because they offered the lowest total cost as well as the best technical value for VTA.

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Lease Cost</th>
<th>Total Lease + Click Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canon</td>
<td>$532,128.30</td>
<td>$933,144.30</td>
</tr>
<tr>
<td>Ray Morgan Company</td>
<td>$337,720.99</td>
<td>$900,505.59</td>
</tr>
<tr>
<td>Ricoh</td>
<td>$337,974.23</td>
<td>$833,766.03</td>
</tr>
<tr>
<td>Xerox</td>
<td>$283,684.01</td>
<td>$806,386.61</td>
</tr>
</tbody>
</table>

It is difficult to estimate future projected volumes; there is a possibility that the Copy Center will migrate an even higher amount of prints than anticipated from the multi-function devices (copy machines), desktop printers, and external print vendors to the Copy Center. To accommodate for this, staff recommends approval that include these contingencies.

Staff recommends Board approval for the General Manager to enter into a new contract for copy center equipment and services from the Xerox Corporation for a term of five years plus two option years, with an aggregated spending authorization not to exceed $950,000.

**ALTERNATIVES:**

It is not advisable to continue the utilizing current production equipment due to declining print quality, printer reliability, and overall support cost. Other alternatives considered by staff included outsourcing all production work, however this was not considered a viable alternative given the substantial increase in cost, lack of control over the confidentiality of material, and the delivery of time sensitive materials.
**FISCAL IMPACT:**

This action will authorize a five-year lease with two optional one-year extensions for production copy equipment, software and support services for a total estimated cost of $150,000 per year for the first five years and $100,000 per year for the two optional years. The estimated annual cost is all-inclusive, apart from paper and specialty supplies (staples, tape bind strips, etc.). Appropriation for contract expenditures through June 30, 2019 is included in the FY18 & FY19 Adopted VTA Transit Fund Operating Budget. Appropriation for the remainder of the contract period will be included in subsequent Biennial Operating Budgets. A net savings on the contract is estimated at 25% annually once the program is implemented.

Prepared by: Jon Maier  
Memo No. 6338

ATTACHMENTS:

- Attachment_A_Government_Section_Code_84308 (PDF)
Attachment A

Copy Center Production Printers
List of Contractor(s)

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Name</th>
<th>Role</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xerox Corporation</td>
<td>Wesley Lagrone</td>
<td>Product Solutions</td>
<td>San Francisco, CA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Specialist</td>
<td></td>
</tr>
</tbody>
</table>
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Administration & Finance Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Chief Financial Officer, Raj Srinath

SUBJECT: Monthly Investment Report - October 2017

FOR INFORMATION ONLY

BACKGROUND:

The investment activities of the Santa Clara Valley Transportation Authority are in compliance with the Investment of Non-Trust Held Funds Investment Policy, the VTA Retirees’ Other Post-Employment Benefits Trust Investment Policy and the ATU, Local 265 Pension Plan’s Investment Policy.

DISCUSSION:

Real gross domestic product (GDP) increased at an annual rate of 3.3 percent in the third quarter of 2017, according to the "second" estimate released by the Bureau of Economic Analysis. The increase in real GDP in the third quarter primarily reflected positive contributions from PCE, nonresidential fixed investment, exports, and private inventory investment that were partly offset by negative contributions from residential fixed investment.

Headline consumer prices, as measured by the consumer price index (CPI), rose 2.0% year over year as of October 2017. Core CPI, which excludes volatile food and energy prices increased at a rate of 1.8% year over year as of October 2017. The Federal Reserve continues to target an inflation rate of 2.00%.

The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 3.0% in October 2017, down from a revised 3.3% in September 2017, and below the year-ago estimate of 3.9%. This compares with an unadjusted unemployment rate of 4.3% for California and 3.9% for the nation during the same period.
Market Watch

The S&P 500 Index returned 2.33% in October 2017. Large cap stocks returned 2.29% and small cap stocks returned 0.85%. Within the large cap space, growth stocks outperformed value stocks, returning 3.87% and 0.73%, respectively. The top-performing sectors were technology, financial services, and materials & processing. The worst-performing sectors were energy, health care, and consumer staples.

The Barclays Aggregate index returned 0.06% in October 2017. For the current month treasuries returned -0.23, investment grade corporate debt returned 0.40% and high yield debt returned 0.39% for the month.

In global markets, the United States 10 year government bond yield ended the month at 2.38%, up from 2.33% at the end of September. The European 10 year government bond yield ended the month at 0.36% and the Japanese 10 year government bond yield finished October at 0.07%.

VTA Enterprise Funds

VTA Enterprise Funds are invested in portfolios managed by Payden & Rygel, the State of California Local Agency Investment Fund (LAIF) and an interest bearing checking account. Investment performance for the Payden & Rygel managed accounts are included below.

The Payden & Rygel weighted average composite portfolio outperformed its policy benchmark in October by 0.07%. The current yield for the Payden long-term portfolio is 1.86%, the mid-term portfolio is 1.60%, and the short-term portfolio is 1.44%.

At month-end the current yield for funds invested in LAIF was 1.14% and the VTA’s checking accounts was 0.55%.

Market performance for each Payden & Rygel account is summarized in the following table:

<table>
<thead>
<tr>
<th>Investment Performance as of October 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class</td>
</tr>
<tr>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Long-Term Fixed Income</td>
</tr>
<tr>
<td>Barclays US Govt. Intermediate Index</td>
</tr>
<tr>
<td>Mid-Term Fixed Income 1</td>
</tr>
<tr>
<td>Merrill Lynch 1-3 Year Treasury Index</td>
</tr>
<tr>
<td>Short-Term Fixed Income 2</td>
</tr>
<tr>
<td>iMoneynet Money Market Index</td>
</tr>
<tr>
<td>Composite Portfolio Returns</td>
</tr>
<tr>
<td>Policy Benchmark Returns</td>
</tr>
</tbody>
</table>

1 Implemented February 11, 2009  
2 Implemented February 14, 2003
VTA Retirees’ Other Post-Employment Benefits (OPEB) Trust

The VTA Retirees’ OPEB Trust Investment Policy requires the following asset allocation:

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Range</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Fixed Income</td>
<td>15-30%</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Domestic Large Cap Index</td>
<td>28-68%</td>
<td>51%</td>
<td>54%</td>
</tr>
<tr>
<td>Int’l Equity Emerging Market</td>
<td>0-10%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Private Real Estate</td>
<td>6-16%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>0-15%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Cash</td>
<td>0-03%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The Retirees’ OPEB composite portfolio outperformed its policy benchmark by 0.10% in the current month. The current yield for the fixed income portfolio is 4.05%.

Market performance for each money manager is summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund Manager</th>
<th>Oct</th>
<th>3 Mo</th>
<th>Y-T-D</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>10 Yr</th>
<th>I-T-D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Index</td>
<td>State Street</td>
<td>2.33%</td>
<td>4.75%</td>
<td>16.86%</td>
<td>23.56%</td>
<td>10.75%</td>
<td>15.13%</td>
<td>7.52%</td>
<td>5.48%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td></td>
<td>2.33%</td>
<td>4.76%</td>
<td>16.92%</td>
<td>23.64%</td>
<td>10.79%</td>
<td>15.20%</td>
<td>7.52%</td>
<td>5.37%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Dodge &amp; Cox</td>
<td>0.18%</td>
<td>0.74%</td>
<td>4.71%</td>
<td>3.56%</td>
<td>3.89%</td>
<td>3.52%</td>
<td>5.37%</td>
<td>5.95%</td>
</tr>
<tr>
<td>Barclays US Aggregate Bond Index</td>
<td></td>
<td>0.06%</td>
<td>0.48%</td>
<td>3.21%</td>
<td>0.90%</td>
<td>2.41%</td>
<td>2.04%</td>
<td>4.19%</td>
<td>5.14%</td>
</tr>
<tr>
<td>Emerging Market</td>
<td>State Street EM(3)</td>
<td>3.40%</td>
<td>5.30%</td>
<td>32.08%</td>
<td>25.94%</td>
<td></td>
<td></td>
<td></td>
<td>26.56%</td>
</tr>
<tr>
<td>MCSI World Emerging Market</td>
<td></td>
<td>3.51%</td>
<td>5.39%</td>
<td>32.26%</td>
<td>26.45%</td>
<td></td>
<td></td>
<td></td>
<td>27.52%</td>
</tr>
<tr>
<td>US Core Real Estate</td>
<td>UBS 4</td>
<td>1.48%</td>
<td>3.86%</td>
<td>5.38%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.92%</td>
</tr>
<tr>
<td>NCREIF NFI-ODCE</td>
<td></td>
<td>1.87%</td>
<td>5.44%</td>
<td>7.67%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.70%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>Lighthouse 3</td>
<td>1.40%</td>
<td>1.86%</td>
<td>4.76%</td>
<td>6.14%</td>
<td></td>
<td></td>
<td></td>
<td>4.61%</td>
</tr>
<tr>
<td>HFRI FoF Index</td>
<td></td>
<td>1.20%</td>
<td>2.45%</td>
<td>6.81%</td>
<td>8.04%</td>
<td></td>
<td></td>
<td></td>
<td>5.76%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>Sky Bridge 3</td>
<td>1.04%</td>
<td>2.54%</td>
<td>7.62%</td>
<td>9.62%</td>
<td></td>
<td></td>
<td></td>
<td>5.31%</td>
</tr>
<tr>
<td>HFRI FoF Index</td>
<td></td>
<td>1.20%</td>
<td>2.45%</td>
<td>6.81%</td>
<td>8.04%</td>
<td></td>
<td></td>
<td></td>
<td>5.76%</td>
</tr>
<tr>
<td>Composite Portfolio Returns</td>
<td></td>
<td>1.67%</td>
<td>3.38%</td>
<td>12.81%</td>
<td>15.79%</td>
<td>8.22%</td>
<td>10.63%</td>
<td>7.36%</td>
<td>6.95%</td>
</tr>
<tr>
<td>Policy Benchmark Returns</td>
<td></td>
<td>1.57%</td>
<td>3.27%</td>
<td>12.50%</td>
<td>15.20%</td>
<td>8.03%</td>
<td>9.39%</td>
<td>6.57%</td>
<td>5.83%</td>
</tr>
</tbody>
</table>

2 Funded June 30, 2016
3 Funded January 28, 2016
4 Funded January 4, 2016

DODGE & COX - The Fixed Income portfolio manager outperformed its benchmark in October 2017 by 0.12%. The portfolio’s shorter relative duration, overweight position to corporate bonds and strong corporate security selection all contributed to outperformance for the month.
A 7.00% rate of return assumption is used in the annual actuarial analysis for the Retirees’ OPEB. The results of the actuarial analysis determine VTA’s annual contribution rates. Any difference between actual investment returns and the 7.00% assumed annual return is recognized in the same year. The annual returns for the Retirees’ OPEB portfolio have been equivalent to or exceeded the 7.00% assumed rate of return in 9 out of 14 years.

Historic Portfolio Performance for the last fourteen calendar years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance</th>
<th>Year</th>
<th>Performance</th>
<th>Year</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>17.2%</td>
<td>2008</td>
<td>-20.9%</td>
<td>2013</td>
<td>18.9%</td>
</tr>
<tr>
<td>2004</td>
<td>7.6%</td>
<td>2009</td>
<td>22.2%</td>
<td>2014</td>
<td>10.8%</td>
</tr>
<tr>
<td>2005</td>
<td>3.9%</td>
<td>2010</td>
<td>12.5%</td>
<td>2015</td>
<td>1.1%</td>
</tr>
<tr>
<td>2006</td>
<td>11.7%</td>
<td>2011</td>
<td>4.0%</td>
<td>2016</td>
<td>9.3%</td>
</tr>
<tr>
<td>2007</td>
<td>6.1%</td>
<td>2012</td>
<td>12.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SCVTA-ATU, Local 265 Pension Plan Assets**

It is the policy of the SCVTA-ATU Board of Pensions to have a well-managed investment program that provides for the financial needs of the pension plan and allows the investments to be appropriately diversified and prudently invested to protect the safety of the principal while maintaining a reasonable return. Assets are invested within the following investment guidelines:

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Range</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Fixed Income</td>
<td>15-30%</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>Domestic Large-Cap Value</td>
<td>10-20%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Domestic Large-Cap Index</td>
<td>5-15%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Domestic Small-Cap Value</td>
<td>5-15%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Int’l Equity Developed Markets</td>
<td>8-18%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Int’l Equity Emerging Markets</td>
<td>0-10%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>US Core Real Estate</td>
<td>5-15%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>4-14%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Cash</td>
<td>0-05%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

The SCVTA-ATU Pension Plan composite portfolio outperformed its policy benchmark in October 2017 by 0.43%. The current yield of the Dodge & Cox Fixed Income portfolio is 3.94%.

Market performance for each money manager is summarized in the following table:
## Investment Performance as of October 2017

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund Manager</th>
<th>Oct</th>
<th>3 Mo</th>
<th>Y-T-D</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>10 Yr</th>
<th>I-T-D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>Dodge &amp; Cox</td>
<td>0.12%</td>
<td>0.61%</td>
<td>4.42%</td>
<td>3.14%</td>
<td>3.70%</td>
<td>3.37%</td>
<td>5.36%</td>
<td>6.16%</td>
</tr>
<tr>
<td>Barclays US Aggregate Bond Index</td>
<td></td>
<td>0.06%</td>
<td>0.48%</td>
<td>3.21%</td>
<td>0.90%</td>
<td>2.41%</td>
<td>2.04%</td>
<td>4.19%</td>
<td>4.78%</td>
</tr>
<tr>
<td>Large-Cap Value Stocks</td>
<td>Boston Partners</td>
<td>1.98%</td>
<td>5.40%</td>
<td>14.31%</td>
<td>25.55%</td>
<td>8.87%</td>
<td>14.42%</td>
<td>8.11%</td>
<td>9.70%</td>
</tr>
<tr>
<td>Russell 1000 Value Index</td>
<td></td>
<td>0.73%</td>
<td>2.51%</td>
<td>8.69%</td>
<td>17.77%</td>
<td>7.98%</td>
<td>13.47%</td>
<td>5.99%</td>
<td>7.03%</td>
</tr>
<tr>
<td>Large-Cap Index</td>
<td>State Street</td>
<td>2.33%</td>
<td>4.75%</td>
<td>16.86%</td>
<td>23.56%</td>
<td>10.75%</td>
<td>15.13%</td>
<td>7.52%</td>
<td>7.10%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td></td>
<td>2.33%</td>
<td>4.76%</td>
<td>16.92%</td>
<td>23.64%</td>
<td>10.79%</td>
<td>15.20%</td>
<td>7.52%</td>
<td>7.01%</td>
</tr>
<tr>
<td>Small-Cap Value Stocks</td>
<td>Wedge</td>
<td>1.17%</td>
<td>4.61%</td>
<td>5.25%</td>
<td>20.51%</td>
<td>10.64%</td>
<td>15.49%</td>
<td>7.91%</td>
<td>10.32%</td>
</tr>
<tr>
<td>Russell 2000 Value Index</td>
<td></td>
<td>0.13%</td>
<td>4.58%</td>
<td>5.81%</td>
<td>24.81%</td>
<td>9.67%</td>
<td>13.58%</td>
<td>7.04%</td>
<td>9.83%</td>
</tr>
<tr>
<td>Int’l Equity Dev. Markets</td>
<td>MFS</td>
<td>2.89%</td>
<td>6.14%</td>
<td>29.89%</td>
<td>28.17%</td>
<td>10.16%</td>
<td>9.70%</td>
<td>-</td>
<td>5.04%</td>
</tr>
<tr>
<td>MSCI AC World ex-US Growth Index</td>
<td></td>
<td>2.40%</td>
<td>5.23%</td>
<td>27.81%</td>
<td>24.73%</td>
<td>7.40%</td>
<td>8.35%</td>
<td>-</td>
<td>2.10%</td>
</tr>
<tr>
<td>Emerging Market</td>
<td>State Street EM</td>
<td>3.40%</td>
<td>5.30%</td>
<td>32.08%</td>
<td>25.94%</td>
<td>26.56%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCSI World Emerging Market</td>
<td></td>
<td>3.51%</td>
<td>5.39%</td>
<td>32.26%</td>
<td>26.45%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Core Real Estate</td>
<td>UBS</td>
<td>1.48%</td>
<td>3.86%</td>
<td>5.38%</td>
<td>9.01%</td>
<td>9.60%</td>
<td>-</td>
<td>10.85%</td>
<td></td>
</tr>
<tr>
<td>NCREIF NFI-ODCE</td>
<td></td>
<td>1.87%</td>
<td>5.44%</td>
<td>7.67%</td>
<td>10.85%</td>
<td>11.60%</td>
<td>-</td>
<td>12.89%</td>
<td></td>
</tr>
<tr>
<td>Absolute Return</td>
<td>Lighthouse</td>
<td>1.40%</td>
<td>1.86%</td>
<td>4.76%</td>
<td>6.14%</td>
<td>4.61%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HFRI FoF Index</td>
<td></td>
<td>1.20%</td>
<td>2.45%</td>
<td>6.81%</td>
<td>8.04%</td>
<td>5.76%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Return</td>
<td>Sky Bridge</td>
<td>1.04%</td>
<td>2.54%</td>
<td>7.62%</td>
<td>9.62%</td>
<td>5.31%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HFRI FoF Index</td>
<td></td>
<td>1.20%</td>
<td>2.45%</td>
<td>6.81%</td>
<td>8.04%</td>
<td>5.76%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite Portfolio Returns</td>
<td></td>
<td>1.45%</td>
<td>3.44%</td>
<td>12.03%</td>
<td>15.41%</td>
<td>7.49%</td>
<td>9.45%</td>
<td>7.20%</td>
<td>8.34%</td>
</tr>
<tr>
<td>Policy Benchmark Returns</td>
<td></td>
<td>1.02%</td>
<td>2.80%</td>
<td>10.80%</td>
<td>13.76%</td>
<td>6.87%</td>
<td>8.61%</td>
<td>5.38%</td>
<td>6.19%</td>
</tr>
</tbody>
</table>

5 Funded April 1, 2009. Prior manager was Brandywine with the same benchmark.
6 Funded December 14, 2007. Prior managers were Putnam and Fidelity with MSCI EAFE as their benchmark.
7 Initially funded June 30, 2016
8 Initially funded July 1, 2010. UBS Realty Investors LLC with NCREIF NFI-ODCE as their benchmark. Report 45 days after quarter ended.
9 Funded January 28, 2016
10 Investment performances by prior managers are included in composite returns and historical policy benchmark returns.

**DODGE & COX** - The Fixed Income portfolio manager outperformed its benchmark in October 2017 by 0.06%. The portfolio’s shorter relative duration, overweight position to corporate bonds and strong corporate security selection all contributed to outperformance for the month.

**BOSTON PARTNERS** - The Domestic Large Cap Value Equity manager outperformed its policy benchmark in October 2017 by 1.25%. Stock selection in the healthcare, technology and finance sectors all contributed to outperformance for the month.

**WEDGE** - The Domestic Small Cap Value Equity manager outperformed its policy benchmark in October 2017 by 1.04%. Stock selection in the finance and consumer durables sectors both contributed to outperformance for the month.
MFS - The International Equity manager outperformed its policy benchmark in October 2017 by 0.49%. Stock selection within specials products & services and retailing both contributed to outperformance for the month.

LIGHTHOUSE - The Absolute Return manager outperformed its policy benchmark in October 2017 by 0.20%. Quantitative, relative value and international long / short strategies were all positive contributors for the month.

SKYBRIDGE - The Absolute Return manager underperformed its policy benchmark by 0.16% in October 2017. Relative value credit, convertible arbitrage, credit sensitive MBS, structured credit and event driven strategies were positive contributors for the month.

A 7.00% rate of return assumption is used in the annual actuarial analysis for the ATU Pension Plan. The results of the actuarial analysis determine VTA’s annual contribution rates. The annual returns for the ATU Pension Plan portfolio have been equivalent to or exceeded the 7.00% assumed rate of return 10 out of 14 years.

Historic Portfolio Performance (calendar year) for the last fourteen calendar years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance</th>
<th>Year</th>
<th>Performance</th>
<th>Year</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>21.5%</td>
<td>2008</td>
<td>-19.7%</td>
<td>2013</td>
<td>16.5%</td>
</tr>
<tr>
<td>2004</td>
<td>12.2%</td>
<td>2009</td>
<td>25.7%</td>
<td>2014</td>
<td>7.2%</td>
</tr>
<tr>
<td>2005</td>
<td>7.2%</td>
<td>2010</td>
<td>14.0%</td>
<td>2015</td>
<td>0.5%</td>
</tr>
<tr>
<td>2006</td>
<td>14.5%</td>
<td>2011</td>
<td>1.7%</td>
<td>2016</td>
<td>9.2%</td>
</tr>
<tr>
<td>2007</td>
<td>5.8%</td>
<td>2012</td>
<td>14.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ATU Spousal Medical Trust Fund, Dental, and Vision Plan

Asset allocation for the ATU Spousal Medical Trust Fund (including funds for dental and vision plans) is provided for in the SCVTA-ATU Pension Plan Investment Policy.

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Range</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Fixed Income</td>
<td>30-50%</td>
<td>38%</td>
<td>32%</td>
</tr>
<tr>
<td>Domestic Large Cap Index</td>
<td>50-70%</td>
<td>60%</td>
<td>64%</td>
</tr>
<tr>
<td>Cash</td>
<td>0-5%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

The ATU Spousal Medical Trust Fund composite portfolio outperformed its policy benchmark in the current month by 0.17%. The current yield for the fixed income portfolio is 3.94%.

Market performance for each money manager is summarized in the following table:

<table>
<thead>
<tr>
<th>Investment Performance as of October 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class</td>
</tr>
<tr>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>Fixed Income</td>
</tr>
<tr>
<td>Barclays US Aggregate Bond Index</td>
</tr>
<tr>
<td>Large-Cap Index</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
</tr>
<tr>
<td>Composite Portfolio Returns</td>
</tr>
<tr>
<td>Policy Benchmark Returns</td>
</tr>
</tbody>
</table>

DODGE & COX - The Fixed Income portfolio manager outperformed its benchmark in October 2017 by 0.08%. The portfolio’s shorter relative duration, overweight position to corporate bonds and strong corporate security selection all contributed to outperformance for the month.

Other Data

The valuation of VTA’s securities is provided by Interactive Data Corporation (IDC), Merrill Lynch Securities Pricing Service and Bloomberg Generic Pricing Service. These firms are the leading providers of global securities data. They offer the largest information databases with current and historical prices on securities traded in all major markets.

This report complies with VTA’s adopted investment policies. Based on budgeted revenues and expenditures as well as actual transfers to/from reserves, there are sufficient funds available to meet expenditure requirements for the six months ending April 30, 2018.

Prepared By: Sean Bill, Investment Program Manager
Memo No. 5859
### VTA INVESTMENT COMPOSITE PORTFOLIO PERFORMANCE.

**PER GENERAL LEDGER BALANCE - SETTLEMENT DATE**

**FOR THE MONTH OF OCTOBER 2017**

#### SUMMARY: OCTOBER 31, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal 18</th>
<th>Fiscal 18</th>
<th>Change for the Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sept-17</td>
<td>Oct-17</td>
<td>Year-to-Date</td>
</tr>
<tr>
<td></td>
<td>Book Value</td>
<td>Book Value</td>
<td>Earnings - $</td>
</tr>
<tr>
<td></td>
<td>/Cost</td>
<td>/Cost</td>
<td></td>
</tr>
<tr>
<td><strong>VTA FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - Fixed Income - Long-Term Investment Pool</td>
<td>211,392,591</td>
<td>211,924,467</td>
<td>508,375</td>
</tr>
<tr>
<td>2 - Fixed Income - Mid-Term Investment Pool</td>
<td>561,348,348</td>
<td>561,618,952</td>
<td>1,770,363</td>
</tr>
<tr>
<td>3 - Fixed Income - Short-Term Investment Pool</td>
<td>215,266,740</td>
<td>215,452,532</td>
<td>739,884</td>
</tr>
<tr>
<td>4 - VTA Bond Funds with Fiscal Agent (2)</td>
<td>75,155,365</td>
<td>67,283,211</td>
<td>84,942</td>
</tr>
<tr>
<td>5 - Funds with LAIF Investment Pool</td>
<td>51,000,000</td>
<td>50,000,000</td>
<td>115,317</td>
</tr>
<tr>
<td>6 - Funds with Union Bank-Congestion Management</td>
<td>1,875,894</td>
<td>1,873,664</td>
<td>525</td>
</tr>
<tr>
<td>7 - Funds with Union Bank-Measure B</td>
<td>9,976,318</td>
<td>10,642,994</td>
<td>3,262</td>
</tr>
<tr>
<td>8 - Funds with Union Bank Pooled DDA account</td>
<td>9,894,583</td>
<td>14,664,877</td>
<td>14,607</td>
</tr>
<tr>
<td><strong>Total VTA Funds</strong></td>
<td>1,135,909,839</td>
<td>1,133,460,697</td>
<td>3,237,275</td>
</tr>
</tbody>
</table>

| **RETIREES’ OPEB FUNDS** |           |           |                     |
| 1 - Retirees’ OPEB - Fixed Income | 62,080,846 | 62,249,196 | 749,949 | 945,014 | 195,065 |
| 2 - Retirees’ OPEB - State Street - Index | 51,302,619 | 51,302,619 | 4,141,419 | 4,141,419 | 0 |
| 3 - Retirees’ OPEB - State Street - EM | 16,000,000 | 16,000,000 | 0 | 0 | 0 |
| 4 - Retirees’ OPEB - US Core Real Estate - UBS | 30,000,000 | 30,000,000 | 0 | 0 | 0 |
| 5 - Retirees’ OPEB - Sky Bridge Capital | 11,000,000 | 11,000,000 | 0 | 0 | 0 |
| 6 - Retirees’ OPEB - Lighthouse Partners | 11,000,000 | 11,000,000 | 0 | 0 | 0 |
| **Total RETIREES’ OPEB Funds** | 181,383,465 | 181,551,815 | 4,891,368 | 5,086,433 | 195,065 |

| **ATU PENSION FUNDS** |           |           |                     |
| 1 - VTA/ATU Pension Fund - Fixed Income | 142,328,146 | 142,758,451 | 1,337,507 | 1,784,060 | 446,553 |
| 2 - VTA/ATU Pension Fund - Stock Large Cap Value - BOSTON | 70,593,129 | 71,032,511 | 1,209,558 | 1,648,670 | 439,112 |
| 3 - VTA/ATU Pension Fund - State Street - Index | 14,782,135 | 14,782,135 | 0 | 0 | 0 |
| 4 - VTA/ATU Pension Fund - Stock Small Cap Value - WEDGE | 44,508,129 | 45,063,821 | 333,326 | 1,389,558 | 556,232 |
| 5 - VTA/ATU Pension Fund - Intl - Equity Growth - MFS | 43,074,856 | 43,074,856 | 0 | 0 | 0 |
| 6 - VTA/ATU Pension Fund - Emerging Markets - State Street | 24,000,000 | 24,000,000 | 0 | 0 | 0 |
| 7 - VTA/ATU Pension Fund - US Core Real Estate - UBS | 25,000,000 | 25,000,000 | 8,402,142 | 8,402,142 | 0 |
| 8 - VTA/ATU Pension Fund - Sky Bridge Capital | 22,000,000 | 22,000,000 | 0 | 0 | 0 |
| 9 - VTA/ATU Pension Fund - Lighthouse Partners | 22,000,000 | 22,000,000 | 0 | 0 | 0 |
| **Total ATU Pension Funds** | 408,286,395 | 409,711,774 | 11,782,533 | 13,224,430 | 1,441,897 |

| **ATU SPOUSAL MEDICAL PLAN FUNDS** |           |           |                     |
| 1 - ATU Spousal Med Fund - Dodge & Cox - Index | 5,927,234 | 5,927,234 | 0 | 0 | 0 |
| 2 - ATU Spousal Med Fund - State Street - Index | 7,607,187 | 7,607,187 | 0 | 0 | 0 |
| **Total ATU Spousal Plan Funds** | 13,534,421 | 13,534,421 | 0 | 0 | 0 |

| **Total Investments** | 1,739,114,120 | 1,738,258,707 | 19,911,176 | 22,865,556 | 2,954,380 |

Legend:
1. Total includes contributions / withdrawals made during current month.
2. Bonds Reserves and/or Debt Service Funds
### VTA INVESTMENT COMPOSITE PORTFOLIO PERFORMANCE

**MONEY MANAGERS' TOTAL MARKET RETURN - TRADE DATE**

**FOR THE MONTH OF OCTOBER 2017**

**SUMMARY: October 31, 2017**

<table>
<thead>
<tr>
<th>Description</th>
<th>Prior</th>
<th>Current</th>
<th>Unrealized Gain/Loss</th>
<th>%Unrealized Gain/Loss</th>
<th>VTA Calendar YTD</th>
<th>Benchmark Calendar YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Fixed Income Long-Term Investment Pool</td>
<td>211,674,774</td>
<td>211,542,945</td>
<td>(131,829)</td>
<td>-0.06%</td>
<td>1.76%</td>
<td>0.78%</td>
</tr>
<tr>
<td>1 - Fixed Income Mid-Term Investment Pool</td>
<td>562,124,876</td>
<td>562,308,797</td>
<td>183,921</td>
<td>0.03%</td>
<td>1.17%</td>
<td>0.62%</td>
</tr>
<tr>
<td>2 - Fixed Income Short-Term Investment Pool</td>
<td>215,891,579</td>
<td>216,151,926</td>
<td>260,347</td>
<td>0.12%</td>
<td>1.13%</td>
<td>0.65%</td>
</tr>
<tr>
<td>3 - VTA Bond Funds with Fiscal Agents</td>
<td>75,155,365</td>
<td>67,283,211</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 - Funds with LAIF Investment Pool</td>
<td>51,000,000</td>
<td>50,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 - Funds with Union Bank-Congestion Management</td>
<td>9,976,318</td>
<td>10,642,994</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 - Funds with Union Bank-Measure B</td>
<td>1,875,894</td>
<td>1,873,664</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 - Funds with Union Bank DDA account</td>
<td>9,894,583</td>
<td>14,664,877</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total VTA Funds</strong></td>
<td><strong>1,137,593,389</strong></td>
<td><strong>1,134,468,414</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - Retirees' OPEB - Fixed Income</td>
<td>64,106,277</td>
<td>64,219,666</td>
<td>113,389</td>
<td>0.18%</td>
<td>4.71%</td>
<td>3.21%</td>
</tr>
<tr>
<td>2 - Retirees' OPEB - State Street - Index</td>
<td>163,618,980</td>
<td>167,425,229</td>
<td>3,806,249</td>
<td>2.33%</td>
<td>16.86%</td>
<td>16.92%</td>
</tr>
<tr>
<td>3 - Retirees' OPEB - State Street EM</td>
<td>21,182,397</td>
<td>21,902,782</td>
<td>720,385</td>
<td>3.40%</td>
<td>32.08%</td>
<td>32.26%</td>
</tr>
<tr>
<td>3 - Retirees' OPEB - US Core Real Estate (2)</td>
<td>32,898,938</td>
<td>32,898,938</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 - Retirees' OPEB - Sky Bridge (2)</td>
<td>11,800,759</td>
<td>11,800,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 - Retirees' OPEB - Lighthouse (2)</td>
<td>11,850,838</td>
<td>11,850,838</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Retirees' OPEB Funds</strong></td>
<td><strong>305,458,189</strong></td>
<td><strong>310,098,212</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - VTA/ATU Pension Fund-Fixed Income</td>
<td>146,478,741</td>
<td>146,658,303</td>
<td>179,562</td>
<td>0.12%</td>
<td>4.42%</td>
<td>3.21%</td>
</tr>
<tr>
<td>2 - VTA/ATU Pension Fund-Stock Large Cap Value</td>
<td>88,246,072</td>
<td>89,992,216</td>
<td>1,746,144</td>
<td>1.98%</td>
<td>14.31%</td>
<td>8.69%</td>
</tr>
<tr>
<td>3 - VTA/ATU Pension Fund-State Street - Index</td>
<td>58,240,673</td>
<td>59,595,519</td>
<td>1,354,846</td>
<td>2.33%</td>
<td>16.86%</td>
<td>16.92%</td>
</tr>
<tr>
<td>4 - VTA/ATU Pension Fund-Stock Small Cap Value</td>
<td>57,609,374</td>
<td>58,281,761</td>
<td>672,387</td>
<td>1.17%</td>
<td>5.25%</td>
<td>5.81%</td>
</tr>
<tr>
<td>5 - VTA/ATU Pension Fund- Int'l - Equity Growth</td>
<td>78,006,692</td>
<td>80,257,304</td>
<td>2,250,612</td>
<td>2.89%</td>
<td>29.89%</td>
<td>27.81%</td>
</tr>
<tr>
<td>6 - VTA/ATU Pension Fund- Emerging Markets S. Street</td>
<td>31,773,595</td>
<td>32,854,173</td>
<td>1,080,578</td>
<td>3.40%</td>
<td>32.08%</td>
<td>32.26%</td>
</tr>
<tr>
<td>7 - VTA/ATU Pension Fund- US Core Real Estate (2)</td>
<td>51,905,558</td>
<td>51,905,558</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 - VTA/ATU Pension Fund- Sky Bridge (2)</td>
<td>23,601,517</td>
<td>23,601,517</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 - VTA/ATU Pension Fund- Lighthouse (2)</td>
<td>23,701,676</td>
<td>23,701,676</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Pension Fund</strong></td>
<td><strong>559,563,898</strong></td>
<td><strong>566,488,027</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - ATU Spousal Med Fund - Dodge &amp; Cox - Index</td>
<td>9,054,503</td>
<td>9,067,616</td>
<td>13,113</td>
<td>0.14%</td>
<td>4.01%</td>
<td>3.21%</td>
</tr>
<tr>
<td>2 - ATU Spousal Med Fund-State Street - Index</td>
<td>17,693,655</td>
<td>18,105,260</td>
<td>411,605</td>
<td>2.33%</td>
<td>16.86%</td>
<td>16.92%</td>
</tr>
<tr>
<td><strong>Total ATU Spousal Funds</strong></td>
<td><strong>26,748,158</strong></td>
<td><strong>27,172,876</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>2,029,363,634</strong></td>
<td><strong>2,038,587,529</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend:**

(1) Total includes contributions / withdrawals made during current month.

(2) Performance reported quarterly.
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Administration & Finance Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Director of Marketing & Customer Service, Bernice Alaniz

SUBJECT: Outfront Media Contract Amendment

Policy-Related Action: No

Government Code Section 84308 Applies: Yes

ACTION ITEM

RECOMMENDATION:

Recommend that the VTA Board of Directors authorize the General Manager to execute an amendment to the cost reimbursable portion of the contract with OUTFRONT Media Group for an amount of $500,000 to the current amount of $490,000 to fabricate, print and install decals, signage and wraps on VTA Bus and light rail vehicles, light rail station platforms and additional VTA assets. The total compensation value on this Contract will be $990,000.

BACKGROUND:

As is customary for public transportation agencies in the United States, VTA contracts with one firm to manage, sell, produce and post advertisements on the interiors and exteriors of its transit vehicles and other VTA assets. Under this contract, OUTFRONT Media Group LLC has the exclusive right to sell the advertising space on behalf of VTA. A Request for Proposals (RFP) was issued on February 25, 2016 to solicit firms that specialize in transit and outdoor advertising to provide transit advertising services utilizing VTA’s fleet of buses, light rail vehicles and other transit assets to maximize advertising income for VTA. On June 2, 2016, the VTA Board approved a revenue contract with Outfront Media Group, LLC (formerly CBS Outdoor) for a Minimum Guaranteed Income (MAG) of $12,250,000 through December 31, 2021. This solicitation included work, separate from the revenue services, to be performed by the Contractor on a cost reimbursement basis for fabrication and installation of materials for VTA campaigns and related work.
DISCUSSION:

VTA provides its advertising contractor with approximately 85% of its advertising space and 15% of the asset inventory is reserved for VTA purposed advertising including community events and causes. Per the contract Outfront Media does not charge VTA for labor to install the VTA purposed ads utilizing the VTA reserved inventory. VTA does incur costs for printing and installation of ads, decals and wraps and any utilization of space beyond the allocated inventory or assets not included in the contract.

VTA’s comprehensive marketing plan and associated efforts for the new transit service redesign, as well as the phased in implementation of VTA’s new brand will be utilizing assets in addition to what is included in the existing Outfront contract and VTA will be incurring costs for printing, decal fabrication and installation from Outfront Media. Outfront Media is currently the only authorized advertising vendor allowed to be on VTA property and work on VTA advertising installations. In addition, prior to execution of the Outfront Media Group, LLC contract, VTA had a transit and outdoor revenue advertising contract with LAMAR Transit Advertising. Lamar did not have local billboards in its advertising inventory, so VTA either direct purchased or utilized a purchase order from a separate outdoor vendor such as OUTFRONT Media Group to advertise on Billboards. OUTFRONT Media Group is the largest transit and outdoor advertising company in North America and has an extensive inventory of outdoor space of which VTA plans to utilize in upcoming promotions. VTA can now utilize the existing OUTFRONT Media contract to purchase outdoor advertising. Amending the OUTFRONT contract will allow VTA to execute its comprehensive marketing plan for the transit service redesign and continue phasing in its new brand.

ALTERNATIVES:

The Board could decide not to amend the OUTFRONT contract to include additional VTA advertising and installations. VTA would be required to solicit services from other outdoor vendors.

FISCAL IMPACT:

This action will authorize up to an additional $500,000 for the fabrication, printing and installation of decals, signage and wraps on VTA Bus and light rail vehicles, light rail station platforms and additional VTA assets. Appropriation for expenditures through June 30, 2019 is included in the FY18 & FY19 Adopted VTA Transit Fund Operating Budget. Appropriation for the remainder of the contract period will be included in subsequent Biennial Operating Budgets.

Prepared by: Bernice Alaniz
Memo No. 6348

ATTACHMENTS:

- Outfront Media Attachment (PDF)
Attachment A

Outfront Media Contract Amendment
List of Consultant(s)

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Name</th>
<th>Role</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outfront Media Group, LLC</td>
<td>Andrew Sriubas</td>
<td>Exec. Vice President Strategic Planning and Development</td>
<td>405 Lexington Avenue, New York, NY 10174</td>
</tr>
</tbody>
</table>
BOORD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Administration & Finance Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Director of Business Services, Alberto Lara

SUBJECT: Closed Circuit Television on Light Rail Vehicles Contract Award

Policy-Related Action: No
Government Code Section 84308 Applies: Yes

ACTION ITEM

RECOMMENDATION:

Recommend that the VTA Board of Directors authorize the General Manager to execute a contract with Allied Telesis in an amount not to exceed $7,407,750 for the procurement and installation and five year warranty of mobile Closed Circuit Television (CCTV) systems in 99 light rail vehicles.

BACKGROUND:

This project will procure and install new CCTV systems, cameras, Mobile Digital Video Recorders (MDVRs), digital image storage, spare parts, network backhaul, train yard connectivity, light rail station connectivity, training, support, five year system warranty, spare parts, and all associated hardware and software on all 99 light rail vehicles in VTA’s active fleet. The existing systems were installed starting in 2003; they have become obsolete and are no longer supported by the manufacturer. This contract will enhance and expand the existing mobile CCTV program which includes VTA’s light rail station, light rail vehicle and Guadalupe train yard to a newer digital high-definition CCTV system.

DISCUSSION:

Since the obsolete and low-resolution CCTV systems are no longer supported by the manufacturer, VTA is not able to obtain spare parts and support contracts are becoming more and more costly. The new systems will include wireless connectivity for downloading audio, video, system health and maintenance information. The automated system health and maintenance information will automatically validate optimal system operation (cameras,
MDVRs, connectivity) with limited staff involvement thus eliminating the manual, labor intensive, testing of the CCTV systems for fail safe system functionality. VTA staff will have increased capability to remotely access on-board video. The manual pull of video “packs” from each light rail vehicle will be greatly reduced and is expected to result in a significant labor savings. The new system will also include portable wireless kits that will give Transit Patrol and Security Staff the ability to wirelessly connect to a light rail vehicle and view live video in an emergency or ad-hoc situation. This contract will allow for the installation of larger data packs which will increase the video quality and the number of hours of video storage available for review.

The Closed Circuit Television on light rail vehicle Request for Proposal (RFP) was advertised on August 3, 2017. Over 100 firms registered for and downloaded the RFP. The pre-proposal conference had eighteen vendors in attendance. An onsite tour of VTA’s train facilities and a tour of a sample light rail train were held on August 30, 2017 with eleven vendors in attendance.

Proposals were received by September 19, 2017, the proposals were evaluated by a team of subject matter experts from VTA’s Operations, Safety, Security, Risk Management, and Technology Divisions. The selection was based on the following criteria, as outlined in the RFP:

1. Project Plan, Work Schedule, and Quality of the Proposal
2. Compliance with System Requirements
3. Technical Solution and Innovation
4. Cost, Price and Best Value to VTA
5. General Information and Qualifications of Firm
6. Project Staff Qualifications
7. Warranty and long-term support plan

Proposals were received from the following firms:

- Allied Telesis
- Apollo Video Technology Solutions
- Kratos Defense and Security Solutions
- Minuteman Security Technologies

The VTA proposal review board recommends Allied Telesis as the most responsive bidder that best met the terms and conditions of this project and who offered VTA the best value over the life of the equipment. Allied Telesis’s proposal was the only one that provided for the installation of a digital, high-definition CCTV hardware and software platform across light rail vehicles and backhaul at the Guadalupe Yard and end of line stations. The system shall include CCTV systems, cameras, MDVRs, digital image storage, spare parts, network backhaul, train yard connectivity, light rail station connectivity, user training, support, system warranty and all associated hardware and software on all 99 light rail vehicles in VTA’s active fleet. A uniform CCTV platform is more efficient and effective for VTA; as it provides for lower training costs, operation costs, spare parts stocking and shorter down times.
Allied Telesis's proposal and equipment was measurably easier to use, they showed a deep understanding of our train “consist” considerations, had a qualified, licensed installer identified, had a technical plan for passing data across a trains articulation point, their design leveraged our existing wireless network(s), it included an extended useful life upgrades, and provides superior reporting capabilities on usage.

VTA staff has completed a bid analysis, and has determined the Allied Telesis bid to be fair and reasonable while offering VTA the best long-term value over the life of the installation. Although the bid was not selected on a low-bid basis, the proposal is 8% under the Engineer’s Estimate.

Installation is scheduled to begin in January 2018 with completion in January 2019.

**ALTERNATIVES:**

The Board can direct staff to consider an alternate bid; or continue to operate the obsolete video systems, however with increasing failure rates, an inability to obtain necessary spare parts for repairs and replacements, and potential loss of grant funding.

**DISADVANTAGED BUSINESS ENTERPRISE (DBE) PARTICIPATION:**

Based on the limited scope of work, no specific goal has been established by the VTA Office of Business Diversity Programs for this contract. The successful vendor is encouraged to make reasonable efforts to meet VTA’s DBE Overall Goal of 13% for Federal Fiscal Year 2017-2019 and utilize DBEs in its procurement of ancillary services and products associated with the performance of this contract. Although there is no DBE goal requirement, Allied Telesis has committed to at least 16% DBE participation on this contract.

**FISCAL IMPACT:**

This action will authorize an amount not to exceed $7,407,750 for the procurement, installation, and five year warranty of mobile CCTV systems in 99 light rail vehicles. Appropriation for this expenditure is included in the FY18 Adopted VTA Transit Fund Capital Budget. This contract is funded by California Proposition 1B Transit Security Grants and VTA local funds.

Prepared by: Richard Bertalan
Memo No. 6207

**ATTACHMENTS:**

- Government Section Code 84308 - for Item #6207 CCTV for Irvs (PDF)
Attachment A

Closed Circuit Television on Light Rail Vehicles Contract Award

List of Consultant(s)/Contractor(s)

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Name</th>
<th>Role</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allied Telesis</td>
<td>Tim Hopkins</td>
<td>VP of Engineering and Security Systems</td>
<td>San Jose, CA</td>
</tr>
<tr>
<td>iTech Solutions (Sub-contractor)</td>
<td>Miguel Plascencia</td>
<td>Owner</td>
<td>San Jose, CA</td>
</tr>
<tr>
<td>Tactical Micro (Sub-contractor)</td>
<td>Eric Balgoyen</td>
<td>Sr. Project Manager</td>
<td>Fredericksburg, VA</td>
</tr>
</tbody>
</table>
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Administration & Finance Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Chief Financial Officer, Raj Srinath

SUBJECT: Authorization for Addition of Sites to VTA Joint Development Portfolio

Policy-Related Action: Yes  Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Recommend that the VTA Board of Directors authorize the addition of the following properties to the VTA’s Joint Development Portfolio:

1. the construction staging areas at the new Milpitas Transit Center and the Berryessa/North San Jose Transit Center, and

2. all future properties acquired for implementation of approved capital projects, including the BART to Silicon Valley Phase II Project, where VTA is the fee owner of the property and when such properties are no longer needed for construction purposes.

BACKGROUND:

The Federal Transit Administration (FTA) requires that for real estate parcels acquired with federal assistance prior to December 26, 2014, VTA must maintain an Excess Real Property Inventory and Utilization Plan. For real estate parcels acquired with federal assistance after that date, VTA is required to maintain a Real Property Inventory.

VTA has met this requirement since 2009 through the adoption and implementation of its Joint Development Policy (JD Policy). Part I Section IV and Part II Section II of the JD Policy describe the processes for VTA to evaluate its real estate assets that are available for revenue generation in order to identify them for permanent disposition or joint development pursuant to FTA requirements.
Properties identified for addition to the Joint Development Portfolio are intended to represent a subset of real estate assets for revenue generation that have reasonable potential for Joint Development over time, with an emphasis on strong viability for Transit-Oriented Development (TOD) and/or long-term revenue potential through a ground lease or joint venture arrangement. By comparison, properties identified for permanent disposition offer limited Joint Development potential due to factors such as complexity of local land use entitlements or other factors affecting their development feasibility.

Properties identified for permanent disposition are intended to be sold at fair market value, pursuant to the FTA Award Management Requirements Circular (FTA C 5010.1E). The Circular requires that any federal interest in the property must be repaid to the federal government based on the percentage of federal interest applied to current fair market value, along with the undepreciated portion of any improvements paid for with federal funds.

Properties identified for Joint Development may be either sold or ground leased, provided the federal interest in the property is maintained and VTA maintains satisfactory continuing control over the property, pursuant to the FTA Joint Development Circular (FTA C 7050.1A). The proceeds must be greater than the federal interest (unless the property is utilized for public purposes, including affordable housing) and the project must meet multiple tests in the Circular to qualify as an eligible Joint Development projects. VTA is allowed to retain all proceeds from Joint Development projects and apply them to FTA eligible capital or operating expenses.

Since 2009, the Board has authorized 23 properties for the Joint Development Portfolio, as shown on Attachment B. Since that time, VTA has also completed the permanent disposition of 7 properties, which has generated $28 million in proceeds.

**DISCUSSION:**

With the wrapping up of construction for the BART Silicon Valley Berryessa Extension Project (SVBX), the large sites at the new Milpitas and Berryessa Transit Centers are no longer needed to support SVBX construction activities. (See Exhibit A.) They have been identified as presenting a future opportunity for high value mixed-use Transit-Oriented Development.

The new Milpitas Transit Center site is approximately 1.7 acres. Pursuant to the City of Milpitas Transit Area Specific Plan, it is designated for high-density residential or commercial development. In addition, adjacent to South Milpitas Boulevard extension south of Montague Expressway, there are a couple of small remnant parcels from property acquisitions for the new roadway extension. These parcels are too small for development on their own; however, they are adjacent to privately owned parcels that staff expects private developers may wish to assemble in the near-term based on market activity. Designation of these remnant parcels for Joint Development would allow VTA to work with a future developer of the adjacent property and seek to encourage high-quality TOD at the east end of the Transit Center.

The Berryessa/North San Jose Transit Center site is approximately 2.5 acres. The City of San Jose intends to begin preparation of the Berryessa Urban Village Plan in mid-2018, and VTA will seek for the Plan to designate the area for mixed-use TOD. (The City’s General Plan currently designates it for Light Industrial.)
Addition of the new Milpitas Transit Center and Berryessa Transit Center properties to the Joint Development Portfolio would allow staff to 1) conduct analysis to identify and define Joint Development opportunities, 2) support Berryessa Urban Village Plan development, and 3) request the Board for authority to issue a Joint Development Request for Proposals (or in the case of the remnant parcels, request authority to negotiate with a developer on an assemblage). Even after inclusion of the properties to the Joint Development Portfolio, no actions could be taken for any of these properties without additional authorization from the Board.

The Board’s authorization of the automatic addition to the Joint Development Portfolio of other properties no longer necessary for the construction of a project would facilitate staff’s ability to conduct development feasibility analysis and other pre-development work. No action could be taken regarding future properties added to the Joint Development Portfolio without additional authorization from the Board.

This item does not affect the Great Mall Transit Center, whose transit function will be relocated to the new Milpitas Transit Center when BART revenue service commences. At its December 7, 2018 meeting, the Board directed staff to conduct additional analysis and present the findings at a future Board meeting in order to inform any potential Board decision on whether to designate this property for permanent disposition or other action.

**ALTERNATIVES:**

The Board could direct staff to evaluate the two new sites for disposition, including evaluation of the amount of any reimbursement to the federal government. For future sites, the Board could direct that each individual site requires Board approval prior to its being added to the Joint Development Portfolio.

**FISCAL IMPACT:**

The addition of the two sites, and other future sites, to VTA’s Joint Development Portfolio does not in itself generate revenues or incur any expenses. Future actions that could be authorized at a later time by the Board of Directors, such as issuance of a developer RFP, award of an Exclusive Negotiations Agreement, and/or approval of a Joint Development agreement, would be expected to have fiscal impacts that would be identified at the time the item is presented to the Board.

Prepared by: Ron Golem
Memo No. 6382
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Administration & Finance Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Director of Government & Public Relations, Jim Lawson

SUBJECT: 2018 Legislative Program

Policy-Related Action: Yes  Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Recommend that the VTA Board of Directors approve the 2018 Legislative Program for the Santa Clara Valley Transportation Authority (VTA).

BACKGROUND:

VTA annually adopts a Legislative Program to provide direction for its policy and legislative activities for the year. The purpose of the Legislative Program is to establish financial, statutory, regulatory, and administrative policies and principles to guide VTA’s advocacy efforts at the federal, state and regional levels. The program is meant to be flexible in order to give VTA the ability to pursue unanticipated legislative and administrative opportunities that may present themselves during the course of the year, and to respond in an expeditious manner to the dynamic political and policy environments in Washington, DC, Sacramento and the Bay Area.

DISCUSSION:

As in past years, the recommended 2018 Legislative Program is divided into three sections: (1) Federal; (2) State; and (3) Regional. Each section consists of a summary of the key policy issues that potentially could be considered and a series of related advocacy principles.

Federal Section: With the federal surface transportation authorization bill, known as the Fixing America’s Surface Transportation (FAST) Act, in place through FY 2020, the focus of the Federal Section is on the FY 2019 appropriations process. In recent years, the appropriations
process has been complicated by the Budget Control Act of 2011, which imposed caps on General Fund spending for both defense and domestic discretionary programs, coupled with reductions in the federal deficit. These spending caps have been adjusted through subsequent budget agreements to avoid the implementation of automatic, across-the-board spending cuts through a process known as “sequestration.”

The majority of surface transportation programs are not supported by the General Fund, but fall under the Highway Trust Fund, and are therefore exempt from the spending caps and sequestration. Certain surface transportation programs, most notably the Capital Investment Grant Program (CIG), which includes New Starts, Small Starts and Core Capacity projects, and the Transportation Investment Generating Economic Recovery Program (TIGER), do receive General Fund money and would be impacted by sequestration. Thus, the recommended 2018 Legislative Program notes that VTA will continue to work with the American Public Transportation Association (APTA), the Capital Investment Grants Working Group and other relevant transportation stakeholders to protect General Fund surface transportation programs in congressional deliberations on future budget agreements. The continued availability of the Capital Investment Grant Program is a key funding component of the Silicon Valley BART Extension Project.

In addition, VTA will advocate for the highest possible levels of overall appropriations for highways and public transit in FY 2019, as well as for individual programs within the Highway and Transit Titles. The key federal surface transportation programs for VTA are: (a) the Urbanized Area (UZA), State of Good Repair and Bus/Bus Facilities Formula Programs; (b) the Capital Investment Grant Program; (c) the Surface Transportation Block Grant Program (STBGP); and (d) the Congestion Mitigation and Air Quality Improvement Program (CMAQ). At a minimum, these programs should receive FY 2019 appropriations consistent with the amounts authorized in the FAST Act.

The recommended 2018 Legislative Program supports efforts to preserve the CIG program. Efforts will focus on persuading the Administration to continue advancing projects through the CIG process and award new multi-year Full Funding Grant Agreements (FFGAs), as well as provide funding for new projects that have not yet been awarded funding agreements. VTA will continue to provide advocacy support, as needed, to advance the second phase of VTA’s BART Silicon Valley Extension Project through the New Starts process.

The other subjects covered in the Federal Section are: (1) the Administration’s infrastructure investment initiative; (2) the aviation fuel tax; (3) clean-fuel vehicles; and (4) public employees’ retirement. Some of the key advocacy principles related to these areas are as follows:

- Advocate for supplemental funding for the existing FTA formula programs, the Capital Investment Grant Program, STBGP, and CMAQ as part of the Administration’s proposed infrastructure investment initiative.

- Work with the Self-Help Counties Coalition on a coordinated strategy advocating for the
inclusion of language in the Federal Aviation Administration (FAA) reauthorization bill clarifying that local taxes on aviation fuel are limited to fuel excise taxes, and do not cover state or local general sales taxes imposed on a wide variety of products and transactions. Oppose efforts to eliminate the transit commuter tax benefit as part of the comprehensive overhaul of the federal tax code.

- Support the California Transit Association’s efforts to permanently reinstate the alternative-fuels excise tax credit currently available for compressed and liquefied natural gas buses, and amend it to include electricity and power infrastructure related to electric and hybrid-electric buses.

- Continue to work with the California Transit Association to clarify PEPRA as it applies to transit employees under Section 13(c) of the Federal Transit Act and ensure that the U.S. Department of Labor certifies federal grants submitted by California public transit agencies without additional conditions.

State Section: When the second year of the 2017-2018 legislative session begins in January, it will follow an historic year for transportation funding legislation. With the signing of SB 1 (Beall) the “Road Repair and Accountability Act of 2017”, SB 595 (Beall) the “Regional Measure 3” bill authorizing a Bay Area bridge toll increase, and SB 797 (Hill) which authorizes a future sales tax measure to support Caltrain operations and capital costs, the Legislature made clear the state’s renewed commitment to building and rehabilitating California’s transportation infrastructure. This is a dramatic change that attempts to address years of chronic underinvestment in the transportation. In 2018 VTA and its transportation partners will advocate to protect existing revenue sources from elimination or redirection to other purposes, and to encourage public awareness of the benefits of investment in transportation.

The most comprehensive and significant funding package in more than two decades, SB 1 is projected to generate more than $5 billion annually to address a range of transportation needs across California, by bolstering some existing cap-and-trade programs and establishing several significant new programs and policy reforms. Without the funding provided through SB 1, California simply does not have comparable alternative funding sources to address rapidly deteriorating pavement conditions and public transit funding shortfalls, resulting in increased costs to the state and cities/counties, as well as impacts to public safety and California’s economic competitiveness. Subject to voter approval, all new revenues would be protected from diversion or borrowing for non-transportation purposes through ACA 5 (Frazier), a companion constitutional amendment that will appear on the June 2018 ballot.

SB 595 (Beall) provides the Metropolitan Transportation Commission (MTC), acting as the Bay Area Toll Authority (BATA), with the statutory authority to pursue voter approval for a bridge toll increase in an amount not to exceed $3 to fund projects and programs that reduce congestion or make travel improvements in the toll bridge corridors. SB 595 provides funding for several regionally significant projects located in Santa Clara County, including the expansion of the San Jose Diridon Station Complex, BART Silicon Valley Extension Project Phase 2, and the
Eastridge to BART Regional Connector. Express lanes projects in Santa Clara County are also eligible to compete for a portion of the $300 million dedicated to the Bay Area Express Lane Network. Finally, SB 797 (Hill) authorizes the Peninsula Corridor Joint Powers Board (JPB) to submit to the voters of San Francisco, San Mateo and Santa Clara Counties a ballot measure proposing a sales tax at a rate not to exceed 1/8 percent that would fund Caltrain operating and capital expenditures. In the coming year, VTA will work together with our transportation partners to demonstrate the benefits to Santa Clara County as a result of recently enacted funding measures generated by SB 1 and others. The recommended 2018 Legislative Program includes a series of advocacy principles related to this subject.

Other policy issues addressed in the State Section of the recommended 2018 Legislative Program are: (1) climate change; (2) high-speed rail; (3) project delivery; (4) the State Transit Assistance Program (STA); (5) transit service delivery; and (6) bicycle and pedestrian safety. Some of the key advocacy principles related to these subjects are as follows:

- Support efforts to strengthen the cap-and-trade program as a source of transportation funding, either through an increase in continuous appropriations to one or both of Transit and Intercity Rail Capital and Low Carbon Transit Operations Programs or additional one-time appropriations to either program. Seek improvements to the Affordable Housing and Sustainable Communities Program in a way that would enable more direct investment in transportation improvements and eliminate any barriers to greater participation in the program by transportation agencies. Support efforts that encourage transit-oriented development to further the state’s climate change goals.

- Partner with the Metropolitan Transportation Commission (MTC) and other Bay Area transportation entities to support efforts to revise the definition of disadvantaged communities as it relates to cap-and-trade funding to better align it with the region’s definition of “communities of concern,” and include a greater proportion of the region’s low-income census tracts.

- Actively participate in the California Transit Association’s efforts with CARB, the California Public Utilities Commission (CPUC) and the Legislature to ensure that any strategies contemplating greater emissions reductions from public transit or the electrification of transit operations are carried forward in a manageable, reasonable and cost-effective manner.

- Work with the High-Speed Rail Authority, MTC, Caltrain, and other regional partners to pursue actions at the state and federal levels, as necessary, to help ensure the timely implementation of the financial strategy for the Caltrain Electrification Project.

- Support legislation to reinstate the statutory authority for Caltrans and regional transportation agencies, including VTA, to utilize public-private partnerships for state highway projects.
• Actively participate in and support the California Transit Association’s efforts to provide statutory authorization for additional public transit agencies to operate buses on the shoulders of state highways.

• Partner with the city of San José and others to support legislation that would help cities achieve the goals of Vision Zero, including proposals to enhance the enforcement of traffic laws protecting bicyclists and pedestrians.

Regional Section: This section provides advocacy principles related to MTC, San Francisco Bay Area Rapid Transit (BART), the Caltrain Commuter Rail Service and the Capitol Corridor Intercity Rail Service. Some of the key advocacy principles are as follows:

• Strive to ensure that any allocation of regional discretionary funds by MTC results in Santa Clara County receiving no less than its population-based share. In addition, seek to secure regional discretionary funding for high-priority projects in Santa Clara County, including Phase 2 of VTA’s Silicon Valley BART Extension Project, the Eastridge to BART Regional Connector, Vasona Light Rail extension and the Santa Clara County Express Lanes.

• Ensure continued regional support on the part of MTC for cap-and-trade funding for BART Phase 2 from the Transit and Intercity Rail Capital Program.

• Support the establishment of communications and governance protocols that allow VTA and BART to find mutually agreeable solutions to future issues as they arise, while minimizing impacts to BART customers in Santa Clara County and throughout the BART district.

• Retain complete autonomy for developing, constructing and operating express lanes in Santa Clara County, while working with MTC to ensure consistency for Bay Area motorists, to the extent practicable, among different express lane corridors in the region. In addition, oppose any efforts to divert any express lane revenues generated by corridors within Santa Clara County to fund corridors in other parts of the Bay Area.

• Work to ensure that the Caltrain Electrification Project is delivered in an efficient and cost effective manner that protects the interests of VTA and Santa Clara County.

• Work in partnership with the Capitol Corridor Joint Powers Authority (JPA) to pursue additional sources of funding to support the enhancement and expansion of the Capitol Corridor service.

ALTERNATIVES:

It is necessary for VTA to have a Legislative Program in place to be prepared to address policy
and legislative issues that may arise in Washington, DC, Sacramento and the Bay Area during the year. The Board of Directors may elect to add other elements to VTA’s 2018 Legislative Program, or to modify or delete elements contained in the recommended program.

**FISCAL IMPACT:**

There is no fiscal impact associated with this recommendation.

Prepared by: Aaron Quigley
Memo No. 6373

**ATTACHMENTS:**

- 2018 VTA Legislative Program v8 0 (PDF)
Santa Clara Valley Transportation Authority

2018 Legislative Program

Government Affairs Office
3331 North First Street
San Jose, California 95134
Telephone: (408) 321-5556
Fax: (408) 955-9723
EXECUTIVE SUMMARY

The Santa Clara Valley Transportation Authority (VTA) annually adopts a Legislative Program to provide direction for its policy and legislative activities for the year. The purpose of the Legislative Program is to establish financial, statutory, regulatory, and administrative policies and principles to guide VTA’s advocacy efforts at the federal, state and regional levels. The program is meant to be flexible in order to give VTA the ability to pursue unanticipated legislative and administrative opportunities that may present themselves during the course of the year, and to respond in an expeditious manner to the dynamic political and policy environments in Washington, DC, Sacramento and the Bay Area.

The 2018 Legislative Program provides a summary of key policy issues to be considered and related principles that will guide VTA’s advocacy at the federal, state and regional levels.

FEDERAL

The Federal Section of VTA’s 2018 Legislative Program is divided into the following policy areas:

1. FY 2019 Transportation Appropriations.
2. Infrastructure Investment Initiatives.
3. Aviation Fuel Tax.
5. Public Employees’ Retirement.

FY 2019 TRANSPORTATION APPROPRIATIONS

Every year, Congress considers appropriations bills for all federal agencies, departments and programs. These measures provide the legal authority for federal agencies to spend money during the upcoming fiscal year for the programs they administer. In developing these appropriations bills, Congress may allocate funding for programs within a particular policy area up to the maximum amount included in the related authorizing legislation. In the case of surface transportation, the annual appropriations process is guided by the Fixing America’s Surface Transportation (FAST) Act.

In recent years, the appropriations process has been complicated by the Budget Control Act of 2011, which imposed caps on General Fund spending for both defense and domestic discretionary programs, coupled with corresponding reductions in the federal deficit. In the case of the latter, the Budget Control Act identified an initial $1.5 trillion in deficit reduction measures to be implemented over 10 years. In addition, the act called upon Congress to come up with another $1.2 trillion in deficit reduction measures over 10 years by December 2011; otherwise, an equivalent amount of across-the-board cuts would automatically occur through a process known as “sequestration.”

Congress was unsuccessful in reaching an agreement on the additional $1.2 trillion in deficit reduction measures as required under the Budget Control Act. However, lawmakers have prevented sequestration from being triggered on several occasions by negotiating budget deals that temporarily raised the General Fund spending caps. The most recent agreement covered FY 2016 and FY 2017, and was set to
expire on September 30, 2017 before Congress suspended the debt limits through December 8, 2017. This action was included in H.R.601, the “Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017”, signed into law on September 8. Known as the FY 2018 Continuing Resolution (CR), it prevented a government shutdown when the new federal fiscal year began on October 1, and provided Congress more time to approve FY 2018 appropriations bills and deliberate on an agreement on budget caps for FY 2018 and FY 2019. Such a deal could increase defense spending in FY 2018 by $54 billion and domestic spending by $37 billion. In FY 2019, these numbers are expected to rise again, by $13 billion each. Without new sources of transportation funding in proposed tax reforms being debated at the end of 2017, the spending cap increases may provide an indication of support for any potential new federal funding to support future infrastructure initiatives. Little time remains in the 2017 calendar year for Congress to approve appropriations bills. Therefore it is likely that Congress may approve an additional CR and the prospect of sequestration being triggered could resurface in 2018. As part of our efforts regarding the appropriations bill covering the remainder of FY 2018, VTA will advocate for an appropriations level for the Capital Investment Grant Program that would allow VTA’s BART Silicon Valley Berryessa Extension Project to receive an allocation from the Federal Transit Administration (FTA) equivalent to the amount needed to close out the project’s Full Funding Grant Agreement (FFGA).

Most surface transportation programs fall under the Highway Trust Fund, and are exempt from the spending caps and sequestration, which apply to General Fund programs. However, those surface transportation programs that receive General Fund money are impacted, most notably the Federal Transit Administration’s (FTA) Capital Investment Grant Program, which includes New Starts, Small Starts and Core Capacity projects, and the Transportation Investment Generating Economic Recovery Program (TIGER). The Trump Administration’s initial FY 2018 budget proposal signaled the intent to phase out the Capital Investment Grant program in future years, after completing existing funding multi-year agreements.

In general, VTA’s advocacy efforts with regard to the FY 2019 federal transportation appropriations process will emphasize the following:

- Advocate for the highest possible levels of overall funding for highways and public transit, as well as for individual programs within the Highway and Transit Titles. The key federal surface transportation programs for VTA are: (a) the Urbanized Area (UZA), State of Good Repair and Bus/Bus Facilities Formula Programs; (b) the Capital Investment Grant Program; (c) the Surface Transportation Block Grant Program (STBGP); and (d) the Congestion Mitigation and Air Quality Improvement Program (CMAQ). At a minimum, these programs should receive appropriations consistent with the amounts authorized in the FAST Act.

- Work with the American Public Transportation Association (APTA), the Capital Investment Grants Working Group and other relevant transportation stakeholders to minimize the impact of any budget agreement or other actions Congress may take to address federal budget deficits on those surface transportation programs that receive their money from the General Fund, particularly the Capital Investment Grant Program.

- Oppose efforts to eliminate the Capital Investment Grant Program, and support the inclusion of statutory language in the transportation appropriations bill requiring the Administration to continue
to advance projects through the CIG process and award new multi-year FFGAs, as well as FY 2019 committee report language that supports funding for new projects that have not yet been awarded funding agreements. Provide advocacy support, as needed, to advance the second phase of VTA’s BART Silicon Valley Extension Project through the New Starts process.

**INFRASTRUCTURE INVESTMENT INITIATIVES**

In May 2017, the Trump administration released the broad outline for a potential infrastructure investment initiative that is intended to be comprehensive in nature, and include funding not only for surface transportation, but also for airports, ports, navigable waterways, clean drinking water, waste water management, broadband, and energy. The Administration’s proposal focuses on (1) limiting federal investments to projects of regional or national significance; (2) incentivizing local communities to generate their own dedicated revenues for infrastructure; (3) streamlining the environmental review and permitting processes; and (4) leveraging private sector investment. Since then, the Administration has pulled back from supporting public-private partnerships, making new direct federal investment in transportation infrastructure all the more important. It also appears that the tax reform legislation being considered by Congress at the end of 2017 will neither address the solvency of the Highway Trust Fund nor will it provide a new source of revenues for infrastructure.

As part of its 2018 Legislative Program, VTA will continue to advocate on this matter according to the following principles:

- Provide supplemental funding for: (1) the existing FTA formula programs, particularly the Section 5307 UZA, Section 5337 State of Good Repair and Section 5339 Bus/Bus Facilities Programs; (2) the Capital Investment Grant Program; (3) Surface Transportation Block Grant Program (STBG); and (4) Congestion Mitigation and Air Quality Improvement Program (CMAQ). This funding should be in addition to the spending levels authorized for these programs in the FAST Act.

- Consider stable, predictable and reliable revenue solutions for transportation that would ensure the long-term solvency of the Highway Trust Fund, as well as budgetary protections for those surface transportation programs that receive their money from the General Fund.

- Provide meaningful financial resources for large-scale highway and public transit projects that cannot be accommodated through existing federal transportation funding structures and programs.

- Oppose any efforts that seek to eliminate, as part of any federal tax code reform package, the transit commuter tax benefit, the Build America Bonds program, private activity bonds, or the full tax-exempt status of municipal bonds.

- Support reasonable efforts to streamline the environmental review and permitting process to accelerate project delivery, consistent with environmental protection laws.

**AVIATION FUEL TAX**
In December 2014, the Federal Aviation Administration (FAA) finalized amendments to its “Policy and Procedures Concerning the Use of Airport Revenue” that have the potential to divert voter-approved, local transportation sales tax funds to airport improvement projects. These amendments re-interpret current federal law related to taxes on aviation fuel in a manner that differs from the congressional conference report accompanying the Airport and Airway Safety and Capacity Expansion Act of 1987, which states that the requirement that local taxes on aviation fuel must be spent on airports “is intended to apply to local fuel taxes only, and not to other taxes imposed by local governments, or to state taxes.” FAA’s new interpretation, occurring 27 years after the enactment of the act, reverses the longstanding view that “local taxes on aviation fuel” are limited to fuel excise taxes, and do not include state or local general sales taxes imposed on a wide variety of products and transactions, one of which is aviation fuel.

In recent years, voters in Santa Clara County and other counties throughout California have approved by a two-thirds majority sales tax measures that support expenditure plans listing the specific transportation projects and programs to be funded. When voters passed these measures, it was with the expectation that all of the revenues generated from the taxes would be spent as described in the ballot. However, the recent FAA ruling would compel VTA and other California transportation agencies to divert revenues from these measures to purposes not authorized by the voters. It would also impose a significant unfunded mandate, due to the fact that VTA and other local agencies would be required to put in place a new, complicated tracking system to segregate the sale of aviation fuel from other taxable sources.

As part of its 2018 Legislative Program, VTA will continue to work with the Self-Help Counties Coalition on a coordinated strategy to advocate for the inclusion of language in the FAA reauthorization bill clarifying that: (1) “local taxes on aviation fuel” are limited to aviation fuel excise taxes; and (2) it was never the intent of Congress to divert general state and local sales tax revenues to airports. This change will help preserve the trust that voters have placed in their cities, counties and transportation agencies when approving local sales tax measures.

**CLEAN-FUEL VEHICLES**

In many respects, California has assumed a prominent leadership role in the United States in combatting climate change. One element of the state’s comprehensive, multi-pronged climate strategy is to encourage the conversion of public transit bus fleets to cleaner technologies.

The state’s history of promoting cleaner public transit bus fleets is rooted in the Transit Fleet Rule adopted by the California Air Resources Board (CARB) in 2000. This rule put in place stringent emissions standards for public transit bus fleets, and sought to promote clean-fuel technologies by instituting a zero-emission bus purchase requirement for public transit agencies with fleets exceeding 200 vehicles.

In 2006, the Transit Fleet Rule was amended by CARB to delay the zero-emission bus purchase requirement because of concerns about the commercial readiness of such vehicles. Instead, public transit agencies were required to implement additional zero-emission bus demonstration projects as a way to advance the development and eventual commercialization of clean-fuel technologies.
Over the next decade, it is expected that zero-emission public transit buses will remain a key element of the state’s strategy for reducing greenhouse gas emissions and other air pollutants. In fact, CARB is currently exploring the possibility of instituting a new, more aggressive zero-emission bus purchase requirement through its pending Innovative Clean Transit Initiative, with the goal of having each public transit agency convert its entire fleet to zero-emission vehicles by 2040. As a result, more California public transit agencies will be seeking to incorporate battery electric or fuel-cell buses into their fleets. On December 31, 2016, federal alternative fuel and alternative fueling infrastructure excise tax credits expired.

As part of its 2018 Legislative Program, VTA will support the California Transit Association’s efforts to address the following two zero-emission bus issues at the federal level:

- Permanently reinstating the alternative-fuels excise tax credit currently available for compressed and liquefied natural gas buses, and amending it to include electricity and power infrastructure related to electric and hybrid-electric buses.

- To accommodate public transit agencies that are procuring zero-emission buses, seeking an adjustment to FTA’s current spare ratio requirement to take into account that such agencies may have to maintain a vehicle fleet that exceeds a spare ratio of 20 percent in order to account for the range limitations of these new technologies.

**PUBLIC EMPLOYEES’ RETIREMENT**

Shortly after the enactment of California’s Public Employees’ Pension Reform Act (PEPRA), several unions representing public transit employees filed objections with the U.S. Department of Labor (DOL) contending that the changes to public employee retirement benefits proposed by this state legislation restricted collective bargaining rights and, therefore, violated a provision in federal law known colloquially as Section 13(c). Enacted in 1964 as part of the Urban Mass Transit Act, Section 13(c) requires DOL to certify that public transit agencies are preserving employee collective bargaining rights as a condition of receiving federal grant funding.

In response to the unions’ objections, DOL began holding up grant applications submitted by California public transit agencies and urged that state legislation be enacted to exempt public transit employees from PEPRA. Gov. Jerry Brown, however, did not agree with DOL’s interpretation of Section 13(c) relative to PEPRA and indicated that the issue should be litigated.

In September 2013, DOL notified the Sacramento Regional Transit District (SacRT) that it was refusing to certify one of its grants, a decision that provided an avenue for the filing of a lawsuit to resolve the disagreement between DOL and the Brown Administration in court. At the same time, an approach was worked out to allow California public transit agencies to receive their federal grant funds while the PEPRA/13(c) issue was being litigated before the U.S. District Court, Eastern Division of California. As a result, DOL has been certifying grants since late 2013.

In December 2014, the U.S. District Court ruled in favor of the state and SacRT, holding that DOL had erred in relying on PEPRA to withhold certification of federal grants for California public transit agencies. The court remanded the case back to DOL for further proceedings consistent with its
After reconsidering SacRT’s grant pursuant to the U.S. District Court’s remand order, DOL formally communicated the following findings: (1) the ruling of the court was incorrect; (2) the department had not acted improperly in withholding certification of SacRT’s grant; and (3) the department was reserving its rights to defend its action again, not only based on its original assertions, but also based on new evidence brought to bear in response to the remand order.

The parties returned to the U.S. District Court seeking review of DOL’s response to the remand order and its decision to withhold certification of SacRT’s grant a second time. In August 2016, the court again ruled in favor of the state and SacRT, opining that: (1) DOL’s new decision could not be supported by its interpretation of Section 13(c) or by legislative history; (2) the department could not show a clash between PEPRA and federal labor policy; and (3) the department improperly focused on the results of collective bargaining under PEPRA, rather than on the continuation of the ability to engage in bargaining. DOL continues to issue conditional transit grant certifications, specifying that transit agencies must restore benefits to pre-PEPRA levels should DOL prevail in future appeals.

VTA will work with the California Transit Association to ensure that the status quo is maintained and that the department continues to certify federal grants submitted by California public transit agencies while the case is considered by the appellate court. Meanwhile, at the state level, VTA will continue to consider ways to address the implications of a California Public Employees’ Retirement System (CalPERS) administrative decision to convert new employees hired as “classic” employees between January 1, 2013, and December 30, 2014, to PEPRA, effective December 30, 2014.

STATE

The State Section of VTA’s 2018 Legislative Program is divided into the following policy areas:

1. Transportation Funding.
2. Climate Change.
3. High-Speed Rail.
4. Project Delivery.
5. State Transit Assistance Program.
6. Transit Service Delivery.
8. Autonomous Vehicles

TRANSPORTATION FUNDING

When the state Legislature reconvenes in January, it will begin the second year of the 2017-2018 legislative session, and will follow an historic year for transportation funding legislation. With the signing of SB 1 (Beall) the “Road Repair and Accountability Act of 2017”, SB 595 (Beall) the “Regional Measure 3” bill authorizing a Bay Area bridge toll increase, and SB 797 (Hill) which authorizes a future sales tax measure to support Caltrain operations and capital costs, the Legislature made clear the state’s renewed commitment to building and rehabilitating California’s transportation infrastructure. This is a dramatic change that attempts to address years of chronic underinvestment in
the transportation. In 2018, it will be incumbent upon VTA and its transportation partners to protect existing revenue sources from elimination or redirection to other purposes, and to encourage public awareness of the benefits of investment in transportation.

In recent years, transportation funding has not kept pace with California’s growth in population, licensed drivers, registered vehicles, and vehicle miles traveled. At the same time, increases in automobile fuel economy and a shift to clean-fuel vehicles have resulted in motorists paying less excise taxes for each mile they drive. Furthermore, while the cost of constructing transportation infrastructure projects goes up each year, excise taxes remained constant, eroding purchasing power. Governor Brown previously estimated a $59 billion shortfall for maintenance and rehabilitation work on the state highway system and for local streets and roads, the gap has been estimated at $78 billion. The California Transit Association found the state’s public transit systems faced a $72 billion funding gap, $39 billion of which relates to deferred maintenance, vehicle replacement and facility rehabilitation. Pursuant to a report on the future of transportation in California released in 2014 by the California Transportation Infrastructure Priorities Initiative (CTIP) Working Group, convened by the California State Transportation Agency (CalSTA), California begin exploring a mileage-based fee as a potential replacement for the state gasoline excise tax. This recommendation was embodied in SB 1077 (DeSaulnier), which requires CalSTA to develop and oversee a pilot program designed to assess the various issues related to implementing a mileage-based fee in California and to submit a report of its findings to the Legislature no later than June 30, 2018.

SB 1 is the result of a special session of the Legislature, called by Governor Brown in June 2015, to encourage lawmakers to take steps to provide funding to maintain and rehabilitate California’s transportation infrastructure, improve the state’s key trade corridors, and complement local infrastructure efforts. The result was two identical bills—SBX1-1 (Beall) and ABX1-26 (Frazier)—which became the main legislative vehicles for addressing a host of state transportation funding issues. They eventually became the basis for SB 1 (Beall), signed into law in April, 2017.

The most comprehensive and significant funding package in more than two decades, SB 1 is projected to generate more than $5 billion annually to address a range of transportation needs across California, by bolstering some existing cap-and-trade programs and establishing several significant new programs and policy reforms. Among the key annual investments of SB 1 revenues, the maintenance and rehabilitation projects on the state highway system and on local streets and roads will figure prominently, with each receiving $1.5 billion each year under SB 1. $300 million would be dedicated to mobility improvements along major trade corridors, such as those planned along SR 152 and the US 101/SR 25 interchange and $100 million a year will fund new bicycle and pedestrian improvement projects under the Active Transportation Plan. SB 1 also creates a new, multi-modal Solutions for Congested Corridors program under which the California Transportation Commission would allocate $250 million in grants to fund projects that are part of a balanced set of transportation, environmental and community access improvements pursuant to a corridor management plan. The existing State Transportation Improvement Program (STIP), which is the State’s primary source of funding for highway and rail improvements, is supplemented by an additional $284 million annually, and a one-time increase of $825 million through the conversion of the variable portion of the gasoline excise tax to a fixed rate. All of these programs fund critical transportation infrastructure improvements across the state, and Silicon Valley. Without the funding provided through SB 1, California simply does not have comparable alternative funding sources to address rapidly deteriorating pavement conditions and public
transit funding shortfalls, resulting in increased costs to the state and cities/counties, as well as impacts to public safety and California’s economic competitiveness. Subject to voter approval, all new revenues would be protected from diversion or borrowing for non-transportation purposes through ACA 5 (Frazier), a companion constitutional amendment that will appear on the June 2018 ballot.

The Legislature also authorized ballot measures that, if approved by the voters, would be dedicated to significant infrastructure improvements across the San Francisco Bay Area. SB 595 (Beall) provides the Metropolitan Transportation Commission (MTC), acting as the Bay Area Toll Authority (BATA), with the statutory authority to pursue an increase in the base toll rate in an amount not to exceed $3 for vehicles crossing the Bay Area’s seven state-owned toll bridges to fund projects and programs that reduce congestion or make travel improvements in the toll bridge corridors. In the coming months, BATA will engage the public in all nine Bay Area counties, and decide on several essential features of the potential toll increase in preparation for submittal to the voters. BATA will determine whether or not to phase in an increase, to adjust the increase for inflation based on the California Consumer Price Index after it has been phased in completely, and when such a measure should be placed on the ballot. SB 595 specifies the projects and programs for which the revenues from the toll increase and indexing must be used.

This approximately $4.4 billion expenditure plan framework assumes a $3 toll increase, though if that amount is determined to be infeasible, BATA is authorized to select a lesser amount and make a pro rata adjustment to the expenditure plan. For Santa Clara County, the expenditure plan includes the following:

- BART Silicon Valley Extension Project Phase 2 = $375 million.
- Expansion of the San Jose Diridon Station Complex = $100 million.
- Eastridge to BART Regional Connector = $130 million.

Express lanes projects in Santa Clara County are also eligible to compete for a portion of the $300 million dedicated to funding the environmental review, design, and construction of express lanes to complete the Bay Area Express Lane Network. Further, Santa Clara County may conduct, administer and operate a value pricing system on U.S. 101 throughout San Mateo County subject to the approval of an agreement between VTA, the City/County Association of Governments of San Mateo County and the San Mateo County Transportation Authority.

VTA has long supported the creation of a dedicated revenue source to support Caltrain operations, maintenance and capital projects, which could become a reality with the signing of SB 797 (Hill). The Peninsula Corridor Joint Powers Board (JPB) is authorized, through the adoption of a resolution by a two-thirds majority of the board, to submit to the voters of San Francisco, San Mateo and Santa Clara Counties a measure proposing a sales tax at a rate not to exceed 1/8 percent to pay for operating and capital expenditures related to Caltrain. This sales tax is exempt from the 2 percent cap on the total amount of local sales taxes that can be imposed in a particular jurisdiction. A 1/8 percent sales tax imposed in the three counties would generate approximately $100 million a year, potentially eliminating the need for annual contributions from the Caltrain funding partners.

As in past years, VTA and our transportation partners will need to be mindful of how any FY 2019 budget proposals impact state funding for transportation. At the same time, we will need to work
together to protect existing revenues, including those generated by SB 1, and take advantage of any opportunities that may arise to provide additional state funding to operate, maintain, rehabilitate, improve, and expand California’s transportation infrastructure. VTA and our transportation partners will need to demonstrate, to elected leaders and the public at large, the public benefits that will come to Santa Clara County as a result of recently enacted funding measures.

Along these lines, VTA’s advocacy efforts in 2018 will focus on the following:

- Actively work with others in the transportation community to protect existing transportation funding sources and seek new revenues to meet California’s growing transportation infrastructure needs, including state highways, local streets/roads, public transit, and active transportation.

- Support the following policy reforms: (1) permanently extending a California Environmental Quality Act (CEQA) exemption in current law for roadway projects occurring within existing rights-of-way; and (2) extending indefinitely the statutory authorization for Caltrans to participate in a federal program that allows states to assume the responsibilities of the Federal Highway Administration (FHWA) under the National Environmental Policy Act (NEPA).

- Ensure that all previous loans from various state transportation accounts to help address prior-year General Fund deficits are repaid in full and as expeditiously as possible.

- Support efforts to constitutionally protect all existing and future transportation taxes and fees, including those imposed on motor vehicles, from being: (1) loaned or transferred to the General Fund; (2) used to pay debt service on general obligation bonds; or (3) diverted to other non-transportation purposes.

- Support efforts to place a constitutional amendment before the voters of California to allow them to decide whether the two-thirds voting requirement for local transportation sales tax measures should be lowered. In addition, guard against legislative attempts to: (1) impose state requirements on how expenditure plans for local transportation sales tax measures should be developed; or (2) restrict the ability of agencies to craft a ballot proposition that adequately addresses local transportation priorities and that has a chance of succeeding at the polls.

- Support improvements, as needed, that streamline and expedite the allocation of new funding, especially under SB 1 program categories such as the Solutions for Congested Corridors program and the State Transit Assistance program.

**CLIMATE CHANGE**

AB 32 (Nunez and Pavley), the “Global Warming Solutions Act” enacted in 2006, required CARB to approve a statewide greenhouse gas emissions limit equivalent to the 1990 level to be achieved by 2020, and to adopt measures by regulation that would reduce such emissions from stationary sources and the transportation sector in the most technologically feasible and cost-effective manner possible.

Pursuant to a Scoping Plan that was initially adopted by CARB in 2008 and updated in 2014, California’s current climate strategy relies on: (1) a greenhouse gas emissions cap coupled with a
market-based allowance trading system known as cap-and-trade; and (2) a suite of sector-specific policies, such as a renewable portfolio standard for electricity, energy efficiency programs, a low carbon fuel standard, light duty vehicle emissions standards, and regional transportation-related emissions reduction targets.

Cap-and-trade is a key element of California’s climate strategy. It establishes a declining cap on major sources of greenhouse gas emissions and creates an economic incentive for investment in cleaner, more efficient technologies. Under cap-and-trade, CARB creates and issues allowances equal to the total amount of permissible emissions over a given compliance period. One allowance equals one metric ton of carbon dioxide equivalent. Because the annual cap declines, fewer allowances are created each year, and overall emissions decrease over time.

Under cap-and-trade, there are no individual or facility-specific emissions reduction requirements. Each entity covered by cap-and-trade has a compliance obligation, which it is required to meet by acquiring and surrendering to CARB allowances in an amount equal to their greenhouse gas emissions at the end of a particular compliance period. Allowances are distributed by free allocation and by sale at quarterly auctions conducted by CARB. Secondary markets also exist where allowances may be sold and traded among cap-and-trade participants.

Cap-and-trade provides regulated entities with the ability to choose the lowest-cost approach to achieving compliance. They may purchase allowances at CARB’s auctions, trade allowances with others, or take steps to reduce emissions at their own facilities. The ability to auction and trade allowances establishes a price signal that drives long-term investment in cleaner fuels and more efficient energy usage.


Under current law, revenues generated from the purchase of allowances at CARB’s quarterly auctions by regulated entities other than investor-owned utilities are deposited into the Greenhouse Gas Reduction Fund and distributed according to an investment framework that was established in 2014 through the enactment of SB 862. Under this framework, 60 percent of all cap-and-trade money in the Greenhouse Gas Reduction Fund is continuously appropriated, requiring no action on the part of the Legislature. The programs that receive continuous appropriations are as follows:

- 5 percent to the Low Carbon Transit Operations Program. This formula-based program provides operating and capital assistance to public transit agencies to reduce greenhouse gas emissions, improve mobility, and enhance or expand service to increase mode share.

- 10 percent to the Transit and Intercity Rail Capital Program. This competitive grant program is intended to fund “transformative” capital improvements that reduce greenhouse gas emissions, and modernize intercity, commuter and urban transit systems.
• 20 percent to the Affordable Housing and Sustainable Communities Program. This program provides grant funds on a competitive basis for projects that reduce greenhouse gas emissions through the implementation of land-use, housing, transportation, and agricultural land preservation practices that support infill and compact development.

• 25 percent to high-speed rail.

The remaining 40 percent of cap-and-trade money in the Greenhouse Gas Reduction Fund is “uncommitted” and subject to annual appropriations by the Legislature.

The Legislature took major steps in the past two years to stabilize the state’s cap-and-trade system and ensured its existence through 2030. For many years, the system was plagued by legal and political uncertainty, negatively influencing the marketplace and the amount of money being generated from CARB’s quarterly auctions for the Greenhouse Gas Reduction Fund. A lawsuit, filed by a coalition of business groups led by the California Chamber of Commerce sought to invalidate cap-and-trade by arguing that cap-and-trade is an illegal tax because AB 32 was not approved by a two-thirds vote of the Legislature. In addition, the Legislative Counsel’s Office issued an opinion that action by the Legislature was needed to avoid the sunset of the cap-and-trade system on December 31, 2020, because cap-and-trade was tied to achieving a 2020 emissions limit.

In 2016, Gov. Brown signed into law two bills that created a framework for reducing greenhouse gas emissions beyond 2020. The first measure, SB 32 (Pavley), requires CARB to establish a post-2020 greenhouse gas emissions limit equivalent to 40 percent below the 1990 level to be achieved by 2030. In addition, the bill extended the core provisions of AB 32, except for those that authorized CARB to set up and implement the state’s cap-and-trade system. A companion bill, AB 197 (Garcia), included various provisions to allow the Legislature to play a much stronger role in overseeing how CARB is implementing cap-and-trade and other elements of the state’s climate strategy.

SB 32 and AB 197 did not by themselves resolve the uncertainty surrounding the future of cap-and-trade but committed California to achieving climate goals beyond 2020. The Legislature followed up in 2017 with the passage of AB 398 (E. Garcia), AB 617 (C. Garcia) and ACA 1, a legislative package designed to preserve cap-and-trade through 2030. AB 398 extends the authorization of CARB to adopt and implement the cap-and-trade system to December 31, 2030. A companion bill, AB 617 required CARB to establish a uniform, statewide system for monitoring and reporting emissions of pollutants, beyond GHG emissions, and establish a range of regulatory tools to ensure their reduction. AB 617 was critical to gaining the political support needed to approve the extension of the cap-and-trade system. ACA 1 has qualified for the June 2018 statewide ballot and if approved by the voters, would amend the state constitution to require the first appropriation of cap-and-trade auction proceeds after January 1, 2024, to be subject to a two-thirds vote of the Legislature. The passage of AB 398 by a two-thirds vote not only allows the system to legally operate beyond 2020, but made the issue of whether cap-and-trade is a tax or fee, which is the crux of the lawsuit, moot. Finally, the Transit and Intercity Rail Capital Program (TIRCP) has been further supplemented with $245 million in ongoing revenues from the new transportation improvement fee and a one-time infusion of $236 million from prior-year loans to the state’s General Fund, pursuant to SB 1 (Beall). VTA received $20 million for rail cars as part of the second phase of the BART extension to Silicon Valley, and this program will again play a major role in
the funding plan for the extension in the next programming cycle.

In September 2017, Governor Brown signed into law a package of bills including AB 109 (Ting) and AB 134, which amend the 2017 Budget Act to include the 2017 Greenhouse Gas Revenue Expenditure Plan. While these bills did not increase the continuous appropriations to the cap-and-trade transportation programs, the expenditure plan makes a one-time $1.5 billion investment in a variety of climate change activities. Under AB 134, $900 million will be allocated to the Air Resources Board and of this amount, $180 million will fund the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program to reduce exposure to heavy-duty diesel truck emissions. $50 million would also be distributed to the Bay Area Air Quality Management District to fund cleaner-than-required engines and equipment as part of the Carl Moyer Memorial Air Quality Standards Attainment Program.

Finally, CARB anticipates adoption of new regulations for public transit buses, previously known as the Advanced Clean Transit Rule, and renamed the Innovative Clean Transit (ICT) Initiative, at the beginning of 2018. The goal of the ICT are to spur the adoption of zero emissions vehicles through pilot projects and binding commitments from transit operators across the state. The California Transit Association has been actively working with CARB to ensure the adoption of a regulatory framework that provides flexible program targets and additional funding to offset the cost of adopting zero emission vehicles and electrical infrastructure. In addition, the Association has engaged the California Public Utilities Commission (CPUC) to ensure that the cost of electricity to public transit agencies is considered and properly managed, as part of a larger move toward electrification of the transportation sector. In order to increase retail sales of renewable electricity to fifty percent by December 31, 2030 pursuant to SB 350, the “Clean Energy & Pollution Reduction Act of 2015”, the state’s three major investor-owned utilities were required to propose multi-year programs of investments to accelerate the adoption of transportation electrification. These proposals also include changes to rate design for electricity.

In 2018, VTA will continue to pursue legislative and administrative avenues to enhance its ability to secure cap-and-trade funding for Phase 2 of the BART Silicon Valley Extension Project and other high-priority projects. In addition, VTA will advocate for the following:

- Support efforts to strengthen the cap-and-trade program as a source of transportation funding, either through an increase in continuous appropriations to one or both of Transit and Intercity Rail Capital and Low Carbon Transit Operations Programs or additional one-time appropriations to either program.

- Pursuant to SB 9 (Beall), support the use, by CalSTA, of multi-year funding agreements for projects proposed for funding under the Transit and Intercity Rail Capital Program.

- Partner with MTC and other Bay Area transportation entities to support efforts to revise the definition of disadvantaged communities as it relates to cap-and-trade funding to better align it with the region’s definition of “communities of concern,” which includes a greater proportion of the region’s low-income census tracts than the California Environmental Protection Agency’s CalEnviroScreen tool.
• Actively participate in the California Transit Association’s efforts with CARB, the CPUC and the Legislature to ensure that any strategies contemplating greater emissions reductions from public transit or the electrification of public transit operations are carried forward in a manageable, reasonable and cost-effective manner.

• Seek to restructure the Affordable Housing and Sustainable Communities Program in a way that would enable more direct investment in transportation improvements and eliminate any barriers to greater participation in the program by transportation agencies. Support efforts that encourage transit-oriented development to further the state’s climate change goals.

HIGH-SPEED RAIL

Rapid population growth, congested highways and constrained airports prompted California policymakers to consider building a high-speed train system in the state along the lines of those that have been in operation for decades in Europe and Asia. In 2000, the California High-Speed Rail Authority, the agency responsible for planning, constructing and operating the state’s high-speed train system, unveiled a plan for an 800-mile network that would link all of the state’s major population centers, including the Bay Area, Los Angeles, Sacramento, the Inland Empire, Orange County, and San Diego. Through a subsequent program-level environmental document, the High-Speed Rail Authority recommended using an alignment over the Pacheco Pass to enter the Bay Area.

To fund the core segment of the state’s proposed high-speed train system, SB 1856 (Costa) was enacted into law in 2002 to provide for the submission of the Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century to the voters of California for their approval. The bond act calls for issuing a total of $9.95 billion in bonds, $9 billion of which would be used in conjunction with federal and private funds for the planning and construction of the first phase of the system, which would run from the Los Angeles Basin to the Bay Area. The remaining $950 million is for urban, commuter and intercity rail projects that: (1) provide connectivity to the high-speed train system; or (2) enhance the capacity or safety of urban, commuter or intercity rail services. Under the provisions of SB 1856, the bond act was initially scheduled for the 2004 general election. However, two subsequent bills postponed its consideration until November 2008, at which time it was approved by the voters as Proposition 1A.

In 2016, the High-Speed Rail Authority, MTC, the Peninsula Corridor Joint Powers Board (JPB), VTA, the San Mateo County Transportation Authority, the City/County of San Francisco, and the San Francisco County Transportation Authority executed a Regional Funding Supplement to an existing memorandum of understanding (MOU) for the Caltrain Electrification Project. The Regional Funding Supplement closed a funding shortfall of more than $500 million for electrification through a combination of: (1) additional contributions from the local partners, MTC and the High-Speed Rail Authority; (2) federal dollars from the Capital Investment Grant Program; and (3) cap-and-trade auction proceeds from the Transit and Intercity Rail Capital Program. Caltrain subsequently received a $647 million grant through the Capital Investment Program, and the first appropriation of $100 million, in 2017. The appropriation of funding in future years, in amounts specified in the agreement, are subject to the annual Congressional Appropriations process.
As part of its 2018 Legislature Program, VTA will work with the High-Speed Rail Authority, MTC, the JPB, and other regional partners to pursue actions at the state and federal levels, as necessary, to help ensure the timely implementation of the financial strategy for the Caltrain Electrification Project.

**PROJECT DELIVERY**

Transportation projects can take a considerable amount of time to complete. Project sponsors must maneuver through a multi-stage development and review process that includes planning; design and engineering; right-of-way acquisition; environmental impact review and mitigation; financing; construction; and other related requirements at various levels of government. To control costs and provide the benefits of transportation improvements to the public sooner, it is important to explore different and innovative ways to expedite project delivery.

In 2018, VTA will support legislation to reform and expedite the delivery of transportation projects, including, but not limited to the following changes:

- Reinstating the statutory authority for Caltrans and regional transportation agencies, including VTA, to utilize public-private partnerships for state highway projects, which expired on January 1, 2017.

- Enhancing the ability of VTA and other project sponsors to utilize the construction manager/general contractor (CMGC) method of procurement and other innovative contracting approaches to deliver state highway, public transit and other types of transportation projects.

**STATE TRANSIT ASSISTANCE PROGRAM**

The State Transit Assistance Program (STA) was created through the enactment of the Transportation Development Act in the early 1970s. Funding for the program is derived from the sales tax on diesel fuel, and supplemented with transportation improvement fees, pursuant to SB 1. The State Controller’s Office is responsible for allocating STA dollars to the regional transportation planning agencies (RTPAs) and metropolitan planning organizations (MPOs) in California in the following manner:

- 50 percent of all STA funding flows from the Controller’s Office to regions based on the ratio of the population of each region to the population of the state. Each regional agency has the discretion to determine how to sub-allocate these population-based dollars to public transit operators within its jurisdiction.

- 50 percent of all STA funding flows from the Controller’s Office to regions based on a calculation that takes into consideration the operating expenses and non-locally generated operating revenues of each public transit operator in comparison to the rest of the state. Each regional agency is required to sub-allocate these revenue-based dollars to public transit operators within its jurisdiction based on the specific operator shares published by the Controller’s Office.

In 2016, the Controller’s Office implemented changes to the methodology used to calculate a public transit operator’s share of STA revenue-based funds. These changes went into effect starting with the first quarter allocations for FY 2016, and impacted all public transit operators in California to varying degrees. In response, the Legislature included in SB 838, the FY 2017 transportation budget trailer bill,
provisions that temporarily put on hold the implementation of these changes by requiring the Controller’s Office to use the same list of eligible recipients and the same proportional operator shares from the fourth quarter of FY 2015 to distribute any unallocated FY 2016, and all FY 2017 and FY 2018 STA revenue-based funds.

Subsequently the California Transit Association sponsored a follow-up policy bill to address ambiguities in the STA statutory and regulatory framework. These efforts resulted in the signing of AB 1113 (Bloom) on July 21, 2017. AB 1113 (Bloom) amends statutes governing the State Transit Assistance (STA) program and clarify (1) who is eligible to receive STA revenue-based funds; (2) what revenue sources may be used to determine a public transit operator’s revenue-based share; (3) how an individual operator’s revenue-based share is to be calculated; and (4) how RTPAs and MPOs, which serve as the direct recipients of STA population- and revenue-based funds, would sub-allocate these dollars to public transit operators within their respective jurisdictions. As part of its 2018 Legislature Program, VTA will work with the State Controller’s office in the implementation of changes to the STA program, and work with the CTA to pursue further refinements to ensure its success.

**TRANSIT SERVICE DELIVERY**

**Buses on Shoulders:** In 2013, legislation was enacted to authorize the Monterey-Salinas Transit District (MST) and the Santa Cruz Metropolitan Transit District (Santa Cruz Metro), subject to the approval of Caltrans and the California Highway Patrol (CHP), to operate their buses on the shoulders of state highways within their respective service areas in order to: (1) minimize congestion-related interruptions of service; and (2) improve travel times for public transit relative to cars in a manner that is low-cost and easy to implement. In 2016, VTA sponsored legislation to expand this authorization to other transit operators and the California Transit Association continues to promote potential legislation to extend this authority to other interested public transit agencies in the state. As part of its 2018 Legislative Program, VTA will support the Association’s efforts in this regard.

**BICYCLE AND PEDESTRIAN SAFETY**

Each year, more than 30,000 people are killed on streets in the United States in traffic collisions. Many are bicyclists and pedestrians. The Centers for Disease Control recently reported that the traffic death rate per person in the United States was about double the average of peer nations, with close to 10 percent of traffic-related fatalities occurring in California. Unsafe speed of motor vehicles has been found to be the most frequent cause of traffic-related fatalities and severe injuries.

In response, local jurisdictions across the country are initiating traffic safety programs called Vision Zero that aim to eliminate all traffic-related fatalities by a certain year, as well as significantly reduce the number of severe injuries caused by traffic collisions. In California, the cities of San Jose, San Francisco, San Mateo, San Diego, Los Angeles, Long Beach, and Fremont have adopted Vision Zero strategies, while others are considering following suit. As part of this effort, some localities are pursuing new tools for enhancing safety, including authorization to conduct automated speed enforcement pilot programs within their jurisdiction.
As part of its 2018 Legislative Program, VTA will partner with the city of San Jose, MTC and others to support legislation that would help cities achieve the goals of Vision Zero, including proposals to enhance the enforcement of traffic laws protecting motorists, bicyclists and pedestrians.

**AUTONOMOUS VEHICLES**

In 2012, legislation was enacted requiring the Department of Motor Vehicles (DMV) to adopt regulations regarding the operation of autonomous vehicles on California’s public roadways. It also included several general requirements for the operation of autonomous vehicles, including the presence of an operator inside the vehicle, and the ability of the operator to take over control of the vehicle from the autonomous technology through the use of the brake, the accelerator pedal or the steering wheel.

The rollout of the DMV’s regulations pursuant to this law was separated into the following two stages: (1) regulations for insurance requirements for the purpose of testing autonomous vehicles; and (2) regulations for the full deployment of autonomous vehicles on California roadways for non-testing purposes. Both sets of regulations were required to be adopted by January 1, 2015. While the DMV adopted testing regulations in May 2014, the department has not yet completed an update to regulations for the deployment of autonomous vehicles for non-testing purposes out of a desire to receive more input from the public and stakeholders before taking final action.

In the Bay Area, the Contra Costa Transportation Authority (CCTA) is conducting a pilot project that would test autonomous vehicles at the GoMentum Station located at the former Concord Naval Weapons Station and at the Bishop Ranch Business Park in the city of San Ramon and the Livermore Amador Valley Transit Authority (LAVTA) received authorization to conduct a shared autonomous vehicle demonstration project within the city of Dublin. Other Bay Area jurisdictions, including the city of San Jose, are currently considering the possibility of pursuing their own autonomous vehicle pilot projects to help advance the technology.

As part of its 2018 Legislative Program, VTA will support regulatory and legislative efforts to encourage the development of connected and autonomous vehicles, with the goal of accelerating their mobility, safety, community, and economic benefits. VTA will support efforts to facilitate data sharing with local jurisdictions to assist in addressing potential safety and congestion management issues, and strengthen cyber security regulations. In addition, VTA will support the efforts of the city of San Jose and other Santa Clara County jurisdictions that are seeking to implement pilot projects for testing autonomous vehicles with emphasis on projects that address first/last mile connectivity to transit.

**REGIONAL**

The Regional Section of VTA’s 2018 Legislative Program is divided into the following areas:

1. Metropolitan Transportation Commission (MTC).
2. San Francisco Bay Area Rapid Transit
3. Caltrain Commuter Rail Service.
4. Capitol Corridor Service.

**METROPOLITAN TRANSPORTATION COMMISSION**

16
The Metropolitan Transportation Commission (MTC) is the transportation planning, financing and coordinating agency for the nine-county San Francisco Bay Area. MTC has 21 commissioners who are appointed by the nine member counties. Santa Clara County has three members of the commission.

**Regional Discretionary Funds:** MTC allocates more than $1 billion per year in federal, state and toll revenues to operate, maintain, rehabilitate, and expand the Bay Area’s transportation network. In some cases, MTC sub-allocates the funds directly to public transit agencies and county congestion management agencies on a formula basis. In other cases, MTC has the discretion to determine which projects are funded. When it comes to these discretionary dollars, Santa Clara County has historically been a donor county, receiving significantly less money from MTC than what the county’s population-based share (approximately 25 percent) would suggest. Moreover, as opposed to most of the other Bay Area counties, Santa Clara County currently receives no bridge toll revenues and is not compensated for that fact when it comes to MTC’s distribution of other discretionary dollars. In 2018, MTC will evaluate ways to leverage funding sources it administers to achieve number of policy goals beyond transportation, as outlined in the update to *Plan Bay Area.*

*Plan Bay Area 2040* (the “Plan”), adopted by the MTC Commission and Association of Bay Area Governments (ABAG) Executive Board in June, serves as the Bay Area’s 2017 Regional Transportation Plan and Sustainable Communities Strategy. The Plan is the region’s integrated and long-term guide for transportation investments and land-use decisions, pursuant to SB 375, which required all metropolitan areas in California to develop a Sustainable Communities Strategy to accommodate future population growth and reduce greenhouse gas emissions. Part of the effort to update the Plan included an “Action Plan” designed to address three key impacts of the Bay Area’s growing economy and modest housing production. These three issues include: (1) significant housing issues such as lowering the costs of housing, improving the availability of affordable housing and addressing the risk of displacement of lower income households; (2) economic development concerns related to improving transportation access to jobs and increase the creation of middle-wage jobs; (3) enhancing the region’s environmental protection and adaptation efforts.

The MTC Commission has subsequently directed staff to begin exploring the use of the full range of transportation funding sources available at the regional level as leverage to encourage actions that meet all of the regional planning goals, with a focus on the region’s housing needs. Precedent for this approach can be found in the existing One Bay Area Grant program (OBAG), created to meet the goals of the region’s Sustainable Communities Strategy. OBAG includes an incentive program, known as the “80k by 2020 Challenge Grant Program”, to encourage cities to permit housing by rewarding them with additional funding for road maintenance and active transportation programs. This incentive program is funded with Surface Transportation Program/Congestion Mitigation and Air Quality (STP & CMAQ) funds, which cities use to fund pavement maintenance and active transportation projects. In looking at other funding sources to supplement this program, MTC is looking to spur the region’s permitting and building of housing units in all income categories, especially within moderate to very low income categories. However, adding conditions that make it difficult for cities and local agencies to compete for funding, or using transportation funding to support incentive programs to meet goals outside of transportation, pose challenges to transportation agencies charged with meeting the transportation needs of their jurisdictions.
As part of its 2018 Legislative Program, VTA will strive to ensure that any allocation of discretionary funds by MTC results in Santa Clara County receiving no less than its population-based share. In addition, VTA will:

- Seek to secure regional discretionary funding for high-priority projects in Santa Clara County, including Phase 2 of VTA’s BART Silicon Valley Extension Project, the Eastridge to BART Regional Connector, Vasona Light Rail extension and the Santa Clara County Express Lanes.

- Oppose efforts on the part of MTC to impose additional conditions, other than those required by federal or state law, when sub-allocating federal and state formula-based funds to public transit agencies or county congestion management agencies.

- Limit efforts on the part of MTC to take discretionary funding “off the top” to administer regional competitive grant programs, and advocate for project selection and program implementation for discretionary funds to occur at the county level.

- To the extent that MTC administers regional competitive grant programs, seek to ensure that the Commission establishes fair criteria that would allow all nine Bay Area counties to have an equitable opportunity to compete for such dollars.

- As MTC explores leveraging funding sources to incentivize housing production, support efforts to protect the original transportation uses of funding programs while working collaboratively to achieve the region’s other policy goals, whenever possible.

**Cap-and-Trade:** In response to the enactment of SB 862, which established a statewide investment framework for cap-and-trade auction proceeds deposited into the Greenhouse Gas Reduction Fund, MTC adopted an update to its Regional Cap-and-Trade Funding Framework in 2016 that includes supporting the allocation of $750 million from the competitive Transit and Intercity Rail Capital Program to the second phase of VTA’s BART Silicon Valley Extension Project.

So far, the California State Transportation Agency (CalSTA) has awarded $20 million from the Transit and Intercity Rail Capital Program to VTA for BART Phase 2. In 2018, CalSTA will issue a call for projects a five-year program of projects for Transit and Intercity Rail Program funding, covering FY 2019 through FY 2023. During this programming process, VTA will be submitting a grant application for the remaining $730 million in Transit and Intercity Rail Program funding for BART Phase 2. As part of its 2018 Legislative Program, VTA work with MTC to ensure regional support for this grant application.

**Express Lanes:** In Santa Clara County, express lanes currently are in operation in the southbound direction of a portion of I-680 and at the I-880/State Route 237 Interchange. VTA is moving forward with project development work for express lanes on State Route 237, U.S. 101 and State Route 85. Meanwhile, MTC is pursuing a limited regional express lane network covering portions of I-80, I-880 and I-680, and the approaches to the Dumbarton and San Mateo Bridges. MTC is also evaluating an update to operations policies that would increase passenger occupancy requirements for express lanes under their jurisdiction, in order to allow for express lanes operations at the state-mandated 45 mile per hour threshold.
SB 595 (Beall) enacted in 2017, authorized MTC, acting as Bay Area Toll Authority (BATA), to seek voter approval for a toll increase on the seven state-owned bridges not to exceed three dollars. MTC would be authorized to phase in a toll increase and index it to inflation, subject to the approval of a simple majority of voters in the nine county Bay Area. SB 595 specifies a program of projects that would be funded by the toll increase, known as Regional Measure 3. Express Lanes projects in Santa Clara County are eligible to compete for funding as part of this program.

Under the provisions of SB 595, VTA has the authority to conduct, administer, and operate a value pricing high-occupancy toll lane program on State Highway Route 101 in San Mateo County in coordination with the City/County Association of Governments of San Mateo County and the San Mateo County Transportation Authority. In the event that San Mateo County elects to collaborate with VTA in the development and implementation of such a system, VTA will provide advocacy and support as needed to complete the system in coordination with the development of express lanes in Santa Clara County. VTA will continue to advocate on this subject according to the following principles:

- VTA retains complete autonomy for developing, constructing and operating express lanes in Santa Clara County, while working with MTC to ensure consistency for Bay Area motorists, to the extent practicable, among different express lane corridors in the region.

- There is a recognition that popular, political and legislative support rest on demonstrating that all express lane revenues collected in a particular corridor are used to benefit travelers in that corridor. Thus, VTA will oppose any efforts to divert any express lane revenues generated by corridors within Santa Clara County to fund corridors in other parts of the Bay Area.

VTA will seek regional funding for the Express Lanes network in Santa Clara County through the Bay Area Corridor Express Lanes category within the Regional Measure 3 program, if approved by the voters, and state funding provided by the passage of SB 1.

SAN FRANCISCO BAY AREA RAPID TRANSIT SERVICE

The San Francisco Bay Area Rapid Transit System (BART) is a 112 mile daily commuter rail service connecting the City and County of San Francisco and San Mateo, Alameda, Contra Costa counties. VTA is responsible for transit planning, construction and operations in Santa Clara County, and is the owner and builder of the BART extension into Silicon Valley. Dynamic testing of the first phase of VTA’s BART extension to Berryessa is being completed and the extension is projected to enter revenue service in mid-2018.

The Final Supplemental Environmental Impact Statement/Subsequent Environmental Impact Report for Phase 2 of the extension, through downtown San Jose and ending in the City of Santa Clara, is scheduled to be released in late 2017 and certified by VTA’s Board of Directors in early 2018. Prior to certifying the document, the Board of Directors will be asked to take action on the selection and approval of options recommended for inclusion in the document. In 2019, VTA will seek an FFGA from the FTA in the amount of $1.5 billion for Phase 2. In November 2017, the VTA Board and the BART Board established an Ad Hoc Negotiation Committee to work with the BART Board of Directors and
executive staff, to create effective communication protocols, and ensure an informed decision making and a common approach to operating the extension in Santa Clara County.

In 2018, VTA’s advocacy efforts with regard to BART will focus on the following:

- Working collaboratively with BART to find engineering solutions that meet all design and fire and life safety standards for the Phase 2 extension under downtown San Jose to the City of Santa Clara that minimize the construction impacts to the surrounding communities.

- Supporting the completion of the Operations and Maintenance Agreement and establishment of communications and governance protocols that allow VTA and BART to find mutually agreeable solutions to future issues as they arise, while minimizing impacts to BART customers in Santa Clara County and throughout the BART district.

**CALTRAIN COMMUTER RAIL SERVICE**

Caltrain is a 76.8-mile daily commuter rail service that runs between San Francisco and Gilroy. It operates on railroad tracks owned by the Peninsula Corridor Joint Powers Board (JPB) between San Francisco and the Tamien Station in San Jose, and on Union Pacific Railroad tracks between the Tamien Station and Gilroy. Caltrain is administered through a joint powers agreement executed by the City/County of San Francisco, SamTrans, and VTA. The JPB, which consists of three members appointed from each of the three counties, governs the service, while SamTrans serves as the managing agency.

Executed in 2012, the Bay Area’s *Memorandum of Understanding: High-Speed Rail Early Investment for a Blended System on the Peninsula Corridor* outlines the projects necessary to modernize Caltrain and provide the facilities for future high-speed train service along the Peninsula Corridor. This early investment strategy includes funding commitments for two major projects: (1) electrification of the corridor; and (2) an advanced signal system. The three JPB partners are each contributing $60 million in local funds. In addition, VTA has allocated $26 million of its formula share of Proposition 1A bond funds to this effort.

In 2016, a Regional Funding Supplement to this memorandum of understanding was executed to address a funding shortfall for the electrification project. The supplement includes an additional contribution from VTA, which is contingent on the San Mateo County Transportation Authority and San Francisco approving equal contributions. In January 2017, VTA, the other two Caltrain funding partners, and the MTC committed to provide a combined additional $200 million in contingency funding as a condition of receiving a $647 million Full Funding Grant Agreement (FFGA). The Federal Transit Administration (FTA) subsequently approved the FFGA, which completed the project’s funding package, and construction of the electrification of Caltrain and procurement of electric vehicles, began in June 2017. With this project underway, the Caltrain JPB has moved to create an ad hoc committee of JPB members, to strengthen the oversight of elements of the Caltrain Modernization project, including the Positive Train Control/Communications-based Overlay Signal System. A second ad hoc committee will assist and guide Caltrain in the development of its Business Plan to better address the challenges to providing public transit on the Peninsula.
With the modernization of Caltrain and the potential for high-speed train service, major development plans are being considered for the San Jose Diridon Station, and the 4th and King Station in San Francisco. Diridon Station will cement its status as a transportation facility of regional and state-wide significance with BART, High Speed Rail and electrified Caltrain service all coming in the near future. Major employers have taken notice, and are now exploring developments to support thousands of new jobs near the station. These conceptual plans have the potential to transform the areas in and around the stations, and greatly increase demand for future public transit ridership. As these plans move forward, any costs associated with the necessary studies should not be paid by the JPB, but rather by the developers and/or the local jurisdictions that are pursuing these efforts. In addition, any potential land-use changes in and around the stations should not negatively impact Caltrain operations or train storage. If any Caltrain cost issues arise from the redevelopment of a station, the developer and/or the local jurisdiction should be responsible for paying the JPB for any one-time or additional ongoing costs that result from the development.

The Caltrain JPB has been authorized to seek voter approval of 1/8 cent sales tax in the three counties that comprise the Caltrain corridor, to support Caltrain capital and operating costs, pursuant to SB 797 (Hill) signed by Governor Brown in October 2017. If approved by the voters, such a sales tax is projected to generate approximately $100 million annually, and could replace contributions from the funding partners.

In 2018, VTA’s advocacy efforts with regard to Caltrain will focus on the following:

- Work collaboratively with our JPB partners, the City of San José and other parties on any development opportunities for Caltrain stations, to ensure: (1) a seamlessly functioning transit hub for multi-model transportation that integrates well with surrounding development; (2) the JPB does not pay for the studies; and (3) any one-time or additional ongoing costs to Caltrain that result from a development is paid for by the developer and/or the local jurisdiction.

- Work collaboratively with our JPB partners, the High-Speed Rail Authority, MTC, and others to ensure that the Caltrain Electrification Project is delivered in an efficient and cost-effective manner that protects the interests of VTA and Santa Clara County. Along these lines, VTA will seek to: (1) support Caltrain’s management of major capital projects; (2) ensure that the other funding partners meet their financial commitments to the project; and (3) prevent unnecessary cost increases from being incurred or passed on to the VTA.

- Work collaboratively with our JPB partners to develop regional consensus and build public awareness of the positive impacts of transportation investment in the corridor and seek new funding to: (1) support Caltrain operations; (2) maintain Caltrain equipment, facilities and infrastructure in a state of good repair; (3) reduce the system’s reliance on contributions from funding partners; and (4) pay for Caltrain system improvements, including grade separations, to provide cost-effective benefits for current and future passengers.

**CAPITOL CORRIDOR INTERCITY RAIL SERVICE**

The Capitol Corridor is a 170-mile intercity rail service that runs between Auburn/Sacramento and San Jose. The Capitol Corridor Joint Powers Authority (JPA) consists of two representatives from each of
the eight counties that the trains serve. Funding is provided by the state, and BART serves as the managing agency.

As part of its 2018 Legislative Program, VTA will advocate for the prioritization of improvements that will increase the frequency of Capitol Corridor service to San Jose and shorten travel times. In addition, with the increased private development interest adjacent to the Capitol Corridor stations in Santa Clara County, VTA will work collaboratively with the Capitol Corridor, as well as with the Altamont Commuter Express (ACE), to pursue capital improvements that ensure seamless public transit connections between VTA light rail and bus service, and those two train services. VTA also will continue to work with the Capitol Corridor and ACE to advocate for any potential land-use planning efforts that will improve access to, and avoid impacting the operations of, their services.

With the passage of SB 1 and the extension of the cap-and-trade program, both of which bolster the Transit and Intercity Rail Capital Program (TIRCP), VTA will support efforts to secure additional grant funding for travel time savings projects, and the enhancement and expansion of the Capitol Corridor service between Oakland and San Jose and throughout the corridor.
## Administration & Finance Committee Work Plan
### January - August 2018

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