BOARD OF DIRECTORS WORKSHOP/SPECIAL MEETING

Friday, April 21, 2017

MINUTES

1. CALL TO ORDER AND ROLL CALL

The Workshop/Special Meeting of the Santa Clara Valley Transportation Authority’s (VTA) Board of Directors (Board) was called to order by Chairperson Bruins at 9:00 a.m. in the Board of Supervisors’ Chambers, County Government Center, 70 West Hedding Street, San José, California.

Chairperson Bruins announced that Agenda Item #3.1.A., FY 2018 and FY2019 Proposed Biennial Budget, Agenda Item #3.1.B., Fare Policy Review, and Agenda Item #3.2., Suspend FY17 Transfer to Capital and Initiate a Commercial Paper Program, would be heard together.

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<tr>
<th>Attendee Name</th>
<th>Title</th>
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<tr>
<td>Jeannie Bruins</td>
<td>Chairperson</td>
<td>Present</td>
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<td>Larry Carr</td>
<td>Board Member</td>
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<td>Cindy Chavez</td>
<td>Board Member</td>
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<td>David Cortese</td>
<td>Alternate Board Member</td>
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<td>Dev Davis</td>
<td>Alternate Board Member</td>
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<td>Lan Diep</td>
<td>Board Member</td>
<td>Present</td>
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<td>Daniel Harney</td>
<td>Alternate Board Member</td>
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<td>Glenn Hendricks</td>
<td>Board Member</td>
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<td>Chappie Jones</td>
<td>Board Member</td>
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<td>Johnny Khamis</td>
<td>Board Member</td>
<td>Present</td>
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<td>Sam Liccardo</td>
<td>Vice Chairperson</td>
<td>Absent</td>
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<td>John McAlister</td>
<td>Alternate Board Member</td>
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<td>Bob Nunez</td>
<td>Alternate Board Member</td>
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<td>Teresa O’Neill</td>
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<td>Raul Peralez</td>
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<td>Rob Rennie</td>
<td>Alternate Board Member</td>
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<td>Savita Vaidhyanathan</td>
<td>Board Member</td>
<td>Present</td>
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<tr>
<td>Ken Yeager</td>
<td>Board Member</td>
<td>Absent</td>
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* Alternates do not serve unless participating as a Member.

A quorum was present.
2. PUBLIC COMMENT

Philip Kamhi, City of Palo Alto, referenced the VTA Final Transit Service Plan, expressing appreciation to VTA staff for their efforts to develop and improve the service network. Mr. Kamhi stated the City of Palo Alto requests VTA delay the approval of the Final Transit Service Plan until VTA staff is able to identify bridge funding for local shuttles to areas that will see significant reduction to fixed route transit service with the implementation of the final service plan.

Howard Miller, Chairperson, Policy Advisory Committee (PAC), reported that the PAC had the following comments regarding Agenda Item 3.3., 2016 Measure B Program Area Guidelines Overview: 1) noted the importance of leveraging Measure B as much as possible, but expressed concern with the words “local match;” 2) importance of getting the funding for local roads and streets flowing as soon as possible, and; 3) suggest looking at transfers as a way to help increase ridership.

Board Member Peralez arrived at the meeting and took his seat at 9:05 a.m.

Mona Onstead, Interested Citizen, expressed concern with the following potential route changes: 1) Route 23, noting many rely on this service for doctor appointments, trips to O’Connor Hospital and Valley Fair, and 2) Route 10, noting that San Jose State University students and residents rely on this route. Ms. Onstead requested VTA staff reconsider these route changes.

Board Member Diep arrived at the meeting and took his seat at 9:08 a.m.

Virginia Benche, Interested Citizen, expressed concern with the following: 1) changes to the bus network will have a negative impact to the disabled community’s access to paratransit service, especially those living in rural areas; 2) high cost of paratransit service to rural areas; 3) vehicles need to be maintained; and 4) suggested there would be a significant cost savings if paratransit vehicles had multiple passengers.

Joyce, Interested Citizen, expressed concern about the proposed changes to Almaden Valley Route 63, the resulting community impacts, and loss of revenue to VTA.

3. WORKSHOP ITEMS

Agenda Items #3.1.A, 3.1.B and 3.2 were heard together.

3.1. Biennial Budget Related Items

Nuria I. Fernandez, General Manager and CEO, provided a brief introduction of the staff presentation.

3.1.A. FY2018 AND FY2019 Proposed Biennial Budget

3.1.B. Fare Policy Review
3.2. Suspend FY17 Transfer to Capital and Initiate a Commercial Paper Program

Raj Srinath, Chief Financial Officer, provided a brief introduction of VTA staff members.

Carol Lawson, Fiscal Resources Manager, provided the staff report and a presentation entitled “Proposed Biennial Budget Fiscal Years 2018 and 2019,” highlighting: 1) Strategic Plan Core Values; 2) VTA 2017 Priorities; 3) Competing Uses for Revenue Dollars; 4) VTA Budgeted Funds; 5) Proposed Budget, and; 6) VTA Transit - Funding Structure.

Doug Jensen, Sales Tax Consultant, MuniServices, provided a presentation entitled "Santa Clara VTA Transactions & Use Tax Trends and Projections," highlighting the following: 1) Agenda; 2) Key Drivers & Trends; 3) Brick & Mortar vs Online Sales Impact; 4) City/County Sourcing Different for VTA; 5) Bottom-Up Approach; 6) Conclusion, and 7) Sales Tax Revenues.

Mr. Srinath provided an overview of the following: 1) MuniServices Growth Rate Scenarios, and; 2) Historical and Projected Growth Rates.

Public Comment

Scott Knies, Executive Director, Downtown San Jose Association, expressed concern about the proposed elimination of the Downtown Area Shuttle (DASH). Mr. Knies suggested it would be advantageous to continue DASH service during the tunneling and construction of Phase II of VTA’s BART Silicon Valley Extension to San Jose. He requested the Board continue DASH as a mitigation measure during construction and consider phasing out the shuttle service after the completion of BART Phase II.

Board Member Khamis provided the following comments: 1) expressed concern about VTA’s proposed sales tax collections noting City of San Jose sales tax revenue has come in 3-7% lower than projected, and; 2) suggested VTA consider running DASH service through a subcontractor to reduce costs.

Jim Unites, Executive Manager, Transit Planning & Capitol Development, provided clarification on DASH Route 10, noting as part of VTA’s Next Network plan, it will be replaced with the Rapid 500 that travels from the Diridon Station through San Jose and connects to the Berryessa BART Station.

Board Member Peralez commented the Rapid 500 is an alternative service, but not a replacement of the DASH.

Members of the Board and staff discussed the following: 1) reason why Senate Bill (SB) 1 funds were not considered in the proposed budget; 2) accuracy of historical and projected growth rates, and; 3) anticipated budget impact from new fare structure and new route network.
Mr. Srinath continued with the presentation, highlighting the following:
1) Projected Sales Tax Growth Rates for Various Local Jurisdictions; 2) Ridership Trend – FY15 to FY17; 3) Ridership Trend Rolling 12 Month Average; 4) Ridership Improvement Efforts; 5) New Light Rail Map; 6) Service Levels; 7) Ridership History & Projections; 8) VTA Transit Fund-Revenues, and; 9) VTA Transit – Structural Imbalance.

Chairperson Bruins stated staff would now present Agenda Item 3.1.B., Fare Policy Review.

Ali Hudda, Deputy Director Finance & Budget, provided a presentation on proposed changes to fare policies entitled "VTA Fare Policy Review," highlighting: 1) Board Adopted Fare Policy - 2003; 2) Fare Policy Review Objectives, and; 3) Public Outreach, and 4) General Feedback.

Mr. Hudda introduced Laura Wolfgram, Four Nines Technology, who discussed Fare Modeling.

Mr. Hudda continued with the staff presentation, highlighting the following: 1) Proposed Fare Adjustments; 2) Intra-Operator Transfers (VTA-to-VTA); 3) Fares for Low Income Riders Community Bus Fares; 4) Eco Pass Changes; 5) Preliminary Title VI Impacts, and 6) Summary of Proposed Fare Policy Changes.

Public Comment

Aboubacar Ndiaye, Working Partnerships USA, commented on the following: 1) thanked VTA staff for the thoughtful and detailed proposal to help increase access to reliable and affordable transportation for VTA riders; 2) expressed concern about fare increases and static funding for the transit systems program, and; 3) requested clarity in the spending of 2016 Measure B funding.

Lupe Medrano, Interested Citizen, expressed concern about potential cuts to service and fare increases stating it will cause an extreme hardship to the disabled community.

Chris Lepe, TransForm, commented on the following: 1) inquired about the impact the fare restructuring would have on ridership; 2) expressed support for free transfers if fares increase; 3) expressed concern with increasing monthly/day passes, noting this will have a significant impact on low income riders, and 4) queried about additional funding sources to avoid fare increases.

Laura Tolkoff, Policy Director, San Francisco Bay Area Planning and Urban Research Association (SPUR), made the following comments: 1) expressed appreciation to VTA for its efforts to ease transit operation dollars to enhance the frequency of the core bus network; 2) suggest VTA create fare policies and categories that reduce confusion and complexity in order to make multiple trips across multiple operators; 3) encouraged VTA to take advantage of the Clipper 2.0 upgrade to simplify fares and pursue fare integration with other
operators; 4) consider integrating on-demand vehicles and ride share to cover areas that might be lost when transitioning to Next Network, and; 5) suggested 2016 Measure B transit operation funds could be used to provide a backstop for potential revenue losses in the short term as part of that effort.

Board Member Hendricks made the following comments: 1) expressed his appreciation to the Finance Department for sharing the structural challenges VTA faces; 2) the importance of being very cautious when it comes to talking about using funds from 2016 Measure B and SB1, noting those are for specific projects and will be oversubscribed; 3) challenged the Board to be disciplined and to make sure that all decisions are budget neutral, noting if VTA adds service in one area it has to be taken away from somewhere else; 4) importance of funding needs versus wants, and; 5) examine farebox and its impacts to overall budget.

Members of the Board and staff discussed the following: 1) bus to light rail will have free transfers for up to 90 minutes; 2) Eco Pass excludes the premium Express Bus Routes; 3) decreasing Eco Pass existing employee tier structure for simplification; 4) Eco Pass is an employee benefit provided by employers; 5) anticipated loss of ridership due to fare increase is estimated at 3% elasticity; 6) tier pricing for premium services to meet the objectives of serving differing types of riders; 7) suggested reaching out to San Diego to complete a comparative analysis as their farebox recovery is 45%; 8) 2009 was the last fare increase; 9) request community outreach to West Valley Community College regarding increased cost of Eco Pass; 10) Title VI Equity Analysis will be looking at price changes and whether a certain population is impacted more or less than the overall ridership. The preliminary analysis has shown everyone had equal access to the retail network; 11) Clipper Card access and distribution points will increase; 12) validity of survey results; 13) 120,000 current Eco Pass users; 14) expressed concern that the extra cost for Express Service may be a disincentive to employers providing the Eco Pass; 15) employers with 50 or more employees must have a state mandated Transportation Demand Management (TDM) plan showing they have strategies and policies in place to reduce travel demand. VTA provides a cost effective way for businesses to meet the TDM; 16) requested staff provide the TDM policy so the Board understands what businesses need from VTA going forward; 17) system wide per ride costs VTA $8; 18) requested staff look into SB-1332 to see if VTA has more elasticity with regard to TDMs, noting VTA needs to be an economical choice, but the cost needs to be balanced with the consequences of being too low, and; 19) requested staff provide a breakdown of those employees that have been provided an Eco Pass, how many actually utilize the service?

Chairperson Bruins thanked VTA staff for the excellent presentation. She stated this is a difficult decision. VTA is moving to a more equitable plan and the current cost of $8 per ride is not sustainable. She stated there will be
impacts, and VTA will do their best to handle the matter in a delicate way. She thanked the Board for their thoughtful remarks.

Chairperson Bruins stated staff would now present Agenda Item 3.2., Suspend FY17 Transfer to Capital and Initiate a Commercial Paper Program.

Mr. Srinath continued with the presentation, highlighting the following: 1) VTA Transit – FY17 to FY19 After Expense Mitigations and Fare Policy Changes; 2) Proposed FY17 Mitigations; 3) Proposed FY17 Mitigations – Option 1; 4) Proposed FY17 Mitigations – Option 2; 5) Proposed Additional FY18 & FY19 Sources of Funds/Funding for Bus & Light Rail Enhancements; 6) VTA Transit – FY17 to FY19 – Option 1; 7) VTA Transit – FY17 to FY19 – Option 2; 8) Mitigation Options – Impact on Reserves; 9) Summary of Expense Mitigations & Additional Funding; 10) VTA Transit Fund – Option 1; 11) VTA Transit Fund – Option 2, and; 12) Option 3.

Ms. Lawson continued with the staff presentation, highlighting the following: 1) VTA Transit - FY18 & FY19 - Projected Revenues; 2) VTA Transit - FY18 & FY19 Proposed Expenses; 3) VTA Transit - FY18 & FY19 Service Delivery Breakdown; 4) Operating Assumption Risks; 5) VTA Transit - Capital Budget – New Appropriation by Funding Source; 6) VTA Transit - Capital Budget – New Appropriation by Project Type; 7) VTA Transit – Capital Funding; 8) Proposed VTA Transit Fund Comprehensive Reserve Policy Changes; 9) Proposed Budget - Congestion Management Program (CMP); 10) CMP FY18 & FY19 Work Program; 11) CMP Member Assessments - 5% Increase per Year; 12) Proposed Budget - 2008 Measure B BART Operating Sales Tax Program; 13) Proposed Budget - 2016 Measure B Program; 14) Proposed Budget Summary; 15) Budget/Fare Outreach Schedule; 16) Budget/Fare Meeting Schedule, and; 17) Summary of Board Actions.

Members of the Board discussed the following: 1) three-year pay back plan, and; 2) anticipated funding sources are 1976 tax revenue, as well as other tax sources, to pay back the Commercial Paper loan.

Board Member Chavez made the following requests: 1) address the opportunity, if there is any, to pre-pay employer contributions to pension funds to determine whether or not VTA would have a short or long term interest opportunity due to rate differential; 2) expressed excitement that VTA is looking at the capital policy. She expressed the importance of including the operations that directly protect significant capital assets when considering the budget, and 3) make sure that when establishing reserves, based on the new policy, VTA is using cash from the previous year to determine reserve rates for the following year rather than the budget.

Board Member Hendricks referenced the Capital Policy and requested the 2016 Measure B Capital piece be funded prior to other areas being funded. He recommended, given the financial murkiness of the next two years, Option 2.
He stated this would only be for staff to begin the process, and any loan will come back before the Board for approval.

Board Member Khamis expressed concern with high employee costs and internal operating expenses. Staff indicated VTA is looking at internal operating expenses by managing vacancies and containing health care costs. Labor contract negotiations will be up for discussion in 2018.

Members of the Board and staff discussed the following: 1) fare increases are included in the budget forecast; 2) stated that borrowing funds to pay debt indicates VTA has structural problems, and suggests being more assertive; 3) Other Post Employee Benefit (OPEB) pension trust fund is fully funded; 4) increase in redline expenses from FY2017 to FY2018 is due to increased service level; 5) the actual cost of short-term borrowing is more beneficial to VTA than depleting reserve funds, and; 6) suggest incorporating proactive discussions about future budget options to avoid prolonged borrowing.

Ms. Fernandez clarified the two main components to VTA’s budget are labor and service, and those are the areas to look at going forward.

Board Member Hendricks thanked VTA staff and noted this has been a difficult challenge. He stated the Board will need discipline to set policy and give direction regarding future budgets. Board Member Hendricks stated the Board may need to look at future service hours and what can be provided based on revenue.

On order of Chairperson Bruins and there being no objection, the Board of Directors reviewed and discussed the FY2018 and FY2019 Proposed Biennial Budget.

On order of Chairperson Bruins and there being no objection, the Board of Directors reviewed and discussed the Fare Policy Review.

M/S/C (Hendricks/Chavez) to authorize suspension of the FY 2017 VTA Transit Fund transfer to capital in the amount of $21.9M and authorize staff to begin the process required to establish a commercial paper program to fund the local portion of the VTA Transit Fund capital program.

| RESULT: | APPROVED – Agenda Item #3.2 |
| MOVER: | Glenn Hendricks, Board Member |
| SECONDER: | Cindy Chavez, Board Member |
| AYES: | Bruins, Carr, Chavez, Davis, Diep, Hendricks, Jones, Khamis, O’Neill, Peralez, Vaidhyanathan |
| NOES: | None |
| ABSENT: | Yeager |

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
3.3. **2016 Measure B Program Area Guidelines Overview**


Board Member Khamis left the meeting at 11:53 a.m.

**Public Comment**

Nadia Naik, Interested Citizen speaking on behalf of Vice Mayor Liz Kniss of Palo Alto, thanked VTA staff and the Board. Ms. Naik encouraged collaboration between cities and stated they look forward to working together.

The following Interested Citizens addressed the Board requesting VTA remove the “at grade level” language from the proposed recommendation, noting it seems restrictive and may create problems for multi-model transportation options at intersections which are crucial for safe routes to school. They suggested giving cities design flexibility to move railroad tracks to improve safety:

- Penny Ellson
- Karen Schreiber
- Sylvia Star-Lack
- Philip Kamhi

Colen Heyne, Silicon Valley Bicycle Coalition, commented on the following: 1) referenced Bicycle/Pedestrian (Bike/Ped) Education and Encouragement Carve out Formula for Distribution of Funds, stating the formula distribution yields broad
investment to all communities, but queried if it will produce results. He requested VTA track and analyze the results and have the flexibility to move to a different distribution model, and 2) referencing the Capital Projects Competitive Grant Program, he stated he hopes there will be a significant emphasis on social equity in the scoring criteria. He stated low income communities and communities of color are more likely to use bike/ped, and suggested the funds be used to address this health crisis.

Pat Burt, Interested Citizen, stated he worked to help draft 2016 Measure B Language with focus on North County Cities for Caltrain with the following objectives: 1) to complete all eight grade separations; 2) $700M would be distributed equitably among the eight separations; 3) local cost sharing and other funding would be needed; 4) a portion of funding would be available for planning, and; 5) designs would be based on cost effectiveness as well as context based issues including circulation impacts, safety impacts on adjacent built properties, impacts on Caltrain operations and recognizing grade crossings in communities. Mr. Burt recommended the staff proposal be rescinded and VTA be directed to meet with North County cities to develop grade separation funding alternatives.

Peter Taskovich, Palo Alto Neighborhoods (PAN), commented on the following: 1) expressed support for the removal of “at grade level” from the grade separation language, and; 2) request 2016 Measure B funding be used to help increase Route 21 weekend frequency as well as to provide alternate shuttle service for Next Network cuts.

Amanda Hui, West Valley Community Services, expressed support for the Transportation Assistance Program (TAP). She stated the program allows struggling families in Santa Clara County to look for jobs and make their doctor appointments.

Mr. Lepe commented on the following: 1) stated the bike/ped transportation category has a focus on performance, and stated it would be helpful to have performance based focus for other project categories beyond that. He suggested a focus on Vehicle Miles Traveled (VMT) for reducing Vehicle Free Transport (VFT); 2) noted the importance of being flexible and leaving the door open for innovation, and; 3) encouraged continued community engagement.

Ms. Tolkoff commented on the following: 1) expressed support for 2016 Measure B; 2) expressed appreciation for staff’s clarification that, with the exception of BART, the funds that become available will track the actual sales tax revenues; 3) recommend more research for bike/ped improvements be made available in the early years of 2016 Measure B in order to make significant progress towards mobility and sustainability goals, and; 4) recommend VTA adopt a policy replacing Level of Service (LOS) with VMT before making major investments in highway interchanges and expressway categories.

Mathew Reed, Sacred Heart Community Services, San Jose, made the following comments: 1) expressed concern that communication is being neglected in this round of planning; 2) suggested priorities need to be re-examined due to several factors that
were not in place during 2016 Measure B planning, and; 3) expressed concern about the TAP, subsidies for low-income seniors and non-ADA paratransit services for seniors.

Maria Ristow, Los Gatos Transportation & Parking Commission, referenced the Danville model busing program that was in the original language of 2016 Measure B, but does not appear in the staff report today. She stated this regional corridor congestion relief effort is the number one priority for Los Gatos. She reported that Los Gatos is funding a feasibility study for the project which should be completed in early 2018, with the goal of busing to begin in August of 2018 at the start of the new school year. She stated the cost was a surprise, and the program could be scaled down to a smaller pilot program if necessary.

Janet Lafleur, Interested Citizen, expressed support for the Complete Streets language. She requested grade separation language not be overly restrictive by preventing good solutions that are locally necessary.

Roland Lebrun, Interested Citizen, commented on the following: 1) VTA is the lead agency and knows how to plan, design and construct grade separation projects, and; 2) the primary objective is to move more people up and down the peninsula, and projects that increase Caltrain capacity as well as provide grade separation should have priority.

Reginald Swilley, Interested Citizen, expressed support for keeping programs within the county to help invigorate the local business economy.

Members of the Board made the following comments: 1) thanked staff for revising the guidelines as suggested at the Committees; 2) requested VTA’s support for senior mobility; 3) importance of additional communication, interaction and coordination between the cities involved and VTA regarding Caltrain grade separation; 4) Diridon Station planning should be funded prior to Caltrain electrification; 5) look at the gaps created through Next Network with DASH in downtown San Jose, specifically with respect to vulnerable communities; 6) increased service to South County is not tied to Caltrain electrification; 7) expressed concern about reimbursement on larger projects, specifically expressway projects; 8) request VTA provide a policy regarding maintenance and up-keep associated to operational costs; 9) request VTA provide a policy that looks at resource overages over the 30 year timeframe and redirect that to capital maintenance; 10) interested in accountability reporting strategies; 11) expressed concern that the small amount of bicycle funding will be split among cities without looking at regional projects; 12) expressed concern that communicating by city versus region may be less responsible; 13) suggest having a deeper conversation once grade separation gets presented; 14) suggest there should be further community outreach before the $500M for low income communities returns to the Board; 15) expressed concern that Local Streets and Roads Program funding will be capped at 2017 dollars and will not reflect sales tax receipts; 16) consider future development needs when prioritizing pavement program funding; 17) request VTA provide information as to the reason FY10-FY12 was chosen as the baseline for local streets and roads, and to understand how VTA might be accounting for anomalies;
18) request VTA provide a policy which specifies the intent on how grade separation funds will be allocated; 19) consider a countywide bike/ped solution that manages a single education program, and; 20) expressed support for a policy encompassing the capital projects maintenance that is part of the operations cost.

Chairperson Bruins thanked staff for the presentations, and encouraged Board Members to set up one on one time with staff if they have any questions.

On order of Chairperson Bruins and there being no objection, the Board of Directors reviewed and discussed Draft 2016 Measure B Program Area Guidelines.

Chairperson Bruins announced the next Board Meeting is Thursday, May 4, 2017, at 5:30 p.m.

4. OTHER ITEMS

4.1. ANNOUNCEMENTS

There were no Announcements.

5. ADJOURN

On order of Chairperson Bruins and there being no objection, the Board of Directors Workshop/Special Meeting was adjourned at 12:23 p.m.

Respectfully submitted,

Anita McGraw, Board Assistant
VTA Office of the Board Secretary