

GOVERNANCE AND AUDIT COMMITTEE

Thursday, June 7, 2018

4:00 PM

PLEASE NOTE CHANGE IN MEETING ROOM LOCATION

Isaac Newton Senter Auditorium

County Government Center

70 West Hedding 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

4. ACTION ITEM - Approve the Regular Meeting Minutes of March 1, 2018.
5. ACTION ITEM -Approve appointment to the VTA SR 85 Corridor Policy Advisory Board.
6. ACTION ITEM -Ratify re-appointments to the Bicycle & Pedestrian Advisory Committee for the two-year term ending June 30, 2020.


7. INFORMATION ITEM -Receive and review the Auditor General's Ethics Hotline Quarterly Summary Report.
8. INFORMATION ITEM -Receive an update from Auditor General Office staff on the status of projects contained in the current Internal Audit Work Plan.

REGULAR AGENDA

9. ACTION ITEM -Amend the bylaws for the Citizens Advisory Committee (CAC) to modify the membership structure and related provisions.
10. ACTION ITEM -Approve minor amendments to the Board Rules of Procedure.
11. ACTION ITEM -Recommend that the VTA Board of Directors adopt a resolution amending the VTA Administrative Code to incorporate: a) changes to the Citizens Advisory Committee membership structure; b) revising the name of the Capital Projects Oversight Committee board standing committee; and c) other minor modifications and clarifications.
12. ACTION ITEM -Review and receive the Auditor General's report on the Joint Development Program and Tamien Station Project Assessments.
13. INFORMATION ITEM -Receive the Auditor General's update on the Advanced Communication System CAD/AVL Independent Project Oversight process.
14. INFORMATION ITEM -Review and receive the scope of work for Annual Financial Audit Services for Fiscal Year 2018.

OTHER ITEMS

15. Items of Concern and Referral to Administration.
16. Review Committee Work Plan. (Fernandez)
17. Committee Staff Report. (Fernandez)
18. Chairperson's Report. (Liccardo)
19. Determine Items for the Consent Agenda for future VTA Board of Directors' meetings.
20. **ANNOUNCEMENTS**
21. **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  www.facebook.com/scvta. ☎ (408) 321-2300: 中文 / Español / 日本語 / 한국어 / tiếng Việt / Tagalog.

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> and also at the meeting.

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



Governance and Audit Committee

Thursday, March 1, 2018

MINUTES

CALL TO ORDER

The Regular Meeting of the Governance and Audit Committee (“Committee”) was called to order at 4:05 p.m. by Vice Chairperson O’Neill in Conference Room 157, County Government Center, 70 West Hedding, San Jose, California.

1. ROLL CALL

Attendee Name	Title	Status
Cindy Chavez	Member	Present
Johnny Khamis	Member	Present
Sam Liccardo	Chairperson	Present
Teresa O’Neill	Vice Chairperson	Present

A quorum was present.

2. PUBLIC PRESENTATIONS:

There were no Public Presentations.

3. ORDERS OF THE DAY

There were no Orders of the Day.

CONSENT AGENDA

4. Regular Meeting Minutes of November 30, 2017

M/S/C (Chavez/Khamis) to approve the Regular Meeting Minutes of November 30, 2017.

5. 2018 Governance and Audit Committee Meeting Schedule

M/S/C (Chavez/Khamis) to approve the 2018 Governance and Audit Committee Meeting Schedule.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.

6. **VTA Ethics Hotline Program Quarterly Report**

M/S/C (**Chavez/Khamis**) to receive and review the VTA Ethics Hotline Program Quarterly Report.

7. **Review Status of Internal Audit Work Plan**

M/S/C (**Chavez/Khamis**) to receive an update from Auditor General Office staff on the status of projects contained in the current Internal Audit Work Plan.

RESULT:	APPROVED – Consent Agenda Items #4 - 7
MOVER:	Chavez, Member
SECONDER:	Khamis, Member
AYES:	Chavez, Khamis, O’Neill
NOES:	None
ABSENT:	Liccardo

REGULAR AGENDA

8. **Special Events & Stadiums Service Assessment**

Pat Hagan, Auditor General’s Office, provided a brief overview of the staff report.

The Committee and staff discussed the Auditor General’s recommendation to consider hiring part time operators and the benefits of part time employees as stated in the current collective bargaining agreement with Amalgamated Transit Union (ATU).

M/S/C (**Khamis/Chavez**) to recommend the VTA Board of Directors review and receive the Auditor General’s report on the Special Events & Stadiums Service Assessment.

RESULT:	APPROVED - Agenda Item #8
MOVER:	Khamis, Member
SECONDER:	Chavez, Member
AYES:	Chavez, Khamis, O’Neill
NOES:	None
ABSENT:	Liccardo

Agenda Items #9 and #10 were heard together.

9. **FY 2018 VTA Risk Assessment Refresh**

10. **Amend the FY 2018 and FY 2019 Internal Audit Work Plans**

Chairperson Liccardo arrived at the meeting at 4:35 p.m. and took his seat.

Vice Chairperson O'Neill relinquished her seat to Chairperson Liccardo who presided for the remainder of the meeting.

Bill Eggert, Auditor General, and Mr. Hagan provided a brief report on the FY 2018 VTA Risk Assessment Refresh.

The Committee and staff discussed the following: 1) the structural budget deficit is currently a watch item; 2) newly added risks; 3) including a quantified list of cost savings associated with the Auditor General recommendations; 4) project swaps, and; 5) Metropolitan Transportation Commission (MTC) allocation methodology review.

Public Comment

Roland Lebrun, Interested Citizen, suggested VTA conduct an analysis to determine private sector funding that could be used to help fund projects.

Mr. Eggert provided a brief report on the FY 2018 and F7 2019 Internal Audit Work Plans to be amended.

9. **M/S/C (Khamis/Chavez)** to recommend that the VTA Board of Directors review and receive the Auditor General's report on the FY 2018 VTA Risk Assessment Refresh.

RESULT:	APPROVED - Agenda Item #9
MOVER:	Khamis, Member
SECONDER:	Chavez, Member
AYES:	Chavez, Khamis, Liccardo, O'Neill
NOES:	None
ABSENT:	None

10. **M/S/C (Khamis/Chavez)** to recommend the VTA Board of Directors approve amending the FY 2018 and FY 2019 Internal Audit Work Plans to: (A) defer two FY 2018 projects; (B) accelerate one current FY 2019 project to FY 2018; (C) add a new, high priority project for FY 2018; and (D) define the specific purpose and scope of the FY 2019 placeholder Transaction Monitoring Audit project.

RESULT:	APPROVED - Agenda Item #10
MOVER:	Khamis, Member
SECONDER:	Chavez, Member
AYES:	Chavez, Khamis, Liccardo, O'Neill
NOES:	None
ABSENT:	None

11. **Amend the FY 2018 Internal Audit Work Plan to Add BART Silicon Valley Project – Phase 1 BART Invoicing Audit**

Mr. Eggert and Mr. Hagan provided an overview of the staff report.

Discussion on the BART Invoicing Audit included: 1) scope and methodology; 2) discovery phase; 3) testing phase; 4) cost efficiency element/cost recovery element; 5) operations and maintenance risk assessment; 6) legal framework of funding and its application, and; 7) what is BART's internal process that is applied to other financial partners?

M/S/C (Khamas/Chavez) to recommend that the VTA Board of Directors approve amending the FY 2018 Internal Audit Work Plan to add the BART Silicon Valley Extension - BART Comprehensive Agreement Invoice and Project Cost Audit. This action will increase the FY 2018 Internal Audit Work Plan amount of \$465,000 by \$75,000 to a revised amount of \$540,000.

RESULT:	APPROVED - Agenda Item #11
MOVER:	Khamis, Member
SECONDER:	Chavez, Member
AYES:	Chavez, Khamis, Liccardo, O'Neill
NOES:	None
ABSENT:	None

12. **Results of 2017 VTA Board of Directors (Board) Self-Assessment**

Chairperson Liccardo provided a brief overview of the report, and the attachment "2017 Annual Confidential Self-Assessment of the Board of Directors."

Members of the Committee and staff discussed the ten categories used in prior VTA assessments, and made the following comments: 1) suggested more governance development; 2) suggested concept-oriented retreat to include items such as funding streams or VTA partners; 3) restructuring Board appointment process; 4) importance of stressing members' regional duty and VTA's strategic vision; 5) VTA's financial outlook; 6) expressed concern that the Board can be San Jose centric with smaller cities losing their voice; 7) suggested expert presentations on the future of transportation; 8) the importance of discussing what makes up the financial resources of VTA; 9) present a business plan or business framework to the Board; 10) suggest adding a Ridership Dashboard for the Board and the public; 11) analyze congestion management impact from grants given to local communities, and 12) the importance of strategic goal reporting.

Public Comment

Jeannie Bruins, City of Los Altos, thanked the Committee for their work on this matter. Ms. Bruins offered the following suggestions: 1) orientation should be a two phase process; 2) explain financial flow from Federal to State to VTA; 3) importance of the link and interface between VTA staff and the cities, and then Board members communicating with their cities; 4) Tax Measure 101; understanding the differences between VTA Tax Measures A and B in terms of the structure and; 5) understanding the balance between the transportation and congestion management hat.

Glenn Hendricks, Sunnyvale Mayor, made the following suggestions: 1) consider an effort to go to the city councils and discuss the importance of selecting a regional thinker, and; 2) more focus on understanding financing versus social wants.

On order of Chairperson Liccardo and there being no objection, the Committee reviewed and discussed the Results of 2017 Board Self-Assessment.

OTHER ITEMS

13. Items of Concern and Referral to Administration

There were no Items of Concern and Referral to Administration.

14. Review Committee Work Plan

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

15. Committee Staff Report

There was no Committee Staff Report.

16. Chairperson's Report

There was no Chairperson's Report.

17. Determine Items for the Consent Agenda for Future Board of Directors' Meetings

CONSENT:

Agenda Item #8., Recommend that the VTA Board of Directors review and receive the Auditor General's report on the Special Events & Stadiums Service Assessment.

Agenda Item #9., Recommend that the VTA Board of Directors review and receive the Auditor General's report on the FY 2018 VTA Risk Assessment Refresh.

Agenda Item #10., Recommend that the VTA Board of Directors approve amending the FY 2018 and FY 2019 Internal Audit Work Plans to: (A) defer two FY 2018 projects; (B) accelerate one current FY 2019 project to FY 2018; (C) add a new, high priority project for FY 2018; and (D) define the specific purpose and scope of the FY 2019 placeholder Transaction Monitoring Audit project.

Agenda Item #11., Recommend that the VTA Board of Directors approve amending the FY 2018 Internal Audit Work Plan to add the BART Silicon Valley Extension - BART Comprehensive Agreement Invoice and Project Cost Audit. This action will increase the FY 2018 Internal Audit Work Plan amount of \$465,000 by \$75,000 to a revised amount of \$540,000.

REGULAR: None

18. **ANNOUNCEMENTS**

There were no Announcements.

19. **ADJOURN**

On order of Chairperson Liccardo and there being no objection, the Committee was adjourned at 5:27 p.m.

Respectfully submitted,

Anita McGraw, Board Assistant
VTA Office of the Board Secretary



Date: June 1, 2018
 Current Meeting: June 7, 2018
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Board Secretary, Elaine Baltao

SUBJECT: Appointment to SR 85 Corridor Policy Advisory Board

Policy-Related Action: No

Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Approve appointment to the VTA SR 85 Corridor Policy Advisory Board.

BACKGROUND:

VTA policy advisory boards (PAB) are established by the VTA Board of Directors to ensure that the local jurisdictions most affected by major transportation capital improvement projects are involved and have a voice in guiding the planning and design of those projects. PABs provide input, perspective and recommendations to the VTA Board and administration.

The Board established the State Route (SR) 85 Corridor PAB comprised of voting membership from jurisdictions within or near the corridor. These include the County of Santa Clara and the cities of Campbell, Cupertino, Los Altos, Los Gatos, Monte Sereno, Mountain View, San Jose, Saratoga and Sunnyvale. In addition, one ex-officio, non-voting member and alternate may be appointed by the California Department of Transportation (Caltrans).

The VTA Administrative Code provides that each of these voting positions, jurisdictions may appoint governing board members to serve as its representative and alternate member. All appointments by external bodies to VTA PABs require ratification by VTA's Governance & Audit Committee.

DISCUSSION:

Submitted for Governance & Audit Committee ratification is a recent appointment to the VTA SR 85 Corridor PAB made by its member jurisdiction. The specific appointment is:

- James E. Davis, representing Caltrans (Ex-Officio Member)

ALTERNATIVES:

The Committee could choose to not ratify this appointment.

FISCAL IMPACT:

There is no fiscal impact as a result of this action.

Prepared by: Tracene Crenshaw
Memo No. 6604



Date: June 6, 2018
 Current Meeting: June 7, 2018
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Board Secretary, Elaine Baltao

SUBJECT: Ratification of Re-Appointments to the Bicycle & Pedestrian Advisory Committee

Policy-Related Action: No

Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Ratify re-appointments to the Bicycle & Pedestrian Advisory Committee for the two-year term ending June 30, 2020.

BACKGROUND:

The Bicycle & Pedestrian Advisory Committee (BPAC) advises the VTA Board of Directors on planning and funding for bicycle and pedestrian projects and issues. The BPAC consists of 16 voting members, one appointed by each of VTA's Member Agencies (the 15 cities in the county and the County of Santa Clara), and one non-voting member and alternate appointed by the Silicon Valley Bicycle Coalition (SVBC). The BPAC also serves as the countywide bicycle and pedestrian advisory committee for the County of Santa Clara.

The BPAC bylaws specify that the appointment term is two years and that members may be appointed to successive terms. Committee members must live, work or both in Santa Clara County during their term. Voting members of the Committee must also be a representative of the Member Agency's local bicycle advisory committee or, for Member Agencies without a local bicycle advisory committee, their representative must be an individual who lives or works in the local jurisdiction and is interested in bicycle or pedestrian issues. BPAC members are precluded from representing a Member Agency that is their employer.

The process to fill BPAC vacancies is that staff notifies the appointing authority of the vacancy or approaching term expiration and provides the current membership requirements. The appointing authority then appoints one member for the designated membership position. For vacancies occurring mid-term, the bylaws specify that they be filled for the remainder of the term by the appointing authority. In both cases, the Governance & Audit Committee must ratify the appointment.

DISCUSSION:

VTA staff notified appointing authorities on the June 30th BPAC expiration of the then current term, advised them on their representative's standing, provided information on the appointment process, and requested that they appoint their BPAC representative for the new term.

In response, the following individuals were re-appointed by their respective appointing authority to serve as their BPAC representative for the new two-year term that commences July 1, 2018:

- The City of Saratoga re-appointed Jim Stallman, who was appointed to the committee in 2014.
- The City of San José has re-appointed Jaime Fearer, who has served on the committee since 2016.
- The Town of Los Gatos has re-appointed Peter Hertan, who has served on the committee since 2015.
- The Town of Gilroy has re-appointed Carolyn Schimandle, who has served on the committee since 2017.
- The City of Mountain View has re-appointed Greg Unangst, who has served on the committee since 2016.

These individuals are members in good standing, have served the committee well, and are eligible for re-appointment. Based on their qualifications and proven service to VTA, staff recommends that the Governance & Audit Committee ratify the re-appointment of these individuals.

ALTERNATIVES:

The Governance and Audit Committee could choose to not ratify any or all of these re-appointments and could request that the appointing authority appoint another representative.

FISCAL IMPACT:

There is no fiscal impact as a result of this action.

Prepared by: Tracene Crenshaw
Memo No. 6605



Date: May 3, 2018
 Current Meeting: June 7, 2018
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

FROM: Auditor General, Bill Eggert

SUBJECT: VTA Ethics Hotline Program Quarterly Report

FOR INFORMATION ONLY

BACKGROUND:

The VTA Ethics Hotline is a means for VTA staff and those doing business with VTA to anonymously report suspected unethical behavior such as fraud, waste, abuse, theft, misconduct or any violation of company policy, law or regulation. Launched in February 2015, this 24/7 hotline initially is available to VTA staff, consultants, and vendors/suppliers. Individuals submitting reports are protected from any retribution by state law and VTA policy.

The Ethics Hotline is hosted by a third-party provider, Ethical Advocate, to maintain independence and confidentiality to the extent provided by law. Reports are evaluated, investigated or referred by the Auditor General's Office, an independent CPA firm reporting directly to the VTA Board of Directors.

As part of its duties, the Auditor General's Office provides high-level summary reports on Hotline usage and results. These reports are provided to the Governance & Audit Committee quarterly, coinciding with the meetings that focus primarily on audit activities, and a yearly report is provided to the Board following the close of the fiscal year.

DISCUSSION:

Attached is the summary report on Ethics Hotline usage for the period of January through March 2018. It contains metrics on Hotline usage including the number of reports received, type of concerns reported, and disposition of the allegations during the subject period. It also includes fiscal year-to-date and trend information.

Prepared By: Lily Rogers, Auditor General's Office and Stephen Flynn, Sr. Policy Analyst
 Memo No. 5475

VTA Ethics Hotline Summary Report

7.a

Quarter Activity Summary: 01/01/18 through 03/31/18

Method of Submission	Number of Reports
Website	3
Phone call	0
Other	0
Total	3

Current Period Activity	Number
Fraud	0
Waste or Inefficiency	0
Ethics/Policy Violation	0
Employee Conduct/Abuse	3
Theft	0
Customer Service	0
Non-VTA Issues	0
Total	3

Rolling Year Activity Summary: 03/01/17 through 03/31/18

On-Going Report submission 2017/18												
					4							
2						2					2	
	0	0	1	1			0	0	0	0		1
Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18

Current Status	Total	1-30 days	31-60 days	60+ days
Preliminary Assessment	0	0		
Investigation	3	3		
Completed	57	37	8	12
Total claims	60			



Date: May 3, 2018
Current Meeting: June 7, 2018
Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Governance and Audit Committee

FROM: Auditor General, Bill Eggert

SUBJECT: Review Status of Internal Audit Work Plan

FOR INFORMATION ONLY

VTA's Auditor General is responsible for developing and recommending the annual Internal Audit Work Plan, assigning and managing the resources required to conduct each internal audit or project, and providing project results and progress reports to the Governance & Audit Committee.

To keep members informed, the Auditor General's Office provides at each Governance & Audit Committee meeting a report on the current status of the Internal Audit Work Plan and its component projects. This includes an update on the projects currently underway as well as the projected order and estimated completion schedule of the remaining projects.

Prepared By: Lily Rogers, Auditor General's Office and Stephen Flynn, Sr. Policy Analyst
Memo No. 1896

Internal Audit Work Plan – Status Report

Project / Activity	Governance & Audit Committee Meeting						
	FY18					FY19	
	Nov 2017	Feb 2018	Mar 2018	May 2018*	June 2018	Sep 2018	Nov 2018
BART Silicon Valley Extension C700 Contractor Compliance	Report Complete						
RTI Project CAD / AVL Replacement	Ongoing						
Transaction Monitoring Audit – A/P Vendor Master Data	In Progress						
Joint Development Program and Tamien Station Joint Development Project Assessments			In Progress				
BART Silicon Valley Project – Phase I Invoicing Audit			In Progress				
Business Continuity Planning					Planned		
Paratransit Operations Transition					Planned		
BART Phase II Project Management Office Assessment						Planned	
Capital Budget and Project Controls						Planned	
Fixed Assets Program / State of Good Repair						Planned	



**Due to cancellation of May Governance & Audit Committee cancellation, reports originally scheduled for May are deferred to June.
Note: the timelines reflected above are estimates and may be subject to change due to scheduling constraints and/or Board requests.*

Internal Audit Work Plan Status Report – Completed Projects

Project / Activity	Board Meeting						
	FY17		FY18				
	Mar 2017	June 2017	Aug 2017	Oct 2017	Dec 2017	Mar 2018	May 2018
Inventory and Assets Held at Outreach	Completed						
Interagency Agreements Risk Assessment	Completed						
Follow Up: Trapeze Ops Pre-Implementation Review		Completed					
Follow Up: Public Safety Process Assessment		Completed					
Follow Up: Sheriff's Office Contract Compliance IA		Completed					
Inventory Management and Costing Assessment	Completed						
Records Management Program Assessment		Completed					
Special Events and Stadiums		Completed					
Annual Risk Assessment Refresh				Completed			



Note: the projects above are considered completed when the Auditor General's report is noted on the meeting agenda and accepted by the full Board. Completed reports are available on the VTA website under the Board meeting agenda.



Date: May 31, 2018
 Current Meeting: June 7, 2018
 Board Meeting: June 7, 2018

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Acting General Counsel, Evelyn Tran & Board Secretary, Elaine Baltao

SUBJECT: Amendments to the Citizens Advisory Committee Bylaws to Modify the CAC Membership Structure

Policy-Related Action: Yes

Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Amend the bylaws for the Citizens Advisory Committee (CAC) to modify the membership structure and related provisions.

BACKGROUND:

The Citizens Advisory Committee (CAC) is a 17-member committee representing the residents of the various city/county groupings of the Santa Clara Valley Transportation Authority (VTA) Board of Directors (Board), as well as specified community stakeholder groups with an interest in transportation. The CAC advises the Board and VTA administration on issues impacting the communities and organizations they represent. It also serves in two other functions: (1) as the ballot-specified Citizens Watchdog Committee for the 2000 Measure A Transit Improvement Program; and (2) as the 2008 Measure D ballot-specified advisory body that reviews and comments on VTA's comprehensive transit program as part of the countywide transportation plan.

The VTA Administrative Code ("Admin Code") is the rulebook established by the Board of Directors (Board) that prescribes the governance, administrative and financial provisions for how VTA conducts its business. This includes the structure and provisions of its advisory committees.

Advisory committee bylaws govern the proceedings of the committee and its meetings and also define the specific membership structure and requirements. The bylaws must be consistent with the VTA Admin Code. All amendments to advisory committee bylaws require Governance & Audit Committee approval.

The current CAC membership structure consists of 17 total positions: six in the Cities & County Group (geographic), five in the Business & Labor Group, and six positions in the Community Interests group. Committee members must be a resident of Santa Clara County while on the committee and cannot concurrently hold elected public office. The current membership term is continuous with no defined end date.

The CAC previously identified that the current membership structure may not be optimally configured to best represent county residents in providing broad input and perspective to the Board. It also recognized that the Committee has a large proportion of long-term members with an average tenure of almost ten years (see Attachment B). Although this dedication is admirable, it hinders other qualified and dedicated members of the community from serving on the Committee while also reducing the opportunity for fresh perspective.

Given these factors, the CAC established the ad hoc Membership Structure Subcommittee (“Subcommittee”) to collaborate with VTA staff to review the existing CAC membership structure and recommend improvements. The key goals established for the process were:

- Strengthen bilateral communication between VTA and the community via broader key stakeholder interest group participation.
- Maximize public participation and the importance of new ideas and fresh perspective while balancing the need for institutional knowledge and continuity.
- Maintain total membership at the current level or reduce slightly to enhance meeting efficiency and member participation while promoting input from a broader spectrum of key stakeholder interests.

Following extensive work by the Subcommittee, its findings and recommendations were reviewed in detail at several CAC meetings. Subsequently staff presented alternate proposals informed by the Subcommittee’s thoughtful, well-reasoned initial recommendations but that incorporated the input provided by the full Committee as well as staff’s input. In most cases, staff’s recommendations mirrored or closely aligned with those from the Subcommittee. Over the course of several CAC meetings, the various proposals were discussed, evaluated in depth, adjusted and refined, the goal being to craft a unified set of recommendations that both the CAC membership and VTA staff could jointly support.

As a result of this multi-year effort, at its March 2018 meeting the CAC approved recommending Board approval of specific modifications to the CAC membership structure. At its following meeting, the overwhelming majority of members present voted to recommend the corresponding implementation strategy but it did not receive the required number of votes to recommend Board approval due to some absences and abstentions.

DISCUSSION:

Now presented for Governance & Audit Committee approval is the joint recommendation from VTA staff and the Citizens Advisory Committee on: (1) amending the CAC bylaws to modify the CAC membership structure and related provisions (see Attachment A); and (2) the corresponding implementation strategy.

Membership Structure and Provisions

The major recommended revisions to the CAC membership structure and associated provisions [§3-1, §3.2 and 3.3, starting page A3] are:

- (1) Total membership reduced from 17 to 13.
- (2) Six (6) current City and County (City Group) seats are deleted.
- (3) Appointments will be from two categories: (1) Community & Societal Interests; and (2) Business & Labor.
- (4) Appointment process will be competitive. There are no seats dedicated to any organization or entity. Applications received will be evaluated on the candidate's ability to provide bilateral communication between VTA and their stakeholder constituency group(s), based on established evaluation criteria approved by the Governance & Audit Committee.
- (5) Targeted outreach, as determined by the Governance & Audit Committee, will be conducted to identify and solicit underrepresented transportation stakeholder groups for vacant positions.
- (6) Application process will be online only.
- (7) Review panel evaluating applications and recommending candidates for Governance & Audit Committee approval will consist of: (1) VTA Board Secretary or designee; (2) CAC Staff Liaison; and (3) CAC Chairperson. Structure is based on model used for last few years with proven success for the Committee for Transportation Mobility & Accessibility.
- (8) Current unlimited term of office is changed to four (4) years. Members can serve two (2) consecutive terms but then must wait four (4) years before being eligible to serve again.
- (9) Term of office will commence upon Governance & Audit Committee appointment, as opposed to a fixed starting date (for example, January 1st). This will help ensure a healthy mixture of veterans and newer members following implementation.

Implementation Strategy

Due to their responsibilities as the 2000 Measure A Citizens Watchdog Committee and the resulting need for institutional knowledge, the CAC placed high priority on a phased implementation to ensure a healthy balance of veteran and new members during the first few years following implementation. After lengthy negotiation, the CAC and VTA staff agreed to jointly recommend the following phased implementation strategy:

- (1) Existing members may choose to be grandfathered through June 30, 2019.
- (2) Existing members having less than eight years of service as of July 1, 2019 may serve on the committee until June 30, 2021.

- (3) To ensure no dramatic loss of historical and institutional knowledge after July 1, 2019, the CAC membership will choose up to four (4) members who have more than eight (8) years of service on the committee. These members will act as “transitional members” and will fill vacant positions in either the Business & Labor or Community & Societal Interests categories until June 30, 2021. This provides opportunity for the transitional members to transfer their institutional and historical knowledge to the new committee members.
- (4) Following full implementation, staff will consult with the CAC on a periodic basis on the committee membership structure and outreach plans and efforts for use in formulating recommendations for Governance & Audit Committee approval.

Several of the proposed modifications to the CAC bylaws require corresponding amendment of the Admin Code to allow implementation. The Governance & Audit Committee and the Board are scheduled to consider these changes at their June 7, 2018 meetings.

If the Governance & Audit Committee approves the proposed bylaws modifications and the Board approves the corresponding amendments to the Admin Code, the modifications and the accompanying implementation strategy would take effect immediately.

ALTERNATIVES:

The Committee could choose to reject or modify any of the recommended modifications.

FISCAL IMPACT:

There is no significant financial impact associated with these modifications.

ADVISORY COMMITTEE DISCUSSION/RECOMMENDATION:

The Subcommittee’s initial findings and recommendations were reviewed and discussed at the January and February 2018 CAC meetings. At the March 2018 CAC Meeting, staff presented its recommendation to the Committee. The Committee unanimously recommended approval to membership structure and categories, application and appointment process. The Committee recommended changing the term from three years to four years.

The CAC Committee considered the implementation strategy at its April 2018 meeting. There was general support for the implementation strategy. While there was no dissenting vote, the item failed to pass due to two abstentions and absences.

Prepared by: Stephen Flynn, Sr. Policy Analyst
Memo No. 6593

ATTACHMENTS:

- A--CAC_bylaws_Proposed Mods_07JUN2018 (PDF)
- B--CAC Roster & Tenure_APR2018 (PDF)

BYLAWS FOR THE CITIZENS ADVISORY COMMITTEE

Article I GENERAL PROVISIONS

§1.1 Purpose

These Bylaws govern the proceedings of the Citizens Advisory Committee (CAC), an advisory committee established by the Board of Directors of the Santa Clara Valley Transportation Authority (VTA).

§1.2 Construction of Bylaws

Unless the provisions or the context of these Bylaws otherwise require, the general provisions, rules of construction and definitions set forth in Chapter 1 of the VTA Administrative Code shall govern the construction of these Bylaws. As used in these Bylaws, “Committee” means the Citizens Advisory Committee. These Bylaws shall govern the Committee’s proceedings to the extent they are not inconsistent with VTA’s Administrative Code or law.

§1.3 Definitions

- a. As used in these Bylaws, “chairperson” means the chairperson of the Committee.
- b. As used in these Bylaws, “secretary” means the secretary of the Committee.
- c. As used in these Bylaws, “Member Agency” means the County of Santa Clara or a city within the County.

Article II DUTIES AND AUTHORITY

§2.1 Mission and Duties

The CAC is an advisory committee to the Board of Directors. The mission and duties of the Committee shall be:

MISSION:

The VTA CAC provides a communication channel for transportation stakeholders and residents of the county by providing input, analysis, perspective and timely recommendations prior to VTA Board of Director action on transportation policy issues and initiatives.

DUTIES:

- a. The Committee shall advise the Board of Directors on matters of VTA policy referred to the Committee by the Board or General Manager and perform such additional duties as assigned by the Board.
- b. The Committee shall also serve as the Independent Citizens Watchdog Committee for the 2000 Measure A Transit Sales Tax (“2000 Measure A”) during its term (April 2006 – March 2036). As the Citizens Watchdog Committee, the Committee shall review all 2000 Measure A expenditures and shall:
 - Public Hearings and Reports: Hold public hearings and issue reports on at least an annual basis to inform Santa Clara County residents how the funds are being spent. The hearings shall be held in full compliance with the Brown Act, with information announcing the hearings well-publicized and posted in advance.
 - Annual Independent Audits: Direct VTA staff to commission an annual audit conducted by an Independent Auditor each fiscal year to ensure tax dollars are being spent in accordance with the intent of 2000 Measure A.
 - Published Results of Audits and Annual reports: Direct VTA staff to publish the results of the Independent Audit and the Annual Report in local newspapers and make copies of these documents available to the public.

In its capacity as the 2000 Measure A Citizens Watchdog Committee, the Committee shall review and comment on the Independent Audits prior to their publication and release to the public.

As specified in the 2008 Measure D ballot, the 2000 Measure A Citizens Watchdog Committee further shall review and comment on a comprehensive transit program submitted by VTA.

§2.2 Limitations on Authority

Except when acting in its capacity as the Citizens Watchdog Committee as specified in the 2000 Measure A Transit Sales Tax ballot, the Committee shall serve in an advisory capacity to the Board of Directors. It shall have no independent duties and no authority to take actions that bind VTA or the Board of Directors. The Committee shall not have the authority to communicate externally and all communications by the Committee shall be to and through the Board of Directors. No expenditures or requisitions for services and supplies shall be made by the Committee and no individual member thereof shall be entitled to reimbursement for travel or other expenses except as authorized by the Board of Directors.

Article III MEMBERSHIP

§3.1 Membership

The Committee shall be composed of ~~17~~thirteen (13) members. All members shall be residents of Santa Clara County during their term. No member of the Board of Directors or alternate, Policy Advisory Committee member or alternate, or other elected public official shall be appointed to the Committee. The Committee shall not have alternate members. Appointees to other VTA advisory committees or policy advisory boards and committees are not eligible to serve. Committee members may not be employed by a Member Agency they represent. VTA employees are not eligible for membership.

Members shall be appointed to represent stakeholder groups from either of two broad categories: (1) Community & Societal Interests; and (2) Business & Labor. as follows, with effort shall be made to: (A) balance the number of positions in each category; (B) reflect the ethnic, gender, and geographic diversity of the County in appointments; and (C) periodic evaluation to determine if other stakeholder constituencies serving on the CAC would provide relevant input to the Board of Directors and community.

The appointment process shall be competitive, based on the applicant's ability to maximize bilateral communication between VTA and targeted stakeholder constituencies, as determined by the Governance & Audit Chairperson. Applications to serve on the Committee will be evaluated by a panel comprised of: (1) Committee Staff Liaison; (2) VTA Board Secretary or his/her designee; and (3) Committee Chairperson. The evaluation process will include an evaluation of the membership application and an in-person interview of the top candidate(s). The panel will then recommend to the Governance & Audit Committee the candidate that, in its collective estimation, would best serve the Committee, Board of Directors and community.

a. City and County Groupings

~~Six citizens at large shall be appointed by the city and County groupings, as defined in the VTA Administrative Code, as follows:~~

~~(1) Two from Group 1:~~

~~San Jose~~

~~(2) One from Group 2:~~

~~Los Altos~~

~~Los Altos Hills~~

~~Mountain View~~

~~Palo Alto~~

~~Santa Clara~~

~~Sunnyvale~~

~~_____ (3) One from Group 3:~~

- ~~_____ Campbell~~
- ~~_____ Cupertino~~
- ~~_____ Los Gatos~~
- ~~_____ Monte Sereno~~
- ~~_____ Saratoga~~

~~_____ (4) One from Group 4:~~

- ~~_____ Gilroy~~
- ~~_____ Milpitas~~
- ~~_____ Morgan Hill~~

~~_____ (5) One from the County of Santa Clara~~

~~b. Community Interests~~

~~Six citizens representing the following community interests, appointed as follows:~~

~~(1) Three by the Administration & Finance Committee from nominations submitted by advocacy groups or received at large, one for each category:~~

- ~~• Disabled persons~~
- ~~• Environmentalists~~
- ~~• Mass transit users~~

~~(2) One each by the following stakeholder groups:~~

~~Representing~~

- ~~• Senior citizens~~

~~Appointed by~~

~~Sourcewise~~

~~(3) Two by VTA advisory committees, one by each committee from its current membership:~~

~~Representing~~

- ~~• Bicyclists and pedestrians~~
- ~~• Disabled community~~

~~Appointed by~~

~~Bicycle & Pedestrian Advisory Committee
Committee for Transit Accessibility~~

~~Each representative must be a member of their appointing committee during their term on the CAC~~

~~c. Business and Labor Groups~~

~~Five citizens representing the following business and labor groups, one appointed by each organization:~~

- ~~• Silicon Valley Leadership Group~~
- ~~• Homebuilders Association of Northern California~~
- ~~• Building Owners and Managers Association Silicon Valley (BOMA SV)~~
- ~~• South Bay AFL-CIO Labor Council~~
- ~~• Chambers of Commerce Coalition of Santa Clara County~~

The ~~Governance & Audit Committee Board of Directors~~ shall review and approve ~~ratify the~~ all appointments ~~of all members of the~~ to the Committee.

§3.2 Members' Terms

Committee members shall be appointed for a four (4) year term that commences upon Governance & Audit Committee approval of the appointment. ~~continuous term, serving until resignation or replacement by their appointing organization or the Board of Directors.~~ Members may serve a maximum of two consecutive terms (eight consecutive years). Members that have served two consecutive terms will be ineligible to serve for the next four (4) years (one (1) term).

§3.3 Vacancies

Vacancies shall be filled by the ~~body which made the original appointment.~~ competitive process established in Section §3.1.

Article IV OFFICERS

§4.1 Chairperson and Vice Chairperson

The Committee shall elect from its membership a chairperson and a vice chairperson at its last meeting of the calendar year, to serve for a one-year term effective January 1 of the next calendar year. In the event of a vacancy in the chairperson's position, the vice chairperson shall succeed as chairperson for the balance of the chairperson's term and the Committee shall elect a successor to fill the vacancy in the vice chairperson's position as provided below. In the event of a vacancy in the vice chairperson's position, the Committee shall elect a successor from its membership to fill the vice chairperson's position for the remainder of the vice chairperson's term.

The chairperson shall preside at all meetings of the Committee and represent the Committee before the Board of Directors. The CAC chairperson shall provide to the Board at each of its meetings a verbal report of the previous CAC meeting and any concerns of the Committee. The chairperson, in consultation with the Committee staff liaison, may identify items of interest for future committee agendas that are relevant to the Committee's duties and responsibilities.

The vice chairperson shall perform the duties of the chairperson when the chairperson is absent.

The Committee shall appoint a nominating committee to nominate Committee members for the positions of chairperson and vice chairperson. Members willing to serve in either of these positions may submit their names to the nominating committee for nomination. Members may also submit names of other members for nomination. The nominating committee shall verify that members whose names have been submitted are willing serve in those positions. The nominating committee shall submit to the Committee the names of those members whom it has nominated and recommends for election. Notwithstanding these procedures, any member may nominate a member from the floor.

4.2 Secretary

The Secretary of the Board of Directors shall furnish clerical services to prepare and distribute the Committee's agendas, notices, minutes, correspondence and other documents and shall assign an employee to attend each meeting of the Committee to serve in the capacity as the Committee's secretary. The secretary shall maintain a record of all proceedings of the Committee as required by law and shall perform other duties as provided in these Bylaws.

Article V MEETINGS

§5.1 Regular Meetings

Regular meetings of the Committee shall generally be held on the Wednesday following the first Thursday of each month. The Committee meeting shall generally commence at 4:~~30~~0 p.m. at the VTA Administrative Offices, 3331 North First Street, San Jose, California. Whenever a regular meeting falls on a holiday observed by VTA, the meeting shall be held on another day or canceled at the direction of the Committee. A rescheduled regular meeting shall be designated a regular meeting.

§5.2 Special Meetings

A special meeting may be called by the chairperson with the approval of the General Manager. The meeting shall be called and noticed as provided in Section 5.3 below. (For a general description of the noticing procedures, see the Rules of Procedure of the Board of Directors.)

§5.3 Calling and Noticing of Meetings

All meetings shall be called, noticed and conducted in accordance with the applicable provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code). The General Manager and General Counsel shall be given notice of all meetings. The Committee shall meet at least once every three months, unless the Committee's activities are suspended.

§5.4 Quorum; Vote; Committee of the Whole

The presence of ~~nine-seven~~ (7) members shall constitute a quorum for the transaction of business. All acts of the Committee shall require the presence of a quorum and the affirmative vote of a majority of the total membership (seven (7)). At any regularly called meeting not held because of a lack of a quorum, the members present may constitute themselves a "committee of the whole" for the purpose of discussing matters on the agenda of interest to the committee members present. The committee of the whole shall automatically cease to exist if a quorum is present at the meeting.

§5.5 [Reserved]

§5.6 Thirty Minute Rule

If a quorum has not been established within thirty minutes of the noticed starting time for the meeting, the secretary and clerical support staff may be excused from further attendance at the meeting.

§5.7 Absences

A member is allowed to be absent from three regular Committee meetings in any twelve-month period. The position shall automatically be vacated upon a fourth absence unless a waiver is granted by the Committee Chairperson.

A member may request a temporary waiver of the absence limitation for significant reasons such as maternity, serious medical condition, or urgent family care. A written request must be sent to the VTA Board Secretary prior to the fourth absence and indicate the reason for the requested waiver and the expected duration of absence.

The Chairperson shall, in consultation with the Committee Staff Liaison, grant or deny the request. The Chairperson may grant a waiver for a maximum of six additional, but not necessarily consecutive, regular meetings. No member shall be granted more than one absence waiver in a 36-month period.

The decision to grant or deny the request shall be announced at the next scheduled Committee meeting. The requestor or any member of the Committee may appeal the Chairperson's decision to the Committee. If appealed, the decision shall be made by Committee vote at the next scheduled meeting. This vote shall be governed by the provisions of §5.4.

§5.8 Matters Not Listed On the Agenda Requiring Committee Action

Except as provided below, a matter requiring Committee action shall be listed on the posted agenda before the Committee may act upon it. The Committee may take action on items not appearing on the posted agenda only upon a determination by a two-thirds vote of the Committee, or if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action AND the need to take action came to the attention of the Committee subsequent to the agenda being posted.

§5.9 Time Limits for Speakers

Each member of the public appearing at a Committee meeting shall be limited to two minutes in his or her presentation, unless the chairperson, at his or her discretion, permits further remarks to be made. Any person addressing the Committee may submit written statements, petitions or other documents to complement his or her presentation.

§5.10 Impertinence; Disturbance of Meeting

Any person making personal, impertinent or indecorous remarks while addressing the Committee may be barred by the chairperson from further appearance before the Committee at that meeting, unless permission to continue is granted by an affirmative vote of the Committee. The chairperson may order any person removed from the Committee meeting who causes a disturbance or interferes with the conduct of the meeting, and the chairperson may direct the meeting room cleared when deemed necessary to maintain order.

§5.11 Access to Public Records Distributed at Meeting

Writings which are public records and which are distributed during a Committee meeting shall be made available for public inspection at the meeting if prepared by VTA or a member of the Committee, or after the meeting if prepared by some other person.

Article VI AGENDAS AND MEETING NOTICES

§6.1 Agenda Format and Content

The agenda shall specify the starting time and location of the meeting and shall contain a brief general description of each item of business to be transacted or discussed at the meeting. The description shall be reasonably calculated to adequately inform the public of the subject matter of each agenda item.

Items may be referred for inclusion on an agenda by: (1) the Board of Directors; (2) the General Manager; (3) the Committee Chairperson; and (4) the Committee, with a quorum present and upon the affirmative vote of a majority of the members present. The order of business shall be established by the secretary with the approval of the chairperson.

§6.2 Public Presentations

Each agenda for a regular meeting shall provide an opportunity for members of the public to address the Committee on matters of interest to the public either before or during the Committee's consideration of the item, if it is listed on the agenda, or, if it is not listed on the agenda but is within the jurisdiction of the Committee, under the agenda item heading "Public Presentations." The Committee shall not act upon an item that is not listed on the agenda except as provided under Section 5.8. Each notice for a special meeting shall provide an opportunity for members of the public to directly address the Committee concerning any item that has been described in the notice for the meeting before or during consideration of that item.

§6.3 Agenda Preparation

The secretary shall prepare the agenda for each meeting in consultation with VTA staff and the chairperson. Material intended for placement on the agenda shall be delivered to the secretary on or before 12:00 Noon on the date established as the agenda deadline for the forthcoming meeting. The secretary may withhold placement on the agenda of any matter which is not timely received, lacks sufficient information or is in need of staff review and report prior to Committee consideration.

§6.4 Agenda Posting and Delivery

The written agenda for each regular meeting and each meeting continued for more than five calendar days shall be posted by the secretary at least 72 hours before the meeting is scheduled to begin. The written agenda for every special meeting shall be posted by the secretary at least 24 hours before the special meeting is scheduled to begin. The agenda shall be posted in a location that is freely accessible to members of the public. The agenda together with supporting documents shall be delivered to each Committee member, the General Manager and General Counsel at least five days before each regular meeting and at least 24 hours before each special meeting.

§6.5 Meeting Notices

The secretary shall mail notice of every regular meeting, and every special meeting which is called at least one week prior to the date set for the meeting, to each person which has filed with VTA a written request for notice as provided in Section 54954.1 of the Government Code. The notice shall be mailed at least one week prior to the date set for the meeting. Notice of special meetings called less than seven days prior to the date set for the meeting shall be given as the secretary deems practical.

Article VII MISCELLANEOUS

§7.1 Adoption and Amendment of Bylaws

These Bylaws shall be adopted and amended by the Committee by the affirmative vote of a majority of its total membership and with the approval of the Governance & Audit Committee. ~~Board of Directors.~~ The Governance & Audit Committee may also impose changes to the Committee's bylaws it deems to be in the best interest of VTA and the public it serves.

For efficiency, the VTA General Manager, in consultation with the General Counsel, is authorized to make minor, non-substantive corrections and adjustments to bylaws to correct errors or to reflect ongoing practice adopted by the Committee, such as a change to the meeting date or time.

§7.2 Rosenberg's Rules

All rules of order not herein provided for shall be determined in accordance with *Rosenberg's Rules of Order*, latest edition.

Adopted by Board of Directors: May 2, 1996

Amended by Board of Directors: September 7, 2000

Amended by Board of Directors: September 5, 2002

Amended by Board of Directors: March 4, 2004

Amended by Board of Directors: December 9, 2004

Amended by Board of Directors: September 1, 2005

Amended by Board of Directors: June 1, 2006

Amended by Board of Directors: March 1, 2007

Amended by Board of Directors: September 4, 2008

Amended by Board of Directors: October 2, 2008

Amended by Board of Directors: October 1, 2009

Amended by Board of Directors: June 3, 2010⁽¹⁾

Amended by Board of Directors: January 10, 2013

Amended by Board of Directors: March 7, 2013

Amended by Board of Directors: December 11, 2014 to take effect January 1, 2015

- (1) In 2010, the Board of Directors, based on recommendations from the Advisory Committee Enhancement Process, approved converting two existing VTA Citizens Advisory Committee (CAC) positions to two voting members appointed by the Committee for Transit Accessibility (CTA) and the Bicycle & Pedestrian Advisory Committee (BPAC). These representatives will be from the respective committee's current membership and must meet established CAC membership requirements, including Board of Directors approval.

**CITIZENS ADVISORY COMMITTEE
and
2000 MEASURE A WATCHDOG COMMITTEE**

APRIL 1, 2018 MEMBERSHIP ROSTER

Membership: 17

Quorum: 9

Vacancies: 4

	Represents	Current Representative	Date Appointed	Tenure through April 2018	Projected Tenure July 1, 2019
	<i>City & County Groupings</i>				
1.	San Jose	Noel Tebo	11/2004	13 years, 6 months	14 years, 8 months
2.	San Jose	<i>vacant</i>			
3.	North County Cities	<i>vacant</i>			
4.	West Valley Cities	<i>vacant</i>			
5.	South County Cities	Connie Rogers	3/1999	19 years, 2 months	20 years, 4 months
6.	Santa Clara County	<i>vacant</i>			
	<i>Business & Labor</i>				
7.	Silicon Valley Leadership Group	Matt Quevedo	9/2017	0 years, 8 months	1 year, 10 months
8.	Building Industries Association	Ray Hashimoto	8/2001	16 years, 9 months	17 years, 11 months
9.	Organized Labor	Aboubacar “Asn” Ndiaye	11/2017	0 years, 6 months	1 year, 8 months
10.	Chambers of Commerce Coalition	William Hadaya	12/2010	7 years, 5 months	8 years, 7 months
11.	Commercial Real Estate	Sharon Fredlund	1/2013	5 years, 4 months	6 years, 6 months
	<i>Community Interests</i>				
12.	Senior Citizens	Aneliza Del Pinal	1/2017	1 year, 4 months	2 years, 6 months
13.	Bicyclists & Pedestrians	Herman H. Wadler	2/2010	8 years, 3 months	9 years, 5 months
14.	Disabled Community	Aaron Morrow	2/2010	8 years, 3 months	9 years, 5 months
15.	Environmentalists	Chris C. Elias	5/2002	16 years, 0 months	17 years, 2 months
16.	Disabled Persons	Martin B. Schulter	12/2002	15 years, 5 months	16 years, 7 months
17.	Mass Transit Users	Stephen Blaylock	8/1997	20 years, 9 months	21 years, 11 months

Average member tenure as of April 2018:

9.9 years (9 years, 11 months)

Average tenure as of April 2018 but excluding three newest members (approximately one year of service each):

12.7 years (12 years, 8 months)



Date: May 31, 2018
 Current Meeting: June 7, 2018
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Acting General Counsel, Evelyn Tran & Board Secretary, Elaine Baltao

SUBJECT: Minor Amendments to the Board Rules of Procedure

Policy-Related Action: No

Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Approve minor amendments to the Board Rules of Procedure.

BACKGROUND:

The Board Rules of Procedure govern the conduct of meetings of the Board of Directors and its standing committees. They are established by, derive from, and must be consistent with the VTA Administrative Code (Admin Code). Whereas the Administrative Code is the rulebook for all aspects of the organization, the Rules of Procedure focus solely on the conduct of VTA Board and standing committee meetings, serving, in effect, as the bylaws for those meetings. Amendments to the Rules of Procedure require Governance & Audit Committee approval.

Changes are continually implemented to VTA and to Board and standing committee meetings to more efficiently or effectively conduct the organization's business or to respond to changing conditions. It is important that the Rules of Procedures realistically portray the organization's current approved practices and provisions so that compliance can be both encouraged and enforced. It is also important that any changeable provisions hampering efficiency or effectiveness be revised.

DISCUSSION:

Submitted for Governance & Audit Committee approval are two proposed minor modifications to the Board Rules of Procedure (Attachment A):

- Renaming *Capital Projects Oversight Committee* to *Capital Program Committee* (§§9.1.1, 9.2, and 9.4; pages A1-5)

This adjustment is recommended because the current name, which was a placeholder, denotes an inaccurate and limiting descriptor of the committee's mission and responsibilities. It indicates the committee is limited to overseeing major capital projects, whereas the intent, as stated in the Rules of Procedure and VTA Administrative Code, is to review and recommend to the Board policy decisions pertaining to capital projects. The recent chartering process for this committee identified that optimum value would be for the committee to focus on policy-level strategic planning and prioritizing of VTA's entire capital program, instead of individual projects.

Given this, it is recommended that the committee name be revised to *Capital Program Committee* to remove the implied limitation. Implementing this change before the committee's June 28, 2018 inaugural meeting will help more clearly establish its role in the VTA governance process and better communicate that purpose to the community at large.

This change is dependent on the Board of Directors approving the same name revision in the Admin Code, which it is scheduled to consider at its June 7, 2018 meeting.

- Approval of Modifications to Policy Advisory Board (PAB) Bylaws (§9.4; page A4)
The Governance & Audit Committee has the specific responsibility to review and approve changes to advisory committee bylaws. It is proper that the Governance & Audit Committee have the same responsibility for PAB bylaws.

ALTERNATIVES:

The Committee could choose to reject or modify any of the recommended modifications to the Rules of Procedures.

FISCAL IMPACT:

There is no significant financial impact associated with these modifications.

Prepared by: Stephen Flynn, Sr. Policy Analyst
Memo No. 6592

ATTACHMENTS:

- A--Rules of Procedure Proposed Amendments_07JUN2018.Extract (PDF)

RULES OF PROCEDURE

of the

SANTA CLARA

VALLEY TRANSPORTATION AUTHORITY (VTA)

BOARD OF DIRECTORS

...

Article IX

BOARD STANDING COMMITTEES

...

§9.1.1 Appointment; Vice Chairperson; Alternates

The Board Chairperson shall nominate and the Board shall appoint at the first meeting of the calendar year the members and chairperson of all standing committees of the Board. The membership of each committee shall consist of four voting Board members except for: (A) Governance & Audit Committee, which shall consist of five members as specified; and (B) Capital ~~Program Projects Oversight~~ Committee, which shall consist of six members, one from each City/County group where practical. Ex-Officio Board members are ineligible to serve on standing committees. Not more than two members of each standing committee shall come from the same city grouping. The term of each appointment shall be for one year.

The Board Chairperson and Vice Chairperson, while serving in those positions, shall not concurrently serve as chairperson of any of the following standing committees: Administration & Finance Committee; Congestion Management Program & Planning Committee; or Safety, Security, & Transit Planning & Operations Committee.

Alternates may not be appointed to serve on Board standing committees. Instead, if a standing committee member is absent from all or a portion of a standing committee meeting, the alternate for that City/County group shall be seated and vote in the place of the absent member. Each alternate shall have only one vote even though the alternate may be entitled to represent more than one absent Board member. An alternate shall be counted as part of the committee quorum only when seated in the place of an absent member. When not serving in place of the absent member, the alternate is a member of the public and accordingly shall sit with the audience and follow the procedures for the public to address the committee.

The Governance & Audit Committee shall have no alternate members.

At the first meeting of the calendar year, each standing committee, except for Governance & Audit, shall elect from its membership a vice chairperson; the Board Vice Chairperson shall serve as the vice chairperson of the Governance & Audit Committee. The vice chairperson performs the duties of the chairperson in the event of the chairperson's absence or inability to act, and while so acting, has all of the authority of the chairperson. The vice chairperson position serves a one-year term coinciding with the calendar year. The vice chairperson is eligible for election to multiple and successive terms and only members, not alternates, are eligible to serve. The term of office shall commence immediately following the vote.

§9.2 Meetings

Standing committee meetings shall generally be held once a month when there is sufficient business for the committee to consider, or as otherwise determined by the Board. The Governance & Audit Committee and the Capital ~~Program Projects Oversight~~ Committee shall meet at least once each quarter. Each standing committee shall approve its specific meeting schedule for that year at its first meeting of the calendar year, taking into consideration the recommendations of the General Manager and Board Secretary. All meetings shall be called, noticed and conducted in accordance with the provisions of the Ralph M. Brown Act. The General Manager and General Counsel shall be given adequate prior notice of all standing committee meetings.

A quorum shall consist of a majority of the standing committee's total membership and all official acts of the committee require the affirmative vote of at least three members. All committee meetings shall be conducted in accordance with these Rules. The Board Secretary will provide staff that will attend all meetings of the standing committees and will record all proceedings. The Board Secretary will also prepare and distribute the agenda for all standing committee meetings.

Each standing committee, after considering all items on the agenda at each of its meetings and in consultation with the General Manager and General Counsel, shall make a recommendation on the placement of each item on either the Board's Regular or Consent Agenda.

...

§9.4 Standing Committees Established

The standing committees of the Board and their duties are as follows:

Administration and Finance (A&F) Committee shall review and recommend to the Board policy decisions pertaining to the general administration of VTA. In addition, the Administration and Finance Committee may be asked to determine whether items should be referred to a standing or ad hoc committee and make that referral. Specific areas of responsibility include, but are not limited to:

- Legislative affairs
- Human resources
- Budgets, financing and other financial plans
- Accounting and financial reporting
- Fiduciary reporting
- Purchasing procedures
- Fare structure
- Information technology
- Statement of claims
- Review policies and procedures

Congestion Management Program and Planning (CMPP) Committee shall review and recommend to the Board policy decisions pertaining to the Congestion Management Program (CMP) and transportation planning. Specific areas of responsibility include, but are not limited to:

- Congestion Management Agency activities
- Congestion Management Program and countywide capital improvement program
- Development and implementation of the comprehensive countywide multimodal transportation plan for Santa Clara County (Valley Transportation Plan (VTP))
- Integration of transportation, land use, and air quality planning
- Commute alternative plans
- Planning and finding for bicycle and pedestrians projects and activities
- All Other Grant Applications
- Fund Programs
- Non-Transit Contracts
- CMA/Highway Contracts
- Funding program development, advocacy, and implementation

Governance & Audit Committee shall focus on the management and coordination of the Board of Directors to assist that body with efficiently guiding the organization to best accomplish VTA's strategic goals. It shall review and recommend to the Board policy decisions pertaining to Board and organizational goal setting and prioritization, strategic initiative framework development, budget development, and Board and committee processes.

It shall also recommend to the Board policy decisions required to fulfill the Board's oversight responsibilities for (1) the integrity of VTA financial statements, (2) compliance with legal and regulatory requirements, and (3) assuring an effective system of internal management and financial controls. The Governance & Audit Committee shall oversee the

activities of the Auditor General, the internal audit function and the public accounting firm that conducts the annual financial audit. Specific areas of responsibility shall include:

Governance

- Provide orientation, training and mentorship to new Board members.
- Review the work plan of future Board items or initiatives to ensure proper placement, prioritization and scheduling between the various standing committees, advisory committees and the Board.
- Develop standards for and conduct annual Board member evaluations on governing body effectiveness, personal effectiveness and satisfaction.
- Perform evaluations of the effectiveness of achieving VTA's mission and vision.
- Develop the framework, guidelines and priorities for the annual or biennial budget process.
- Develop the framework, guidelines and priorities for development of strategic initiatives.
- Conduct performance evaluations of Board appointees including the General Manager and General Counsel.
- Review and recommend for Board approval modifications to the VTA Administrative Code.
- Approve modifications to the Board Rules of Procedure.
- Approve modifications to advisory committee [and policy advisory board](#) bylaws.
- Approve appointments to specified advisory committees and policy advisory boards.

Audit

- Review and recommend for Board approval the annual or biennial VTA Internal Audit Work Plan prepared by the Auditor General.
- Review and recommend for Board approval the results of individual audits and ensure that management's responses to audit findings are implemented.
- Review and recommend for Board approval the Comprehensive Annual Financial Report (CAFR) and other audited financial reports.
- Review VTA enterprise risk management reports and findings.
- Review the effectiveness of VTA's system for monitoring compliance with laws and regulations and the results of management's action concerning any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies
- Monitor compliance with VTA's Code of Ethics and obtain updates from management and VTA legal counsel regarding compliance matters.

To fulfill these duties and responsibilities, the Governance & Audit Committee is provided the following supplemental authority:

- a) Discretion for exercising any option years on the contract for VTA Auditor General services.

- b) Making scope and/or cost modifications for projects contained in Board-adopted Internal Audit Work Plans to respond to changing conditions, subject to remaining within the overall appropriation level set by the Board for that annual Internal Audit Work Plan. The addition of any project (except as prescribed in Section C immediately following), an increase to the overall finding level for any Internal Audit Work Plan, or deletion of any project contained therein, requires Board approval.
- c) Approval, as exercised at the discretion of the Governance & Audit Committee or its Chairperson, to initiate with the Auditor General a project not contained in the Internal Audit Work Plan that meets the following criteria: (1) it is regarding a priority concern; (2) the priority concern was identified during the interval between Governance & Audit Committee meetings; and (3) project initiation cannot reasonably wait for the next Governance & Audit Committee meeting. Initiation of such projects shall be subject to sufficient available funding in the defined allowance for such supplemental work contained in the current annual Internal Audit Work Plan approved by the Board. The Governance & Audit Committee Chairperson shall, at both the Governance & Audit Committee and Board meetings immediately following initiation of the project, notify the Board of any project so initiated.

Capital ~~Program Projects Oversight~~ Committee shall review and recommend to the Board policy decisions pertaining to the activities and imminent issues of those VTA capital projects having significant resource, multi-jurisdictional coordination, public perception and/or community impact factors. The Capital ~~Program Projects Oversight~~ Committee provides focused oversight to promote the efficient delivery of quality major transportation projects safely, on time, within scope and budget, while minimizing community impact. Specific areas of responsibility include, but are not limited to:

- Budget and financing
- Planning and design
- Scope and schedule
- Environmental mitigation and anthropological/historical activities
- Utility relocation activities and issues
- Construction activities
- Third-party coordination
- Real estate acquisition
- Vehicle procurement for projects
- Potential/anticipated litigation
- Community outreach

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Date: May 31, 2018
 Current Meeting: June 7, 2018
 Board Meeting: June 7, 2018

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Acting General Counsel, Evelyn Tran & Board Secretary, Elaine Baltao

SUBJECT: Amendments to the VTA Administrative Code

Policy-Related Action: Yes

Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Recommend that the VTA Board of Directors adopt a resolution amending the VTA Administrative Code to incorporate: a) changes to the Citizens Advisory Committee membership structure; b) revising the name of the Capital Projects Oversight Committee board standing committee; and c) other minor modifications and clarifications.

BACKGROUND:

The Santa Clara Valley Transportation Authority (VTA) Administrative Code (“Admin Code”) is the rulebook established by the Board of Directors (Board) that prescribes the governance, administrative and financial provisions for how VTA conducts its business. Substantive amendments to the Admin Code requires adoption of a resolution of the Board specifying the changes.

Changes are continually implemented to VTA to more efficiently or effectively conduct the organization’s business or to respond to changing conditions. It is important that the Admin Code realistically portray the organization’s current approved practices and provisions so that compliance can be both encouraged and enforced. It is also important that any changeable provisions hampering efficiency or effectiveness be revised.

The Citizens Advisory Committee (CAC) is a 17-member committee representing the residents of the various city/county groupings of the VTA Board of Directors, as well as specified community stakeholder groups with an interest in transportation. The CAC advises the Board and VTA administration on issues impacting the communities and organizations they represent. It also serves in two other functions: (1) as the ballot-specified Citizens Watchdog Committee for the 2000 Measure A Transit Improvement Program; and (2) as the 2008 Measure D ballot-specified advisory body that reviews and comments on VTA's comprehensive transit program as part of the countywide transportation plan.

The current CAC membership structure consists of 17 total positions: six in the Cities & County Group (geographic), five in the Business & Labor group, and six positions in the Community Interests group. Committee members must be a resident of Santa Clara County while on the committee and cannot concurrently hold elected public office. The current membership term is continuous with no defined end date.

The CAC previously identified that its current membership structure may not be optimally configured to best represent county residents in providing broad transportation stakeholder input and perspective to the Board. It also recognized that the Committee has a very large proportion of long-term members, the average tenure being almost ten years (see Attachment B). Although this dedication is admirable, it hinders other qualified and dedicated members of the community from serving on the Committee while also reducing the opportunity for fresh perspective.

Given these factors, the CAC established the Membership Composition Subcommittee (Subcommittee) to collaborate with staff to comprehensively review the existing CAC membership structure and recommend potential improvements. The key goals established for the process were:

- Strengthen bilateral communication between VTA and the community via broader key stakeholder interest group participation.
- Maximize public participation and the importance of new ideas and fresh perspective while balancing the need for institutional knowledge and continuity.
- Maintain total membership at the current level or reduce slightly to enhance meeting efficiency and member participation while promoting input from a broader spectrum of key stakeholder interests.

Following extensive work by the Subcommittee, its findings and recommendations were reviewed in detail at several CAC meetings. Subsequently staff presented alternate proposals informed by the Subcommittee's thoughtful, well-reasoned draft recommendations but that incorporated the input provided by the full Committee as well as staff's input. In most cases, the staff recommendations mirrored or closely aligned with those from the Subcommittee. Over the course of several CAC meetings, the various proposals were discussed, evaluated in depth, adjusted and refined, the goal being to craft a unified set of recommendations that both the CAC membership and VTA staff could jointly support.

As a result of this extensive multi-year effort, at its March 2018 meeting the CAC approved recommending Board approval of the joint recommendation for specific modifications to the CAC membership structure. At the following meeting, the overwhelming majority of members present voted to recommend the associated implementation strategy, which did not receive the required number of votes needed to recommend Board approval due to some absences and abstentions. Staff strongly supports both of these recommended actions.

DISCUSSION:

Submitted for Board approval are recommended modifications to the Admin Code (Attachment A). Most are ministerial or being made to improve the clarity or understandability of existing provisions, not the substance. The most significant of the proposed changes are:

A. Citizens Advisory Committee Membership Structure [§4-28, page A4-7]

The major provisions of the joint recommendation from VTA staff and the Citizens Advisory Committee for amending the CAC membership structure and related provisions are:

Membership Provisions

- (1) Total membership reduced from 17 to 13.
- (2) Six (6) current City and County (City Group) seats will be deleted.
- (3) Appointments will be from two categories: (1) Community & Societal Interests; and (2) Business & Labor.
- (4) Appointment process will be competitive. There are no seats dedicated to any organization or entity. Due to this, the provision allowing VTA's Bicycle & Pedestrian Advisory Committee and Committee for Transportation Mobility & Accessibility (CTMA) to appoint a representative each to serve on the CAC is being eliminated [§4-29, page A7 and §4-30, page A8, respectively].
- (5) Targeted outreach, as determined by the Governance & Audit Committee, will be conducted to identify and solicit underrepresented transportation stakeholder groups for vacant positions.
- (6) Application process will be online only. Applications received will be evaluated on the candidate's ability to provide bilateral communication between VTA and their stakeholder constituency group(s), based on established evaluation criteria approved by the Governance & Audit Committee.
- (7) Review panel evaluating applications and recommending candidates for Governance & Audit Committee approval will consist of: (1) VTA Board Secretary or designee; (2) CAC Staff Liaison; and (3) CAC Chairperson. Structure is based on model used for last few years with the CTMA that has proven efficient and effective.
- (8) Current unlimited term of office will be changed to four (4) years. Members can serve two (2) consecutive terms but then must wait four (4) years before being eligible to serve again.
- (9) Term of office will commence upon Governance & Audit Committee appointment, as opposed to a fixed starting date (for example, January 1st). This will help ensure a healthy mixture of veterans and newer members following implementation.

Implementation Strategy

Due to their responsibilities as the 2000 Measure A Citizens Watchdog Committee and the resulting need for institutional knowledge, the CAC placed high priority on a phased implementation to ensure a healthy balance of veteran and new members during the first few years of implementation. After lengthy negotiation, the CAC and staff agreed to jointly recommend the following phased implementation strategy:

- (1) Existing members may choose to be grandfathered through June 30, 2019.
- (2) Existing members having less than eight years of service as of July 1, 2019 may serve on the committee until June 30, 2021.
- (3) To ensure no dramatic loss of historical and institutional knowledge after July 1, 2019, the CAC membership will choose up to four (4) members who have more than eight (8) years of service on the committee. These members will act as “transitional members” and will fill vacant positions in either the Business & Labor or Community & Societal Interests categories until June 30, 2021. This provides opportunity for the transitional members to transfer their institutional and historical knowledge to the new committee members.
- (4) Following full implementation, staff will consult with the CAC on a periodic basis on the committee membership structure and outreach plans and efforts for use in formulating recommendations for Governance & Audit Committee approval.

B. Rename the *Capital Projects Oversight Committee* to *Capital Program Committee* (§§2-36, 2-38, and 2.40; pages A1-3)

This adjustment is recommended because the current name, which was a placeholder, denotes an inaccurate and limiting descriptor of the committee’s mission and responsibilities. It indicates the committee is limited to overseeing major capital projects, whereas the intent, as stated in the Admin Code, is to review and recommend to the Board policy decisions pertaining to capital projects. The recent chartering process for this committee identified that optimum value from this committee would be if it focused on policy-level strategic planning and prioritizing of VTA’s entire capital program, instead of individual projects.

Given this, it is recommended that the committee name be revised to *Capital Program Committee* to remove the implied limitation. Implementing this change before the committee’s June 28, 2018 inaugural meeting will help more clearly establish its role in the VTA governance process and better communicate that purpose to the community at large.

The Governance & Audit Committee is similarly being asked at its June 7, 2018 meeting to approve this name change in the Board Rules of Procedure.

C. Bike Travel Reimbursement to Advisory Committee, PAB and Oversight Committee Meetings (§4-6; page A4)

VTA currently provides reimbursement to advisory committee, PAB, and oversight committee members for actual travel costs incurred attending scheduled committee or subcommittee meetings. This consists of actual public transportation or paratransit fare or current IRS mileage rate if by car. In keeping with VTA’s mission as the Congestion Management Agency for the county, providing this reimbursement will help incentivize

members to travel to meetings by bicycle instead of by single occupant vehicle, thus reducing congestion, pollution and fossil fuel consumption. The estimated cost of this change is either expense-neutral or immaterial. (The change to §4-39 (page A9) aligns that section with §4-6.)

D. Policy Advisory Board Conclusion of Service (§4-31; page A8)

This clarifies that the VTA Board of Directors determines when each PAB has completed its defined purpose and thus its service is no longer required.

If the Governance & Audit Committee approves recommending the proposed modifications to the Admin Code, the Board will consider those modifications at its June 2018 meeting. Should the Board adopt the changes, they would go into effect immediately.

ALTERNATIVES:

The Board could choose to reject or modify any of the recommended modifications.

FISCAL IMPACT:

There is no significant financial impact associated with these modifications. The cost of providing travel cost reimbursement for advisory committee, PAB, and oversight committee members that travel to meetings by bicycle is estimated to be either cost-neutral or de minimis.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

The Governance & Audit Committee is scheduled to consider this item at its June 7, 2018 meeting, which immediately precedes the Board of Directors' meeting that day. Due to this, a verbal report will be provided at the Board meeting indicating the Governance & Audit Committee's recommendation for this item and any major comments.

ADVISORY COMMITTEE DISCUSSION/RECOMMENDATION:

The changes on the CAC membership structure were discussed in detail at several CAC meetings. At the March 2018 CAC Meeting, the committee recommended changing the term from three to four years and unanimously recommended approval to membership structure and categories, application and appointment process. At their April 2018 meeting, the CAC considered and expressed support for the implementation strategy. While there was no dissenting vote, the item failed to pass due to two abstentions and absences.

The bicycle travel reimbursement was discussed with the Bicycle and Pedestrian Advisory Committee (BPAC). The BPAC expressed general support for the staff proposal.

Prepared by: Stephen Flynn, Sr. Policy Analyst
Memo No. 6589

ATTACHMENTS:

- A--Admin Code Proposed Amendments_07JUN2018.Extract (PDF)
- B--CAC Roster & Tenure_APR2018 (PDF)

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
ADMINISTRATIVE CODE**

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Chapter 2

BOARD OF DIRECTORS

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Article IV

Standing Committees

Sec. 2-36. Appointments

At the first meeting in January, the Board shall approve the members and chairpersons of all standing committees of the Board based on recommendations for these positions provided by the Board Chairperson. The term of each appointment shall be for one year. The membership of each committee shall consist of four Directors except for: (A) Governance & Audit Committee, which shall consist of five; and (B) Capital ~~Program Projects Oversight~~ Committee, which shall consist of six Directors.

The membership of the Governance & Audit Committee shall consist of:

- Board Chairperson
- Board Vice Chairperson
- Chairperson, Administration & Finance Committee
- Chairperson, Congestion Management Program & Planning Committee
- Chairperson, Safety, Security, and Transit Planning & Operations Committee

The Board Chairperson and Vice Chairperson shall also serve as the chairperson and vice chairperson, respectively, of the Governance & Audit Committee.

The membership of the Capital ~~Program Projects Oversight~~ Committee shall consist of six Directors, one from each of the six City/County Groups as specified in Sec. 2-13, as practical.

For each committee, not more than two of its members shall come from the same City Grouping. The Governance & Audit Committee shall not have alternate members, due to its membership comprised of specified Board and Standing Committee leadership positions. In addition, the Board Chairperson and Vice Chairperson may not concurrently serve as chairperson of any of the following Board standing committees: (1) Administration & Finance; (2) Congestion Management Program & Planning; or (3) Safety, Security, and Transit Planning & Operations.

Sec. 2-37. Duties

Standing committees shall serve in an advisory capacity to the Board. They shall meet, study, prepare recommendations and report to the Board on matters within their respective assigned areas of responsibility as well as other matters referred to them by the General Manager or the Chairperson in consultation with each other, or by the Board.

Notwithstanding individual committee responsibilities, standing committees shall work jointly where issues overlap the assignments of two or more standing committees.

Sec. 2-38. Meetings

Unless otherwise determined by the Board, standing committee meetings shall generally be held once a month when there is sufficient business for the committee to transact that month. The Governance & Audit Committee and Capital ~~Program Projects Oversight~~ Committee shall generally meet at least once each quarter. The general times and locations of regular meetings shall be defined in the Board's Rules of Procedure. The specific times and locations of regular meetings for that year shall be established by each committee at its first meeting of the calendar year, taking into consideration the recommendations of the General Manager and Board Secretary. All meetings shall be called, noticed and conducted in accordance with the applicable provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code). The General Manager and General Counsel shall be given notice of all standing committee meetings.

Sec. 2-39. Quorum, Vote and Procedures

A majority of the standing committee's total authorized membership shall constitute a quorum for the transaction of business and all official acts of the committee shall require the affirmative vote of three members. At any regularly called meeting not held because of the lack of a quorum, the members present may constitute themselves a "committee of the whole" for the purposes of discussing matters on the agenda of interest to the Directors present. The committee of the whole shall automatically cease to exist if a quorum of the committee is present at the meeting. All meetings shall be conducted in accordance with the Board's Rules of Procedure.

Sec. 2-40. Standing Committees Established

The standing committees of the Board and their general duties are as follows:

(a) Administration and Finance Committee. The Administration and Finance Committee shall review and recommend to the Board policy decisions pertaining to the general administration and financial management of VTA.

(b) Safety, Security, and Transit Planning and Operations Committee. The Safety, Security, and Transit Planning and Operations Committee shall review and recommend to the Board policy decisions pertaining to system safety and security planning, monitoring and reporting, transit planning, transit capital projects, transit operations and marketing.

(c) Congestion Management Program and Planning Committee. The Congestion Management Program and Planning Committee shall review and recommend to the Board policy decisions pertaining to the congestion management program and the development of the countywide transportation plan for Santa Clara County.

(d) Governance & Audit Committee. The Governance & Audit Committee shall focus on the management and coordination of the Board of Directors to assist that body with efficiently guiding the organization in an efficient and effective manner to best accomplish VTA's strategic objectives. It shall review and recommend to the Board policy decisions pertaining to Board and organizational goal setting and prioritization, strategic initiative framework development, budget development, and Board and committee processes. Furthermore, it shall oversee the activities of the VTA Auditor General function and recommend to the Board policy decisions required to fulfill the Board's oversight responsibilities for: (1) the integrity of VTA financial statements; (2) compliance with legal and regulatory requirements; and (3) assuring an effective system of internal management and financial controls.

(e) Capital Program Projects Oversight Committee. The Capital Program Projects Oversight Committee (~~CPOC~~) shall review and recommend to the Board policy decisions pertaining to the activities and imminent issues of VTA capital projects with major resource, multi-jurisdictional coordination, public perception and/or community impact factors. The Capital Program Projects Oversight Committee provides focused oversight to promote the efficient delivery of quality major transportation projects safely, on time, within scope and budget, while minimizing community impact.

The specific duties and areas of responsibility for each Board standing committee shall be set forth in the Board's Rules of Procedure.

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Chapter 4

ADVISORY BOARDS AND COMMITTEES, AND OVERSIGHT COMMITTEES

Article I

In General

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Sec. 4-6. Reimbursement for Expenses to Travel to and from Advisory Board and Committee Meetings

VTA shall reimburse to each advisory board, oversight committee, and advisory committee member, upon request thereof, the actual cost of travel to and from a scheduled advisory board or committee or subcommittee meeting. Cost of travel consists of the greater of: (1) actual fare paid if by public transportation or paratransit; (2) cost of two VTA adult single ride tickets if by bicycle; or (3) and current IRS mileage rate if by automobile.

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Article III Advisory Committees

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Sec. 4-28. Citizens Advisory Committee

(a) Membership. A Citizens Advisory Committee is established consisting of seventeen-thirteen (13) members appointed in accordance with subsection (b); as follows: six citizens at large from the city and County groupings, six citizens representing certain specified community interests, and five citizens representing certain specified business and labor groups. All members shall be residents of Santa Clara County during their term. Individuals currently holding elected public office ~~No member of the Board of Directors or alternate, Policy Advisory Commiare not eligible tte member or alternate, or other elected official shall to~~ serve on the committee. Committee members may not be an employee of a Member Agency they represent. Each member shall be appointed for a continuous term, serving until resignation or replacement by their appointing organization or the Governance & Audit Committee. The Governance & Audit Committee shall ratify the appointments of all members of the committee. The committee shall have no alternate members. Committee bylaws ~~The Committee bylaws~~ may establish further restrictions on qualifications for membership and term of office.

(b) Appointments. Members shall be appointed to represent stakeholder groups or constituencies from two broad categories: (1) Community & Societal Interests; and (2) Business & Labor. as follows, with effort made to reflect the ethnic, gender, and geographic diversity of the county Appointments shall be made as established in the Committee bylaws.

The appointment process shall be competitive, based on the applicant’s ability to maximize bilateral communication between VTA and targeted stakeholder constituencies, as determined by the Governance & Audit Committee. Evaluation of candidate applications shall be performed based on the process established in the Committee bylaws. The Governance & Audit Committee shall approve all appointments to the Committee.

(1) City and County Groupings

a. Two from Group 1:

San Jose

b. One from Group 2:

- Los Altos
- Los Altos Hills
- Mountain View
- Palo Alto
- Santa Clara
- Sunnyvale

e. One from Group 3:

- Campbell
- Cupertino
- Los Gatos
- Monte Sereno
- Saratoga

d. One from Group 4:

- Gilroy
- Milpitas
- Morgan Hill

e. One from the County of Santa Clara:

~~(2) Community Interests~~

~~a. Three citizens representing the following community interests, appointed by the Administration & Finance Committee from nominations submitted by advocacy groups or received at large, one for each category:~~

- ~~• Disabled persons~~
- ~~• Environmentalists~~
- ~~• Mass transit users~~

~~b. One each by the following stakeholder groups:~~

<u>Representing</u>	<u>Appointed by</u>
Senior citizens	Sourcewise

~~c. Two by VTA advisory committees, one by each committee from its current membership:~~

<u>Representing</u>	<u>Appointed by</u>
Bicyclists and pedestrians	Bicycle & Pedestrian Advisory Committee
Disabled community	Committee for Transportation Mobility & Accessibility

~~Each representative must be a member of their appointing committee during their term on the CAC.~~

~~(3) Business and Labor Groups~~

~~Five citizens representing the following business and labor groups, one appointed by each organization:~~

- ~~Building Owners and Managers Association—Silicon Valley~~
- ~~Homebuilders Association of Northern California~~
- ~~Santa Clara County Chambers of Commerce Coalition~~
- ~~Silicon Valley Leadership Group~~
- ~~South Bay AFL-CIO Labor Council~~

(c) Duties. It shall be the duty of the committee to advise the Board on policy issues referred to the committee either by the Board or the General Manager in consultation with the Committee Chairperson.

As specified by the 2000 Measure A ballot, the Committee shall also serve as the independent Citizens Watchdog Committee (CWC) for the 2000 Measure A Transit Sales Tax (“2000 Measure A”) during its term (April 2006 – March 2036) and perform the duties specified in the Measure A ballot.

As specified in the 2008 Measure D ballot, the 2000 Measure A Citizens Watchdog Committee further shall review and comment on a comprehensive transit program submitted by VTA.

Except when acting in its capacity as the Citizens Watchdog Committee as specified in the 2000 Measure A Transit Sales Tax ballot, the committee shall not have the authority to communicate externally, but all communications by the committee shall be to and through the Board.

Sec. 4-29. Committee for Transportation Mobility & Accessibility

(a) Membership. A Committee for Transportation Mobility & Accessibility is established consisting of 17 voting members with prescribed alternates and two ex-officio, non-voting members, as follows:

Voting Members

- (1) Seniors/Persons with Disabilities: seven members with two shared alternates.
- (2) Human Service Organizations: seven members with corresponding alternates, one each for seven organizations familiar with public transportation and serving seniors or persons with disabilities.
- (3) Three members from either the Seniors/Persons with Disabilities category, the Human Services Organizations category, or a combination thereof, depending on available qualified applicants and efforts to represent the geographic diversity of the county.

Ex-officio Members

The current contracted paratransit provider shall designate an employee thereof to serve as an ex-officio, non-voting member. The Chairperson of the Board of Directors shall designate one member of the VTA Board of Directors to serve as an ex-officio, non-voting member, and that individual may assign a representative to serve in his or her absence.

Committee bylaws may establish further restrictions on qualifications for membership.

(b) Duties. It shall be the duty of the committee to perform the functions of a paratransit coordinating council, and to advise the Board of Directors on matters pertaining to: (1) mobility and accessibility for senior citizens and persons with disabilities; (2) paratransit services in Santa Clara County; (3) accessibility to VTA transit services; and (4) state and federal laws related thereto.

~~(c) Representative to Citizens Advisory Committee. The committee shall appoint one individual from its voting membership to serve as its representative on the Citizens Advisory Committee (CAC). The representative must meet all established CAC membership requirements and be a voting CTA member during their term on the CAC.~~

Sec. 4-30. Bicycle and Pedestrian Advisory Committee

(a) Membership. A Bicycle and Pedestrian Advisory Committee is established consisting of sixteen members who are bicyclists or pedestrians, and who either live or work in Santa Clara County. Each Member Agency shall appoint one member. In addition, the Silicon Valley Bicycle Coalition (SVBC) may appoint one ex-officio member and one alternate, who shall not be counted for purposes of establishing a quorum and who shall have no voting rights. Committee bylaws may establish further restrictions on qualifications for membership.

(b) Duties. It shall be the duty of the committee to advise the Board and to make recommendations regarding funding priorities for bicycle and pedestrian projects in the county; review and provide comments to VTA staff regarding plans and designs for an effective countywide bikeway and pedestrian system, updates of the Countywide Bicycle Plan and Countywide Bicycle Map, bicycle and pedestrian element of the countywide transportation plan, and bicycle-related issues affecting the transit system. It shall also coordinate with bicycle and pedestrian advisory committees of other agencies on multi-jurisdictional bicycle and pedestrian issues and serve as the countywide bicycle and pedestrian advisory committee for the County Santa Clara.

~~(c) Representative to Citizens Advisory Committee. The committee shall appoint one individual from its voting membership to serve as its representative on the Citizens Advisory Committee (CAC). The representative must meet all established CAC membership requirements and be a voting BPAC member during their term on the CAC.~~

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Article IV

Policy Advisory Boards

Sec. 4-31. Purpose and Overview

VTA policy advisory boards (PABs) are established by the Board of Directors for each major transit and highway corridor under study by VTA. They provide input, perspective and recommendations to the VTA Board of Directors and administration. The purpose of the PABs is to ensure that the local jurisdictions most affected by major transportation capital improvement projects are involved and have a voice in guiding the planning, development and design of those projects. Each PAB shall serve until the Board of Directors determines that it has fulfilled its assigned duties.

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Article V

Oversight Committees

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Sec. 4-39. Staff Support; Expense; Reimbursement for Travel to/from Committee Meetings

Agendas, public noticing, minutes and other staff services shall be furnished to the Committees as directed by the General Manager and in compliance with the Ralph M. Brown Act (commencing with Section 54950 of the Government Code).

VTA shall provide reasonable resources necessary for the Committee to fulfill its duties as specified in the Measure B ballot.

VTA shall reimburse to each Committee member, upon request thereof, the actual cost of travel to and from a scheduled 2016 Measure B Citizens' Oversight Committee or subcommittee meeting, as provided in Sec. 4-6. Cost of travel consists of actual fare paid if by public transportation or paratransit, and current IRS mileage rate if by automobile.

No individual member of the Committee shall be entitled to reimbursement for travel or other expenses except as authorized by the Board Chairperson or the General Manager.

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**CITIZENS ADVISORY COMMITTEE
and
2000 MEASURE A WATCHDOG COMMITTEE**

APRIL 1, 2018 MEMBERSHIP ROSTER

Membership: 17

Quorum: 9

Vacancies: 4

	Represents	Current Representative	Date Appointed	Tenure through April 2018	Projected Tenure July 1, 2019
<i>City & County Groupings</i>					
1.	San Jose	Noel Tebo	11/2004	13 years, 6 months	14 years, 8 months
2.	San Jose	<i>vacant</i>			
3.	North County Cities	<i>vacant</i>			
4.	West Valley Cities	<i>vacant</i>			
5.	South County Cities	Connie Rogers	3/1999	19 years, 2 months	20 years, 4 months
6.	Santa Clara County	<i>vacant</i>			
<i>Business & Labor</i>					
7.	Silicon Valley Leadership Group	Matt Quevedo	9/2017	0 years, 8 months	1 year, 10 months
8.	Building Industries Association	Ray Hashimoto	8/2001	16 years, 9 months	17 years, 11 months
9.	Organized Labor	Aboubacar “Asn” Ndiaye	11/2017	0 years, 6 months	1 year, 8 months
10.	Chambers of Commerce Coalition	William Hadaya	12/2010	7 years, 5 months	8 years, 7 months
11.	Commercial Real Estate	Sharon Fredlund	1/2013	5 years, 4 months	6 years, 6 months
<i>Community Interests</i>					
12.	Senior Citizens	Aneliza Del Pinal	1/2017	1 year, 4 months	2 years, 6 months
13.	Bicyclists & Pedestrians	Herman H. Wadler	2/2010	8 years, 3 months	9 years, 5 months
14.	Disabled Community	Aaron Morrow	2/2010	8 years, 3 months	9 years, 5 months
15.	Environmentalists	Chris C. Elias	5/2002	16 years, 0 months	17 years, 2 months
16.	Disabled Persons	Martin B. Schulter	12/2002	15 years, 5 months	16 years, 7 months
17.	Mass Transit Users	Stephen Blaylock	8/1997	20 years, 9 months	21 years, 11 months

Average member tenure as of April 2018:

9.9 years (9 years, 11 months)

Average tenure as of April 2018 but excluding three newest members (approximately one year of service each):

12.7 years (12 years, 8 months)



Date: May 31, 2018
 Current Meeting: June 7, 2018
 Board Meeting: August 2, 2018

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

FROM: Auditor General, Bill Eggert

SUBJECT: Joint Development Program and Tamien Station Project Assessments

Policy-Related Action: No

Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Review and receive the Auditor General's report on the Joint Development Program and Tamien Station Project Assessments.

BACKGROUND:

VTA's Auditor General's Office is responsible for conducting the internal audits and other projects specified in the Board-approved Internal Audit Work Plan. It is also responsible for determining completion, adequacy and timeliness of corrective actions that VTA management committed to implement for Auditor General recommendations contained in these reports.

The Joint Development Program and Tamien Station Project Assessment is one of the projects contained in the Board-approved FY 2018 Internal Audit Work Plan. The Auditor General's Office completed this project between March 2018 and May 2018 and the attached report is the result of that review.

VTA maintains a portfolio of 25 underutilized real estate assets available for leasing, licensing or joint development. The Joint Development Program is responsible for managing the development process for these underutilized sites. The Joint Development program currently has two land leases, which generated income of about \$711,000 in FY 2017. The last two Joint Development projects were completed in 1997 and 1999.

DISCUSSION:

The objective of this assessment was to obtain an understanding of VTA's Joint Development

Program and the real estate development process and program metrics in order to review the program goals, assess the design and operating effectiveness of internal controls, test compliance with Board approved policies and relevant federal Circulars, and identify opportunities for process and control improvements, including revenue enhancement, efficiency gains or cost savings.

Based on the work performed, an overall report risk rating of *Medium* was assigned to help management understand our assessment of VTA's Joint Development program and the Tamien Station Project. This was based on two observation categories, one of which was rated *Medium* and the other rated *Low*. Our recommendations addressed: (1) updating of the Joint Development policy to reflect current practices and support the program's goals; and (2) documenting compliance with the current Board policies for the remainder of the Tamien Station project. VTA management agreed with all of the Auditor General's Office's recommendations and committed to implement the recommended actions by specific target dates, as detailed in the report, the latest being December 2019.

Recommendations of opportunities for improvement contained in this report were presented by the Auditor General for consideration of VTA management, which is responsible for the effective implementation of any action plans.

FISCAL IMPACT:

There is no financial impact associated with acceptance of this report.

Prepared by: Pastor Villagomez, Auditor General's Office and Stephen Flynn, Sr. Policy Analyst
Memo No. 6595

ATTACHMENTS:

- A--Joint Development Program and Tamien Station Assessments (PDF)



Joint Development Program and Tamien Station Project Assessment

Auditor General Report No. 2018-02

May 31, 2018

EXECUTIVE SUMMARY

Background

VTA maintains a portfolio of 25 underutilized real estate assets available for leasing, licensing, or joint development. The Joint Development Program is responsible for managing the development process for these underutilized sites. The Joint Development program currently has two land leases, which generated income of about \$711,000 in FY 2017. The last two Joint Development projects were completed in 1997 and 1999.

VTA's Board of Directors approved the Joint Development Program Assessment project as part of the Auditor General's (AG) FY 2018 Work Plan. Management subsequently requested, and the Board approved, the AG to review the Tamien Station Development project. Our assessment therefore included a review of the overall Joint Development Program as well as a review of a selected project. The AG's Office completed this project between March and May 2018.

The review was performed in accordance with the Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The report is prepared for use by VTA's Board of Directors, Governance & Audit Committee, and management. Recommendations for improvement are presented for management's consideration, and management is responsible for the effective implementation of corrective action plans.

We would like to thank those who assisted us throughout this review. Questions may be addressed to Bill Eggert, Auditor General, at Auditor.GeneralOffice@VTA.org.

Objectives and Scope

- Obtain an understanding of VTA's Joint Development program, the real estate development process and program metrics
- Review Joint Development Program goals (Revenue, Transit Oriented Development and Transit Operations)
- Assess the design and operating effectiveness of internal controls
- Test compliance with Board approved policies and relevant federal Circulars
- Identify opportunities for process and control improvements, including revenue enhancement, efficiency gains or cost savings

Overall Rating (See Appendix A for definitions)

	Report Rating	Number of Observations by Risk Rating		
		High	Medium	Low
Joint Development Program and Tamien Station Devel. Project	Medium	0	1	1

Overall Summary and Review Highlights

The Joint Development Program has not been very active historically. However, real estate opportunities have been increasing recently. VTA is in the midst of the Tamien Station Development project, although construction has not yet begun. VTA also expects to issue RFPs to developers for three additional sites in May or June 2018.

Overall Joint Development Program - The policy related to Joint Development and real estate activities was approved by the Board in 2009 and one subsequent amendment was made in 2016 to reflect Affordable Housing goals. The Real Estate Department is not following certain aspects of that policy, and has indicated that they will be presenting a revised policy for Board approval. The policy should more accurately reflect current practices and market conditions. Further, we recommend that VTA modify or create specific procedures related to these unique real estate activities. These might cover activities such as developer RFPs, bid protests, community outreach, and federal and state compliance monitoring.

Tamien Station Development Project – we reviewed the overall timeline and milestones for this project, to date. We assessed VTA's conformance with the relevant policy sections to the actual Tamien Station activities. We noted one minor deviation from stated policy.

An overall rating of *Medium* was assigned to help management understand our assessment of the overall design of VTA's Joint Development program. We based our overall rating on our two primary observations:

- Joint Development Policy – Medium
- Tamien Station Project - Low

DETAILED OBSERVATIONS

1. JOINT DEVELOPMENT POLICY

<p>Observation: VTA has a 2009 Board approved policy. We noted certain areas where the Real Estate Department does not follow this policy. In addition, some resources to support the policy goals were not current or updated.</p>	<p>Recommendation: We recommend that VTA update its Joint Development policy to reflect current practices, and support the Program’s goals.</p>	<p>Management’s Action Plan</p>
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Observation Risk Rating: Medium

<p>1.1 Areas of Non-Conformance with Current Policy</p> <p>The VTA Board of Directors approved the full Joint Development policy in April 2009 and made one subsequent amendment in 2016 to reflect Affordable Housing goals.</p> <p>Our review found several areas where the Real Estate Department is not following the policy, including:</p> <ul style="list-style-type: none"> • Policy Priorities – The policy states a prioritized order for 1) Revenue, 2) Transit Oriented Development and 3) Transit Operations. However, VTA is generating about \$711,000 annually from two existing land leases. Also, developments that include affordable market rate housing could generally produce lower revenue than market rate options. • “Real Estate (RE) Asset Inventory” and “Joint Development (JD) Portfolio” - VTA does not maintain these as two separate documents. The policy requires that the RE Inventory include all real estate assets that are owned or otherwise controlled by VTA, and are available for revenue generation through leasing, development or other asset disposition. The JD Portfolio should be a subset of assets that have reasonable potential for Joint Development over time. 	<p>1.1 Without a current and complete policy, VTA risks non-achievement of its goals and operational inefficiencies.</p> <p>We recommend that VTA update the Joint Development policy to:</p> <ol style="list-style-type: none"> a) Clearly state the program’s goals, including Affordable Housing objectives b) Consider eliminating a stated priority for the goals in the policy. Some of the goals may be inherently conflicted and each development is unique. c) Clarify policy to reflect current practices d) Consider the increased volume of activity e) Identify best practices and related documentation 	<p>1.1 Management agrees. Staff will prepare a proposed update to the Joint Development Policy that clearly states Management’s recommended priorities by priority: (1) generate revenues to support transit operations; (2) increase ridership (with associated operational benefits); and (3) create benefits for transit riders, communities (including affordable housing and workforce opportunities), and private TOD around station areas. The proposed updated Policy will reflect current best practices for Joint Development and Transit-Oriented Development that are presently being implemented by staff.</p> <p>The proposed update to the Joint Development Policy will eliminate the concept of a Priority Schedule. Instead, it will emphasize staff’s work in assessing opportunities and engaging with stakeholders to determine when to recommend to the Board advancement of a Joint Development project. It will focus on publicizing the availability of all Joint Development sites, including distribution to education, health, and other institutional users whose demand is not tied to market cycles.</p> <p>The proposed update to the Joint Development policy will include staff’s recent practice of preparing a Joint Development portfolio-wide analysis that looks at the potential revenue generation for each Joint Development property</p>
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1. JOINT DEVELOPMENT POLICY

Observation: VTA has a 2009 Board approved policy. We noted certain areas where the Real Estate Department does not follow this policy. In addition, some resources to support the policy goals were not current or updated.	Recommendation: We recommend that VTA update its Joint Development policy to reflect current practices, and support the Program’s goals.	Management’s Action Plan
<ul style="list-style-type: none"> • “Joint Development Priority Schedule” - VTA has not presented this schedule to the Board in the last five years, as required by the current policy. During our review, we noticed a 2009 Priority Schedule containing 11 property sites on the VTA web site. However, it appears under the “Projects and Programs” section, rather than “Real Estate”. • “Initial Economic Analyses” – VTA has not formally prepared these for each asset in the Joint Development portfolio. The current policy requires each site to be evaluated broadly for its general development characteristics, alternative development uses, and parking requirements, resulting in a range of land values and potential financial returns to VTA for each development alternative. 		<p>and the potential timing of that revenue, to support a 15-year projection of future revenues.</p> <p>A stand-alone analysis for an individual site will be prepared prior to issuance of a developer RFP, to inform establishment of realistic RFP objectives as well as support future negotiations. This approach will provide more relevant and current financial projections for Board and staff evaluation.</p> <p>Responsible Party: Deputy Director, Real Estate & Joint Development.</p> <p>Target Date: December 2018</p>

1. JOINT DEVELOPMENT POLICY

<p>Observation: VTA has a 2009 Board approved policy. We noted certain areas where the Real Estate Department does not follow this policy. In addition, some resources to support the policy goals were not current or updated.</p>	<p>Recommendation: We recommend that VTA update its Joint Development policy to reflect current practices, and support the Program’s goals.</p>	<p>Management’s Action Plan</p>
<p>1.2 Resources to Support Policy Goals Are Outdated or Not Current</p> <p>Various information related to the Joint Development program was outdated or not current at the time of our review. These items include the:</p> <ul style="list-style-type: none"> • Joint Development Portfolio – the VTA website identified 23 properties at the start of our review. After the Board approved two additional properties (Milpitas Transit Station and Berryessa / North San Jose Transit Center), management added these two sites and renamed three other sites, for a current total of 25 sites. • Community Design and Transportation Manual (CDTM) – To achieve the VTA’s Transit Oriented Development goals, the Board policy refers to VTA’s Community Design and Transportation Manual (CDTM). The CDTM contains goals for high quality design and community benefits, and is VTA’s manual of Best Practices for Integrating Transportation and Land Use. However, the CDTM has not been updated since 2003. Thus, VTA does not have a current set of best practices or design standards to deploy on current projects, including Tamien Station. 	<p>1.2. VTA’s policy states that “Revenue” generation is the first prioritized goal of the Joint Development program.</p> <p>a) To maximize revenue generation potential, we recommend that VTA update and keep current all information it publishes on its website and on applicable community and developer forums on VTA’s real estate development opportunities.</p> <p>VTA’s policy states that “Transit Oriented Development” is the second prioritized goal of the Joint Development program.</p> <p>b) We recommend that VTA update the Community Design and Transportation Manual (CDTM) to publish best practices and design standards. VTA might compare its standards to other agencies, such as BART or LA Metro, both of which have extensive relevant manuals and documentation. We also did note that the FY 2018 budget contains funding for the CDTM update effort.</p>	<p>1.2a Management agrees and has updated the information. Staff will continue its practice of publishing all Joint Development opportunities on the VTA website. Staff will continue its ongoing and active marketing of the Joint Development program and sites to developers and interested parties, using its mailing list with 4,000+ names. Staff will also continue to create new marketing initiatives, such as its recent Joint Development webinar (May 8, 2018) that provided insight into how VTA plans and implements Joint Development projects, and publicized upcoming developer Requests for Proposals.</p> <p>Responsible Party: Deputy Director, Real Estate & Joint Development</p> <p>Target Dates: Completed but ongoing.</p> <p>1.2b Management agrees. Staff will continue the work it began earlier this year to prepare an update to the Community Design & Transportation Manual. Until the update is ready, staff’s current work will be informed by its familiarity with best practices for Joint Development and Transit-Oriented Development, and the extensive literature on this subject developed by many organizations, as well as best practices and guidelines developed by other agencies, including BART, Metro (LA), RTD (Denver), and Sound Transit (Seattle) for their active Joint Development programs.</p> <p>Work on individual Joint Development projects will continue to comply with development</p>

1. JOINT DEVELOPMENT POLICY

Observation: VTA has a 2009 Board approved policy. We noted certain areas where the Real Estate Department does not follow this policy. In addition, some resources to support the policy goals were not current or updated.	Recommendation: We recommend that VTA update its Joint Development policy to reflect current practices, and support the Program's goals.	Management's Action Plan
		<p>standards, design standards, and other development requirements applied by local jurisdictions and that VTA Joint Development projects must comply with.</p> <p>Responsible Party: Director of Planning & Programming</p> <p>Target Dates: December 2019 (completion of the update of the Community Design & Transportation Manual)</p>

1. JOINT DEVELOPMENT POLICY

Observation: VTA has a 2009 Board approved policy. We noted certain areas where the Real Estate Department does not follow this policy. In addition, some resources to support the policy goals were not current or updated.

Recommendation: We recommend that VTA update its Joint Development policy to reflect current practices, and support the Program's goals.

Management's Action Plan

1.3. Inclusion of Procedures in the Joint Development Policy

Part II of the Board policy contains the "*Joint Development Implementation Plan*", which lays out procedures that expand upon the Program's goals and core principles. The procedures include "collaborative identification of site-appropriate development concepts, competitive developer selection processes, and industry standard legal instruments for effective public-private partnerships with selected developers."

Further, VTA's general procurement policies are not applicable to the Joint Development program, and do not address its unique real estate characteristics. Therefore, the Joint Development Program should establish and maintain distinct policies and procedures.

Compliance Procedures - We noted that there are no procedures related to obtaining and documenting compliance with federal or state mandates. The Policy also contained a reference to outdated legislation. The FTA's "Notice of Final Agency Guidance on the Eligibility of Joint Development Improvements Under Federal Transit Law" from 2007 was superseded by FTA Circular C 7050.1, "Guidance on Joint Development", issued in 2014. Also, the Policy does not contain any reference to the California Environmental Quality Act (CEQA).

1.3 We understand that the existing procedures may be removed from the proposed revised Policy statement. We believe that is an appropriate direction. We also observed that the VTA general procurement procedures do not apply to real estate and development activities.

Therefore, we suggest that VTA management establish specific Joint Development procedures, with an appropriate level of specificity. These procedures may include:

- a) Developer RFP Issuance and Evaluation
- b) Exclusive Negotiation Agreement – to create a standard VTA document, which can be modified for future projects (was not in effect before the Tamien Project)
- c) Developer Selection Protest Procedures – consider formalizing the process, to minimize future developer disputes or direct Board outreach
- d) Compliance with relevant FTA and State of California legislative and guidance – a framework to assess the multiple local, state and federal statutes, policies or requirements.
- e) Community outreach
- f) Other areas, as needed

1.3 Management agrees. Staff will prepare proposed updates to the Joint Development Policy and its current procedures regarding Developer RFP issuance and evaluation; community outreach; and all other steps in the Joint Development process. The proposed updates will provide sufficient detail to ensure that the Board and other interested parties have a clear understanding of how Joint Development projects are created, approved, and implemented while still providing enough flexibility for the entrepreneurial creativity and flexibility needed for successful real estate development. It will reference the current regulatory framework and review by the VTA General Counsel as well as the approval procedures by federal, state, regional, and local agencies that ensure compliance of Joint Development projects with all applicable laws and regulations.

The proposed update to the Joint Development Policy will include a new section providing for the VTA Deputy Director of Real Estate & Joint Development and the VTA General Counsel to receive and consider protests arising from a developer RFP evaluation process alleging that established developer selection procedures were not followed or were applied in an arbitrary or capricious manner.

Staff will make relevant sample Joint Development Exclusive Negotiations Agreements, Joint Development Agreements, and Ground Leases available to interested parties as they are developed and updated, with

1. JOINT DEVELOPMENT POLICY

<p>Observation: VTA has a 2009 Board approved policy. We noted certain areas where the Real Estate Department does not follow this policy. In addition, some resources to support the policy goals were not current or updated.</p>	<p>Recommendation: We recommend that VTA update its Joint Development policy to reflect current practices, and support the Program's goals.</p>	<p>Management's Action Plan</p>
		<p>the understanding that these are tailored to individual projects and the documents serve as a beginning point for negotiations.</p> <p>Responsible Party: Deputy Director of Real Estate and Joint Development</p> <p>Target Date:</p> <ul style="list-style-type: none"> • December 2018 (policies and procedures) • Sample documents - Ongoing, as they are subject to regular revision based on changes in development practices, market conditions, and legal requirements during the duration of the Joint Development Program.

2. TAMIEN STATION PROJECT

<p>Observation: VTA substantially complied with applicable Board policy related to the Tamien Station project, with one exception.</p>	<p>Recommendation: Management should document conformance with the current Board policies for the remainder of the Tamien Station project.</p>	<p>Management's Action Plan</p>
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Observation Risk Rating: Low

2.1 Conformance With VTA Joint Development Policy

The Board-approved Joint Development policy has several areas that are relevant to the Tamien Station development project, as follows:

- Section V, Site-Specific Development Strategies
- Section VI, Developer Selection Process
- Section VII, Development Path – Exclusive Negotiation Agreement and Joint Development Agreement

We reviewed the applicable portions of these sections as specifically related to the Tamien Station development process. For further information on Tamien Station, please see:

- Appendix B, Development Timeline and Milestones, and our comments
- Appendix C, Project Compliance with Joint Development Policy, and our comments

We noted one area where VTA did not comply with the stated policy. The Proposal evaluation process requires the involvement of staff from VTA and local jurisdictions. However, VTA included a community member instead of a staff member from a local city.

2.1. As VTA considers more development opportunities:

- a) Management should continue to assess the relevance of the Board approved policies, and seek updates where appropriate.
- a) Management should continue its oversight of the Tamien Station project, documenting its compliance with the most current Board-approved policies.

2.1a Management agrees. VTA will continue to evaluate the relevance of Board-approved policies and seek updates where appropriate,

The proposed revised Joint Development Policy will provide for staff discretion to include either a representative of the local jurisdiction or a community member in a RFP evaluation panel.

Responsible Party: Deputy Director of Real Estate and Joint Development

Target Date: Ongoing

2.1b Management agrees. Staff will continue to provide the Board with updates on Joint Development projects, such as the update at the May 3, 2018 Board meeting on the status of the Tamien project, its evolution in response to prior Board direction, and next steps to create a proposed Joint Development Agreement for review by the Board. Staff will also document conformance with the most current Board-approved policies.

Responsible Party: Deputy Director of Real Estate and Joint Development

Target Date: Ongoing for the duration of the Tamien Station project (for project documentation)

APPENDIX A — RATING DEFINITIONS

Observation Risk Rating Definitions		Report Rating Definitions	
Rating	Definition	Rating	Explanation
Low	Process improvements exist but are not an immediate priority for VTA. Taking advantage of these opportunities would be considered best practice for VTA.	Low	Adequate internal controls are in place and operating effectively. Few, if any, improvements in the internal control structure are required. Observation should be limited to only low risk observations identified or moderate observations which are not pervasive in nature.
Medium	Process improvement opportunities exist to help VTA meet or improve its goals, meet or improve its internal control structure, and further protect its brand or public perception. This opportunity should be considered in the near term.	Medium	Certain internal controls are either: <ul style="list-style-type: none"> • Not in place or are not operating effectively, which in the aggregate, represent a significant lack of control in one or more of the areas within the scope of the review. • Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses which collectively are not pervasive.
High	Significant process improvement opportunities exist to help VTA meet or improve its goals, meet or improve its internal control structure, and further protect its brand or public perception. This opportunity should be addressed immediately.	High	Fundamental internal controls are not in place or operating effectively for substantial areas within the scope of the review. Systemic business risks exist which have the potential to create situations that could significantly impact the control environment. <ul style="list-style-type: none"> • Significant/several control weaknesses (breakdown) in the overall control environment in the part of the business or the process being reviewed. • Significant non-compliance with laws and regulations. • High risk observations which are pervasive in nature.

APPENDIX B — TAMIEN STATION DEVELOPMENT TIMELINE AND MILESTONES

Activity or Milestone	Primary Party	Date
Site Development Concept approval	VTA Board of Directors	6-6-2013
Mitigated Negative Declaration	City of San Jose	3-24-2016
Initial Site Development Plan	CBG and Dahlin Group, Consultants	4-12-2016
Market Evaluation of Sites and Potential Revenues (Tamien Station)	Economic and Planning Systems, Inc. (EPS)	8-29-2016
Tamien Station Request for Proposal (RFP) Issuance	VTA Real Estate Group	9-27-2016
RFP - First Pre-Proposal Conference	VTA Real Estate Group	10-18-2016
Community Outreach Meeting	VTA Community Outreach	11-14-2016
RFP - VTA Response to Potentials Bidders' Questions	VTA Real Estate Group	11-18-2016
RFP - VTA Final Answers to Prospective Bidders' Questions	VTA Real Estate Group	1-3-2017
RFP - Second Pre-Proposal Conference	VTA Real Estate Group	1-5-2017
RFP - Proposal Submittal Deadline	VTA Real Estate Group	1-20-2017
Proposals received from Republic Tamien LLC & ROEM Corporation	ROEM Corporation and Republic Tamien LLC	1-20-2017
Consultant Evaluation of Tamien Station Proposals (before Clarification Letters)	Economic and Planning Systems, Inc. (EPS)	2-6-2017
Proposal Clarification Letters Received from ROEM and Republic Tamien LLC	ROEM Corporation and Republic Tamien LLC	2-17-2017 (ROEM) 2-21-2-17 (Republic Tamien)
Proposal Oral Interviews with Bidders (Republic Tamien and ROEM)	VTA Real Estate Group	2-23-2017
ROEM provides revised offer during oral interview	ROEM Corporation	2-23-2017
VTA Evaluation Panel Discussion	VTA Real Estate Group	2-23-2017
Consultant Evaluation of Tamien Station Proposals (after Clarification Letters)	Economic and Planning Systems, Inc. (EPS)	2-27-2017
VTA Evaluation Panel Report Issued	VTA Real Estate Group	3-8-2017
ROEM letter to Real Estate Group management	ROEM Corporation	3-13-2017
VTA Reply to ROEM Letter	VTA Real Estate Group	3-15-2017

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VTA Administration and Finance (A&F) Committee Meeting - Recommendation to enter into Exclusive Negotiation Agreement (ENA) with Republic Tamien LLC	VTA A&F Committee	3-16-2017
ROEM letter to VTA Board Chair	ROEM Corporation	4-4-2017
VTA Board of Directors Meeting – Recommendation to enter into Exclusive Negotiation Agreement (ENA) with Republic Tamien LLC	VTA Board	4-6-2017
Exclusive Negotiation Agreement (ENA) Executed with UrbanCo-Tamien LLC	VTA Real Estate Group and Legal Counsel	8-14-2017
Community Outreach Meeting (Post-Selection of Developer)	VTA Community Outreach	11-15-2017
News Article: Developer Tapped for Tamien Housing Project	Mercury News	11-23-2017
Community Outreach Meeting (individual agency request)	VTA Community Outreach	1-11-2018
News Article: Connected Developers	San Jose Inside	2-28-2018
VTA Website Statement Regarding Clear and Transparent Process	VTA Community Outreach and Legal Counsel	3-1-2018
Joint Development Agreement Execution	To be determined	To be determined

Observations on the Tamien Station Developer Timeline, RFP Solicitation and Evaluation Process

The following are our observations on the Tamien Station development project process, based upon the timeline above, our review of all related materials, and interviews with VTA management.

- The RFP contained specified Evaluation Criteria (Section 4), including Quality of Development Proposal; Offer/Terms to VTA; Development Team Experience; and Financial Capacity and Strength of the Development Team and Applicants. While the RFP references the “scoring” of developer submittals, there is not a requirement to include a specific numerically based scoring system.
- The RFP Evaluation Panel’s recommendation was unanimous.
- Management’s recommendation was recommended for Board approval by VTA’s A&F Committee (on March 16, 2017) and was approved by the full Board (on April 6, 2017).
- VTA held two Q&A sessions for potential bidders, and issued a summary of the discussion, prior to the RFP due date. After submission of Proposals by the two developers, VTA issued Clarification Letters to each firm, and allowed them to respond to questions and clarify their submittals.
- VTA held oral interviews with each developer on February 23, 2017. During ROEM Corporation’s meeting, the developer submitted additional, new terms and offer which revised their original submittal. While not required to accept these modifications, VTA did accept them and incorporated ROEM’s revised terms and offer into the Evaluation Panel’s consideration. Republic Tamien LLC did not revise their offer during the oral interviews.

Observations on the Tamien Station Developer Timeline, RFP Solicitation and Evaluation Process

- VTA engaged an external consultant, Economic and Planning Systems, Inc. (EPS), which was involved throughout the process. EPS prepared the original Tamien Station site feasibility analysis. EPS assessed the two Developer's submittals (before Clarification Letters) and produced a draft memo dated February 6, 2017, which summarized the RFP Evaluation Criteria. EPS participated in the Evaluation Panel's meetings and produced an updated memo after the Clarification Letters were received from the Developers and after the oral interviews on February 23.
- ROEM Corporation sent two letters to VTA during the evaluation and selection process. Republic Tamien LLC sent none. The RFP allows the VTA to disqualify a Respondent or proposal if VTA becomes aware of "Contact regarding this RFP with any VTA official or employee other than the contacts listed in Section 1.D from the time of issuance of this RFP until the VTA Board approves selection of a Respondent for ENA negotiations". (Section 6, "General Information", paragraph A, "Disqualification").
 - ROEM's first letter was addressed to VTA's Real Estate Group management and dated March 13, 2017. VTA management responded promptly to this letter on March 15, 2017.
 - ROEM's second letter was addressed to the VTA Board Chair and dated April 4, 2017, which was before the VTA Board approved the Developer selection on April 6, 2017. Therefore, ROEM could have been formally disqualified from any further consideration (including ENA negotiations, had the Board approved negotiations with Republic Tamien LLC not been successful).

APPENDIX C — TAMIEN STATION PROJECT COMPLIANCE WITH JOINT DEVELOPMENT POLICY

TAMIEN STATION PROJECT – COMPLIANCE WITH JOINT DEVELOPMENT POLICY

The Board approved Joint Development policy has several areas that are relevant to the Tamien Station development project. These areas, and VTA's compliance with them, are summarized below:

Section V, SITE-SPECIFIC DEVELOPMENT STRATEGIES

A. FORMULATION OF DEVELOPMENT CONCEPT

1. Developer Response – The JD program assessed the market-readiness of the site, under various kinds of uses.
2. Local Jurisdiction/Stakeholder Reviews – The JD Program held consultations with San Jose officials and key stakeholders.
3. Public Outreach – The JD Program held three community outreach events for the Tamien Station project, at appropriate intervals.
4. Intra-Agency Consultations – The JD Program created an internal project team.
5. Regional Bodies – The JD Program met with appropriate regional organizations.
6. VTA Board Committee Reviews – The JD Program presented the Tamien Station Development Concept to the Congestion Management Program & Planning (CMPP) Committee on May 23, 2013.

- B. VTA BOARD APPROVAL – The JD Program obtained approval of the final Development Concept formulated for the Tamien Station site from the Board on June 6, 2013, prior to soliciting developer proposals for the development opportunity.

Section VI, DEVELOPER SELECTION PROCESS

A. REQUEST FOR PROPOSAL (RFP)

1. Developer Qualifications – the Tamien Station RFP sought the developers' and project teams' experience with transit- oriented development projects, as required.
2. Commitment to Environmental Building Practices – the Tamien Station RFP requested firms' experience in construction projects that included environmentally-sustainable practices, as required.
3. Strong Familiarity with Complex Land Use Environments – the Tamien Station RFP sought the developers' familiarity with complex projects and land use regulatory environments, as required.
 - Ground Lease Management – The Tamien Station RFP sought experience with public agencies, with management of real estate developments over time, and/or in the sales and leasing of residential and commercial development products, as required.

- B. REQUEST FOR QUALIFICATIONS (RFQ), QUALIFIED DEVELOPER LIST, AND RFP - Because there was a clear Development Concept for the Tamien Station, VTA was not required to issue an RFQ to the developers.

- C. PROPOSAL EVALUATION PROCESS - The JD program established a proposal evaluation process that involved VTA staff and a community representative. However, the policy required staff from local jurisdictions, who were not involved. This is an exception.

TAMIEN STATION PROJECT – COMPLIANCE WITH JOINT DEVELOPMENT POLICY

- D. VTA BOARD APPROVAL OF DEVELOPER'S PROPOSED RESPONSE - The VTA Board approved the proposed developer selection, as required, on April 6, 2017. Further, VTA's Administration and Finance (A&F) Committee had recommended Board approval of the proposed developer at its meeting on March 17, 2017. As required, the approvals were to enter into negotiations for an Exclusive Negotiation Agreement.
- As required, the JD Program staff report had prepared a summary of the key issues in the RFP, responses received, the proposal review process, ranking of the selected proposals, and the Evaluation Panel's unanimous recommendation.
- E. UNSOLICITED DEVELOPMENT PROPOSALS - Not applicable to the Tamien Station development.

Section VII, DEVELOPMENT PATH – EXCLUSIVE NEGOTIATION AGREEMENT AND JOINT DEVELOPMENT AGREEMENT

1. EXCLUSIVE NEGOTIATING AGREEMENT (ENA) - An ENA was executed on August 14, 2017 with the recommended Developer, as authorized by the Board. The ENA included the Developer tasks suggested by the policy, including due diligence on the Tamien Station property, stakeholder meetings, final proposed project design, financial pro-forma, and submission to the San Jose Planning Department for approval.
2. JOINT DEVELOPMENT AGREEMENT - the ENA period expires on August 14, 2018. The JDA has not yet been executed, and was not tested.



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Date: May 3, 2018
 Current Meeting: June 7, 2018
 Board Meeting: N/A

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

FROM: Auditor General, Bill Eggert

SUBJECT: Status Update on Independent Project Oversight for Advanced Communication System CAD/AVL Project

FOR INFORMATION ONLY

BACKGROUND:

Several years ago, VTA began the process to replace its existing Computer Aided Dispatching (CAD), Automatic Vehicle Location (AVL), and Real-Time Passenger Information (RTPI) communications system, which is referred to as the Advanced Communications System (ACS), with a more current system providing enhanced capabilities. The ACS helps manage VTA's bus and light rail vehicles and non-revenue vehicles while providing real-time information to management and customers.

In December 2014, VTA issued a request for proposal (RFP) for project management and procurement support services in order to facilitate the replacement of the ACS. The contract was awarded to Intueor Consulting, Inc. for \$791,200 for services to be performed through April 2018.

VTA subsequently issued an RFP for the purchase and implementation of a new Advanced Communication System (ACS). In August 2016, VTA awarded the contract for services to Clever Devices Ltd. for \$15.1 million (before options).

The ACS CAD/AVL project formally commenced on August 30, 2016 and is underway. The original planned project completion was October 2018 (excluding warranty hardware and software support through January 2022). The revised project completion date, as of this report, is February 2019, a projected delay of four months.

Due to the size, complexity and vital importance of ACS CAD/AVL system implementation, it was identified as a risk in the Auditor General's Fiscal Year 2017 Risk Refresh and included as a component project in the Board-approved FY 2018 Internal Audit Work Plan.

DISCUSSION:

Independent Project Oversight (IPO) is defined as “an independent review and analysis to determine if the project is on track to be completed within the estimated schedule and cost, and will provide the required functionality by the sponsoring business owner. IPO identifies and quantifies any issues and risks affecting these project components.”

The Auditor General’s (AG) Office commenced this project in June 2017 and will conduct IPO activities through the life of the project, including Fiscal Year 2019 through project completion.

The primary objectives of the IPO review are to:

- (1) Independently evaluate the overall CAD/AVL project on an ongoing basis, focusing on the critical areas listed in the following
- (2) Identify and quantify project successes, risks, and issues affecting the overall project
- (3) Identify opportunities to enhance project management performance

The Auditor General’s IPO review encompasses all ten of the Project Management Body of Knowledge (PMBOK) process management areas (fifth edition), published by the Project Management Institute (PMI). The PMBOK areas are as follows:

- Integration management
- Scope management
- Time management
- Cost management
- Quality management
- Human resource management
- Communications management
- Risk management
- Procurement management
- Stakeholder management

The AG’s Office has reviewed critical project documentation and processes, observed project status meetings, and evaluated the PMBOK areas identified above.

The AG’s Office has prepared the following dashboard for the status of the project, including specific observations on the ten PMBOK areas. This status report also contains an overall assessment on the status of the CAD/AVL implementation, including scope, project schedule, budget, and overall risks to delivery.

The AG has reviewed with VTA management the preliminary observations identified during this phase of the IPO project. Recommended actions for consideration are provided. Additional recommendations will be provided in the future as needed.

Prepared By: Pat Hagan, Auditor General's Office & Stephen Flynn, Sr. Policy Analyst
Memo No. 6556



CAD / AVL Advanced Communication System (ACS) Project

Auditor General Status Update to the Governance and Audit Committee

Independent Project Oversight (IPO) Status Report as of April 13, 2018

May 3, 2018 Meeting

CAD AVL ACS Project
Auditor General Independent Project Oversight Status Report
As of April 13, 2018

EXECUTIVE SUMMARY

Background

VTA is deploying an Advanced Communications System (ACS) using CAD/AVL (Computer Assisted Dispatch / Automated Vehicle Location) technology. The ACS will use Global Positioning System (GPS) vehicle position data to establish the location of each fixed-route revenue and nonrevenue vehicle used in VTA's bus and light rail vehicle operations. The new ACS system will replace the prior Xerox CAD/AVL system and radio subsystem installed in 2003. VTA selected Clever Devices Ltd as the Systems Integration vendor and awarded a maximum \$19.5 million contract in August 2016.

Due to the complexity, project size, and organizational impact, the Board approved this Auditor General (AG) Independent Project Oversight (IPO) project as part of the FY 2018 Internal Audit Work Plan. IPO is defined as an independent review and analysis to determine if a technology project is on track to be completed within the estimated schedule and cost, and will provide the required functionality for the business owner.

This review is being performed in accordance with the Standards for Consulting Services issued by the American Institute of Certified Public Accountants. This IPO status report is prepared for use by VTA's Board of Directors, Governance & Audit Committee, and management. Recommendations are provided for management's consideration, and management is responsible for the effective implementation of corrective action plans.

Objective and Scope

The primary objective of the IPO review is to independently evaluate the overall CAD/AVL ACS project on an ongoing basis. Our review focuses on critical scope areas relating to the CAD/AVL project's progress and project management practices, including:

- Assessment of the project controls in place for the duration of the CAD/AVL project, including a comparison to project management best practices
- Monitoring of project schedule, budget, scope, and overall delivery
- Evaluation of project risk management, including the identification, monitoring, and resolution of project risks and issues
- Identification of opportunities to enhance project management performance

Overall Rating (See Appendix A for definitions)

	Project Status Rating	Risk Rating of PMBOK Areas		
		High	Medium	Low
CAD/AVL ACS Project	Moderate	2	3	5

Overall Summary and Review Highlights

IPO procedures have been performed for this AG review from June 2017 to present. Our first IPO status update was presented to the Governance and Audit Committee in November 2017, and this status report is presented with all procedures completed as of April 13, 2018.

The current CAD/AVL project status risk rating is *Moderate*. This rating encompasses each of the ten Project Management Body of Knowledge (PMBOK) process management areas (fifth edition), published by the Project Management Institute (PMI). We assigned this rating to help management understand our assessment of the overall status of the CAD/AVCL ACS system implementation.

The current ACS Project Schedule reflects a four-month delay from the original baseline completion date. Although project delays have occurred, VTA has not experienced a significant increase in budgeted project costs, and there is a remaining contingency. The project areas identified as high risk, for which PMBOK recommended best practices could be enhanced, were:

- Time and Schedule Management
- Risk Management

VTA should continue to closely manage the CAD/AVL project to mitigate financial and operational risks, and help avoid further schedule delays.

Our IPO review is ongoing, and the AG will continue oversight procedures until the ACS implementation is complete. We would like to thank management for its assistance and continued support through project completion. Please address questions to Bill Eggert, Auditor General, at Auditor.GeneralOffice@VTA.org.

OBSERVATIONS SUMMARY

The following is a summary of observations noted in the PMBOK areas reviewed.

Observation rating scales and definitions are included in Appendix B.

Project Management Book of Knowledge (PMBOK) areas and definitions are included in Appendix C.

No.	PMBOK Area	Risk Ranking	Observation	Recommendation
1	Integration Management	Low	<p>A. The project schedule contains processes that are aligned with work tasks, key milestones, and critical dependencies.</p> <p>B. The ACS solution is based on Clever Device's proprietary configurable package, with customization as needed. This results in less risk, and a more stable upgrade path, than an entirely custom solution.</p>	None.
2	Scope Management	Low	<p>A. The project schedule was developed to align with project requirements and scope of work from the contract, and it includes significant project activities (tasks), milestones and dates, in a Microsoft Project file.</p> <p>B. VTA has established a lead internal project manager who regularly engages with Clever Devices to monitor project scope.</p>	None.
3	Time and Schedule Management	High	<p>A. The current Project Schedule shows an almost four month delay to project completion, compared to the planned baseline completion date. See Appendix A for a summary of major Schedule milestones.</p> <p>B. Revised Project Schedules do not contain a comparison of actual or forecasted completions dates to the original baseline Schedule dates, which inhibits the ability to readily identify and understand project delays.</p>	<p>A. Increase monitoring of the revised Project Schedule.</p> <p>B. Require Clever Devices to enhance its methods for managing the project schedule and require updated schedules to include: (1) baseline start/finish dates for all tasks; (2) actual start/finish dates for completed tasks; and (3) forecasted start/finish dates for activities not completed to clearly report project status. Variances to baseline schedule, including the current project delay, should be formally analyzed and documented.</p>

CAD AVL ACS Project
Auditor General Independent Project Oversight Status Report
As of April 13, 2018

No.	PMBOK Area	Risk Ranking	Observation	Recommendation
3	Time and Schedule Management	High	C. Project Schedules provided by the vendor do not consistently include all project details, such as work breakdown (WBS) numbers by task and all baseline project dates, forecasted completion dates, and actual completion dates. Project Schedules are also not provided on a consistent cadence to ensure they are current and visible to the project team. Although the Project Schedule is supplemented with excel files with detailed tasks and milestone dates, Project Schedules were not consistently available that clearly depicted project schedule, status of tasks, and implications of project delays.	C. Require Clever Devices to include adequate detail to easily understand all key project milestones, tasks, and WBS elements. VTA should also require a minimum formal cadence (at least quarterly) for Project Schedule updates from Clever Devices to ensure that information provided reflects the most accurate information and status of progress project tasks.
4	Cost Management	Low	<p>A. The project is within the \$29.4 million total budget. Contingency of \$3.6 million appears adequate, given known budget and schedule risks to date.</p> <p>B. Contract change orders or revised personnel costs are specifically tracked. However, the project budget does not contain the original baseline amounts.</p> <p>C. Clever Devices was awarded a fixed price contract for \$19.5 million (including options). There have been two contract change orders totaling \$600,000. Clever Devices has been paid according to the Payment Milestones Schedule in the contract.</p>	<p>A. Continue to monitor the Contingency in the project budget.</p> <p>B. Enhance the project budget by adding the original budget by line item. Track and document variances.</p> <p>C. None.</p>
5	Human Resources Management	Moderate	<p>A. The VTA Project Manager in Operations does not have an identified staff resource to transition into an ongoing system support role, post go-live.</p> <p>B. The Clever Devices contract specifies certain key positions. These have been filled. The original Project Manager was replaced, with VTA's approval. The Project Manager is a certified PMP.</p>	<p>A. Conclude the approved hiring process of the new IT Liaison and ACS system champion. This will allow backup to the VTA PM, and support knowledge transfer and adequate project resources.</p> <p>B. None.</p>

CAD AVL ACS Project
Auditor General Independent Project Oversight Status Report
As of April 13, 2018

No.	PMBOK Area	Risk Ranking	Observation	Recommendation
5	Human Resources Management	Moderate	C. Intueor Consulting was awarded a contract for project management support services for \$721,000, ending on April 30, 2018. Consulting staff were intended to support the VTA PM, but have been deployed to other project tasks. The Intueor Consulting contract was extended and amended, but is now capped. Based on the forecasted project completion and necessity for project tasks, VTA is at risk of not having continuity of this resource through the end of the project.	C. VTA should formally evaluate the forecasted needs of the Intueor resource through the end of the project. If the current contract amount is insufficient, management should seek Board approval for an amendment to the Intueor Consulting contract to ensure continuity of critical resources for the duration of project. This will allow time for the recruitment and on-boarding of the permanent VTA staff resource.
6	Communications Management	Moderate	A. VTA has not been provided with a formal written project Communications Plan. The creation and distribution of project information is discussed at weekly status meetings but is otherwise conducted on an ongoing and informal basis.	A. VTA should require Clever Devices to prepare a written project Communications Plan for VTA's acceptance. The Plan should document the: <ul style="list-style-type: none"> Processes for the creation, distribution, storage and retrieval of various project information elements Methodology and responsibility for variance assessment, and project analysis Escalation policies for issues and risks
7	Quality Management	Moderate	A. Specification documents have been produced. B. Clever Device's (CD) contract requires: <ul style="list-style-type: none"> Submission of the CD Quality Assurance (QA) system Review, audit and report on the quality system at defined intervals. Maintenance of procedures for planning and implementing internal quality audits. 	A. None B. Require Clever Devices to submit any contractual QA documentation.
8	Risk Management	High	A. Risk issues have been identified on the weekly status calls and related memos. However, no formal Risk Log exists. Also, there is no clear tracking of prior risks and their mitigation or resolution.	A. Require Clever Devices to create a formal Risk Log. Track the assigned responsibility, severity of the risk, duration of the issue, potential exposure to cost and schedule, proposed solutions, and documentation of the resolution of the risk.

CAD AVL ACS Project
Auditor General Independent Project Oversight Status Report
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No.	PMBOK Area	Risk Ranking	Observation	Recommendation
8	Risk Management	High	B. There is no defined escalation process for risks. Risks on the weekly status reports are not dated or prioritized. Risk discussions with VTA leadership occur non-regularly, and are not documented.	B. Review the Risk Log with VTA Operations and Technology leadership on a defined basis (at least quarterly).
9	Procurement Management	Low	A. Contracts are in place to obtain the required services and products from approved vendors. There was a delay of several weeks due to VTA's lag in procuring certain required servers.	A. None
10	Stakeholder Management	Low	A. Weekly status meeting have been held, led by the Systems Integration vendor, Clever Devices Ltd. B. Informal internal reporting occurs to the COO (business owner) and CIO. No formal Executive Steering Committee exists, to regularly review risks to cost or schedule, and take corrective actions. However, the COO has periodic calls with Clever Devices (non-project) leadership, and the ACS project is discussed in recurring Operations Department meetings.	A. Continue and expand the weekly status meetings, to include the aforementioned changes. B. Document ongoing discussions, including issue resolution or required action steps. Continue to escalate issues to the Operations and Technology leaderships, as well as continue to oversee the revised Project Schedule and go-live date.

APPENDIX A - PROJECT SCHEDULE AND SUMMARY OF KEY DATES AND TASKS

(BASED UPON ORIGINAL BASELINE SCHEDULE DATED JUNE 2016 AND LATEST SCHEDULE ISSUED APRIL 2019)

Task (Selected)	Calendar 2016				Calendar 2017				Calendar 2018				Calendar 2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Project Kickoff and Notice to Proceed - baseline																
- actual																
Preliminary Design Document - baseline																
- actual																
Requirements Assess & Validation - baseline																
- actual																
Performance & Ridership Reporting System - baseline																
- actual																
Preliminary Design – baseline																
- actual																
Deliver Final Design Documents - baseline																
- actual																
Factory Acceptance Testing (FAT), Deployment of Mini-Fleet - baseline																
- revised																
Systems Acceptance Testing - baseline																
- revised																
VTA Acceptance of Availability Testing - baseline																
- revised																

Legend:

	Baseline Schedule (06-13-16)
	Actual Date Completed or Revised Forecasted Completion (as of 04-09-18)

APPENDIX B — RATINGS AND DEFINITIONS

Observation Risk Rating Definitions	
Rating	Definition
Low	Risk to achieving stated objective, or PMBOK area best practice, is low. Meeting these areas represents best practice for VTA.
Moderate	Risk to achieving stated objective, or PMBOK area best practice, is moderate. Opportunity exists for improvement. Risk should be addressed in the near term.
High	Risk to achieving stated objective, or PMBOK are best practice, is high. Improvement are needed to help VTA meet its goals, improve its processes or internal control structure, and further protect its brand. Risk should be addressed immediately.

Report Rating Definitions	
Rating	Explanation
Low	The ACS Project’s status is adequate. Controls are in place and operating effectively. Minimal improvements are required. Observation are limited to low risk areas or are not pervasive in nature.
Medium	The ACS Project’s status is potentially off-track. Certain controls are either not in place or are not operating effectively. Improvements are required. Observations were noted in several areas or are pervasive to one process.
High	The ACS Project is off-track (as of this reporting date). Several controls were not in place or were not operating effectively for substantial areas. Significant improvements are required. Observations were noted in multiple areas and/or were pervasive.

APPENDIX C — PMBOK AREAS AND DEFINITIONS

PROJECT MANAGEMENT BOOK OF KNOWLEDGE (PMBOK) AREAS (FIFTH EDITION) PUBLISHED BY THE PROJECT MANAGEMENT INSTITUTE (PMI)

Area	Definition
1. Integration Management	Requires each project and product process to be appropriately aligned and connected with other processes to facilitate their coordination.
2. Scope Management	The processes required to ensure that the project includes all the work required, and only the work required, to complete the project successfully.
3. Time (and Schedule) Management	The processes required to accomplish timely completion of the project.
4. Cost Management	The processes involved in planning, estimating, budgeting and controlling costs so that the project can be completed within the approved budget.
5. Human Resources Management	The processes that organize and manage the project team.
6. Communications Management	The processes required to ensure timely and appropriate generation, collection, distribution, storage, retrieval and ultimate disposition of project information.
7. Quality Management	The activities of the performing organization that determine quality policies, objectives, and responsibilities so that the project will satisfy the needs for which it was undertaken.
8. Risk Management	The processes involved with conducting risk management planning, identification analysis, responses and monitoring and control on a project.
9. Procurement Management	The processes to purchase or acquire the products, services or results needed from outside the project team to perform the work.
10. Stakeholder Management	The process of developing appropriate strategies to effectively engage stakeholders throughout the project life cycle, based on the analysis of their needs, interests and potential impact on the project success.



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Date: May 31, 2018
 Current Meeting: June 7, 2018
 Board Meeting: August 2, 2018

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Governance and Audit Committee

THROUGH: General Manager, Nuria I. Fernandez

FROM: Chief Financial Officer, Raj Srinath

SUBJECT: Scope of Work for Annual Financial Audit Services for Fiscal Year 2018

FOR INFORMATION ONLY

BACKGROUND:

Pursuant to state law and the Administrative Code of the Santa Clara Valley Transportation Authority (VTA), Vavrinek, Trine, Day & Company, LLP (VTD), has been retained as the independent Certified Public Accountant, to conduct the audit of VTA financial statements for Fiscal Year 2018.

The scope of VTD's services includes the following:

- Conduct the financial statement audit and render an opinion on the:
 - VTA General-purpose Financial Statements;
 - VTA - Amalgamated Transit Union (ATU) Pension Plan;
 - VTA Schedule of Expenditures of Federal Awards (Single Audit), and
 - Other Post Employment Benefit Report.
- Perform internal control assessment over financial reporting based on the audit of the financial statements;
- Perform compliance audit with requirements of the Transportation Development Act;
- Perform agreed-upon procedures relative to the data reported in the VTA's Annual National Transit Database (NTD), and
- Perform grant-required audits.

DISCUSSION:

VTD has performed the audit of VTA's financial statements for Fiscal Years 2006 through 2017. They have conducted their audit in accordance with auditing standards generally accepted in the

United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller-General of the United States.

Presented below are VTD's timeline and deliverables relating to the Fiscal Year 2018 audit engagement:

April 2018

- Internal control assessment and testing;
- Cash receipts and disbursements sample testing;
- Payroll sample testing;
- Preliminary evaluation of the Schedule Expenditure of Federal Awards, and
- Preliminary survey of procedures relative to development of VTA's Indirect Cost Allocation Plan.

August to October 2018

- Performance of audit field work

November 2018

- Presentation of the 2018 Comprehensive Annual Financial Report, VTA-ATU Pension Plan Report and the Other Post Employment Benefit Report to the Governance and Audit Committee on November 1, 2018

Prepared By: Grace S. Ragni
Memo No. 6569

Governance and Audit Committee Work Plan

Doc ID	Short Title	Origin	G&A 6/7	BOD 6/7	BOD 8/2	G&A 9/6	BOD 10/4	G&A 11/1	BOD 11/1	G&A 12/6	BOD 12/6	BOD 1/3
6593	Amend CAC Bylaws to Modify Membership Structure	Dept - Board Secretary	A									
6592	Amend Board Rules of Procedure to Rename CPOC, etc.	Dept - Board Secretary	A									
6589	Amend Admin Code for CAC Membership Structure, CPOC Name Change, Etc.	Dept - Board Secretary	A	A								
6595	Joint Development Program and Tamien Joint Development Project Assessments	Office of the Auditor General	A		A							
6556	RTI CAD/AVL IPO Project Status Update	Office of the Auditor General	I									
6288	A/P Master Data Internal Audit	Office of the Auditor General				A			A			
6555	BART SV Project - Phase 1 Invoicing Audit	Office of the Auditor General				A			A			
6596	BART SV - Phase II PMO Assessment	Office of the Auditor General								A		A
6598	Business Continuity Planning Process	Office of the Auditor General								A		A
6604	SR85 Corridor PAB Appointment	Dept - Board Secretary	A									
6605	BPAC Committee Appointment Ratification	Dept - Board Secretary	A									
6569	Scope of Annual Financial Audit Services for FY18	Dept - Finance & Budget	I									
5826	Annual Performance Evaluation: General Counsel	Division - Business Services							CS		A	
5985	Annual Performance Evaluation: GM/CEO	Division - Business Services								CS	A	
5475	Ethics Hotline Program Quarterly Report	Office of the Auditor General	I			I				I		
1896	Review Status of Internal Audit Work Plan	Office of the Auditor General	D			D				D		

Items for Future Consideration

Subject
Board Work Plan
Disaster Preparedness
Review VTA's Adopted Policies for Investments

LEGEND: A = Action Item D = Discussion I = Information Item P = Presentation V = Verbal Report C = Closed Session