



San Francisco Bay Area Rapid Transit District (BART)
 Earthquake Safety Program

Citizens' Oversight Committee Meeting
2010 – 2012 Term

Tuesday, April 19, 2011 4:30 pm

BART Board Room
Kaiser Center 20th Street Mall, Third Floor
344 20th Street, Oakland CA 94612

Meeting Number	Meeting Date	Meeting Time
Term 3, Meeting 2	April 19, 2011	4:30 pm
Attendees	<i>Current Members</i> Lawrence Donovan H. Andy Franklin William Kaplan Guy Miller Elmo Wedderburn	<i>Staff</i> Nathan Hood Thomas Horton Catherine Westphall
Agenda Item	Action Taken	
<i>Welcome & Introductions</i>	<p>C. Westphall called the meeting to order at approximately 4:35 pm.</p> <p>C. Westphall explained that she would facilitate the meeting in the place of Molly McArthur, BART Division Manager, Community Relations, who could not attend.</p> <p>Members and staff introduced themselves.</p>	



Review of Administrative Matters

N. Hood reviewed the follow-up items from the December 21, 2010 meeting minutes, including:

- Public comment: At the December 21, 2010 meeting, a citizen spoke on behalf of his parents, who own property near the BART alignment in Walnut Creek and witnessed engineers surveying their property. In an email message to members dated February 3, 2011 (see attached), M. McArthur explained that the BART community relations liaison assigned to the project met with the residents, and explained the details of the upcoming retrofit work along the Concord line and the reasons for the survey of their property. T. Horton stated that the engineers who surveyed the property acted prematurely. C. Westphall added that the residents were satisfied with the information they received.
- Bond fund investment report: At the December 21, 2010 meeting, E. Wedderburn asked about BART Treasurer Scott Schroeder's decision to invest in United States Treasury Notes. In an email message to members dated February 3, 2011 (see attached), M. McArthur provided S. Schroeder's explanation of his decision.
- Committee Chair selection: At the December 21, 2010 meeting, members tentatively agreed to nominate and select a new Chair via email. After reviewing the Ralph M. Brown Act, which instructs the Committee how to conduct meetings, the decision was made to nominate and select a Chair at this meeting to give members of the public the opportunity to view the proceedings. N. Hood invited C. Westphall to facilitate the selection of a new Chair.

C. Westphall thanked H. A. Franklin for serving as Chair and reminded members that he respectfully declined to continue serving as Chair.

C. Westphall reviewed the responsibilities of the Chair position, including:

- Attend at least one BART Board of Directors



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	<p>meeting each year and present an annual report.</p> <ul style="list-style-type: none">• Use name in official correspondence from the Committee.• Review meeting materials in advance of meetings. <p>C. Westphall welcomed members to nominate themselves or their colleagues.</p> <p>H. A. Franklin nominated E. Wedderburn for the position.</p> <p>L. Donovan seconded the nomination.</p> <p>C. Westphall called the matter to vote. All members voted yes.</p> <p>E. Wedderburn accepted the position of Chair.</p> <p>L. Donovan moved that the minutes be approved.</p> <p>E. Wedderburn requested that the email message from M. McArthur (see attached) be included in this meeting's minutes.</p> <p>H. A. Franklin seconded the motion, noting E. Wedderburn's addition.</p> <p>C. Westphall called the matter to vote. All members voted yes.</p> <p>H. A. Franklin requested that meeting documents be marked according to the term.</p> <p>N. Hood explained the naming convention for meeting documents, and agreed to place the convention more prominently on future documents.</p>
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Project Update

T. Horton provided an overview of the program's progress since the last meeting, noting the following:

- Preliminary engineering and design for the program's original scope and the Board of Directors' first round of scope increases is complete.
- All right-of-way acquisition is complete.
- Construction is complete at five stations and the North Oakland Aerials.
- By August 2011, construction will be complete on the Concord line, West Oakland Aerials and Daly City Aerials.
- By the end of summer 2011, construction will be complete throughout most of the core system (from Daly City Station to the Berkeley Hills Tunnel). The program's focus will then shift to non-core "safety" retrofits.

T. Horton provided details about a new round of scope increases, noting the following:

- Three options are being studied to extend operability—a level of design that maintains safety and system operations in the event of an earthquake—one of which will ultimately be presented to the Board of Directors. All three options are being studied individually, as the Board of Directors has not decided exactly what it will fund. The increases in scope could extend the program's completion as far as 2017. The three options are:
 1. Extend operability design on the Fremont line to include the area between Lake Merritt and Fruitvale stations.
 2. Extend operability design on the Fremont line to include the area between Fruitvale and Coliseum stations. Coliseum is a preferable end point for operability design because of the abundance of parking nearby, and because trains are already able to turn around at the station. The next best option would be to design to operability to Hayward Yard—a BART facility between

	<p>South Hayward and Union City stations—but funds are not currently available to design to operability over such a large area.</p> <p>3. Repair the system from Bay Fair Station to the beginning of the Livermore line. This option is less expensive because it consists of only one bridge. This option would also ensure service from a likely earthquake zone to outer areas for emergency purposes.</p> <ul style="list-style-type: none">• The environmental review process for the proposed scope increases will be complete by the end of 2011. Because no federal funds will be used, these increases only require California Environmental Quality Act (CEQA) clearance.• Three contracts are currently in bidding: one rebid of a previously advertised contract, and the two Fremont line contracts that could be affected by the increased operability retrofits. The bid dates for these contracts were delayed in order to issue an addendum that makes the scope increases optional, pending the Board of Directors' decision. The contracts will now go before the Board of Directors in May/June 2011. <p>E. Wedderburn asked for specifics about the program's current expenditures and management reserve funds, as they relate to the proposed scope increases.</p> <p>T. Horton stated that the program's management reserve is approximately \$250 million. This amount is enough to complete all three scope increase options, but the Board of Directors has to approve all spending.</p> <p>E. Wedderburn asked for clarification about the unsuccessful bid.</p> <p>T. Horton stated that two bids were unresponsive and a third bid was above BART's cost estimate for the project, so BART decided to advertise the contract again.</p> <p>L. Donovan asked about the prevalence of change orders</p>
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	<p>throughout the program.</p> <p>T. Horton stated that most change orders are the result of site conditions that differ from the original contract documents. Contractors have encountered utilities that are not marked on the contract documents when expanding the footings of the elevated structures.</p> <p>L. Donovan asked about the program budget’s growth over time.</p> <p>T. Horton stated that projects range from 2-3 percent to 20-25 percent over budget. Projects designed to maintain safety—which only consist of overlays of foundations—typically experience lower growth because the projects come into less contact with utilities.</p> <p>E. Wedderburn asked about the program’s coordination with the Oakland Airport Connector (OAC).</p> <p>T. Horton explained that the Coliseum/Oakland Airport Station platform will be extended to link to a new OAC station, so some coordination may be necessary because of the proximity of some existing BART and future OAC footings. However, OAC will employ different technology to power its cars and is designed to maintain safety—not operability.</p>
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Financial Report

T. Horton provided an overview of the program's finances, noting the following:

- The program expended approximately \$270 million of the projected \$980 million total by the end of February 2011.
- Two bond tranches have been issued. An optional third tranche is available but will not be issued until at least mid-2012.
- There are no changes to the program's various funding sources.
- Given current progress, the program's end date is between 2016 and 2017.

L. Donovan asked if any funds other than those generated by the bond issues had been spent, and if BART was at risk of losing any of the funding sources.

T. Horton stated that BART has applied for and been authorized to spend all funds noted in the report.

L. Donovan asked for clarification about the "Zones 5/6" line item on the financial report.

T. Horton stated that Zones 5/6 is the portion of the Transbay Tube that runs from the landslide of the Port of Oakland into the ship channel. The large slope along the shoreline could slip during an earthquake, pushing the Tube with it and possibly creating cracks or breaks in the Tube shell. The contract for this retrofit is expected to be advertised in mid-2011 and presented to the Board of Directors in November 2011. The contract is currently in final design.

E. Wedderburn asked if the 34.5 kV project is budgeted for \$35 million or \$45 million. He also asked how weather impacts BART's electrical systems, and if the program will attempt to resolve any issues related to weather.

T. Horton stated that the 34.5 kV project connects BART's electrical systems but does not upgrade the equipment itself. The \$35 million forecast is for construction, but the project is still in the design stage and was recently

advertised. The total cost of the project is closer to \$45 million.

G. Miller asked how the program budgets for growth.

T. Horton stated that the program's goal is 10 percent. He noted that change orders are only allowed when necessary.

E. Wedderburn asked for details about the parking structures project.

T. Horton stated that there are two items left at the Hayward and El Cerrito del Norte station parking lots. The final cost of these projects is to be determined.

L. Donovan asked if change orders are evaluated as a percentage of total construction costs.

T. Horton stated that the program normally does not track total change orders against total base construction costs, but that this information could be provided. He suggested that the Committee wait until fall 2011, when more contracts will be complete and we will have more data to show.

E. Wedderburn asked if funds were allocated for the cost of issuing the bonds.

T. Horton stated that bond issuance costs were included in the bond issue for the first two tranches. However, conditions have now changed and we expect to have to utilize some of the bond cost set-aside when issuing the third tranche.

E. Wedderburn asked for specifics about the "third party agreements" line item.

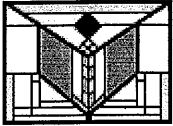
T. Horton stated that third party agreements consist of agreements with consultants, municipalities and utilities. He agreed that the program could provide more details of this line item.



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<i>Next Meeting</i>	<p>Members and staff agreed to meet Tuesday, July 12 at 4:30 pm.</p> <p>Members and staff agreed to meet Tuesday, September 20 at 4:30 pm.</p>
<i>Other Business</i>	<p>N. Hood stated that all members will now receive a Clipper card to use for travel to and from meetings. The card will be credited with \$15 each quarter. All members received a card.</p> <p>Members and staff agreed to the following follow-up items:</p> <ul style="list-style-type: none"> • Provide members with additional details about the Transbay Tube Zones 5/6 project. (T. Horton) • Provide an analysis of percentage of change in bids versus total construction cost, after several contracts are complete this fall. (T. Horton) • Define what costs are associated with the "Third Party Agreements" line item in the financial report. (T. Horton) • Define what costs are associated with the "Environmental, Engineering and Construction Management" line item in the financial report. (T. Horton) • Ensure that all Committee documents include a naming convention that denotes the Committee term and meeting and is placed prominently on the document. (N. Hood) • Research if the Clipper cards the members received for travel to and from meetings can be combined with members' existing personal Clipper cards. (N. Hood) • Confirm the dates agreed upon for the next two meetings with members and staff. (N. Hood)
<i>Adjournment</i>	<p>C. Westphall adjourned the meeting at approximately 5:45 pm.</p>





Molly
McArthur/LMA/Oak/BART
02/03/2011 03:24 PM

To "Wedderburn, Elmo"
cc "Thomas Horton"
Hood/BART@BA Nathan
bcc

Subject Follow up on issues from last Oversight Committee meeting

Hello Committee Members:

I wanted to follow up on two items from our last meeting. First, Elmo Wedderburn, Auditing Chair, requested information from our Controller-Treasurer Scott Schroeder regarding the reasoning behind the change to the way our Bond proceeds have been invested prior to use for the project. You will find Scott's answer to this question below. Please let me know if you have further questions for follow up on this point.

Second, you will recall that Mr. Vance Williams attended the last meeting to voice his concerns regarding the start of Earthquake work near his parents home and income property. I want to report that we have had several follow on conversations with Mr. Williams and that we are meeting with him and his parents on Friday February 4 to provide them a full understanding of the work in their area. In brief, the work is some months away from starting up, and will consist of three columns receiving increased but shallow footings. The work is not expected to disturb the Williams' or their tenants. I have assigned a staff member to be their single point of contact so they will have a consistent person to call upon as the work proceeds past their property. In particular I wanted to call this issue to the attention of Guy Miller, as the Community at Large Chair, as he was unable to attend the last meeting and so did not hear Mr. Williams presentation to the Committee. Guy, please let me know if you have any questions about this exchange.

From Scott Schroeder:

The bond proceeds to which Mr. Wedderburn's question relates are held in the Project Fund for our GO Bonds (Election of 2004), 2007 Series B and ultimately will be applied to Earthquake Safety Program ("ESP") capital expenditures.

The original investment agreements matured on November 1 with approximately \$320mm remaining unspent. The ESP Project Manager required some additional time to develop a well-considered expected expenditure schedule, so a temporary investment (~1 month) was made in a U.S. Treasury Bill. The short investment period, minimal incremental yield (<0.05%) available in CP, and lower transaction costs favored the T-Bill over available alternatives for this temporary investment.

ESP Management's projected expenditure Schedule resulted in a fairly short average investment portfolio life of 15 months. All permitted and otherwise prudent investment alternatives that would produce cash flow sufficient to pay ESP expenditure projections were identified and evaluated. Candidates included the California State Treasurer's Local Agency Investment Fund ("LAIF"), structured investment vehicles (such as the recently matured investment agreements), and high grade fixed income securities (including U.S. Treasury securities, U.S. Agency securities, Commercial Paper issued by U.S. Corporations, and obligations of U.S. States).

The available fixed-rate investment agreement yield was less than 0.50%, and a portfolio comprised of eligible Commercial Paper and U.S. Agency Securities was available at approximately 0.55%. The most attractive investment alternative available was the recently issued State of California Revenue Anticipation Notes maturing June 30, 2011, rated in the highest short-term rating category, and yielding

~1.55%. While we believe there to be virtually no practical risk of California failing to repay holders of the RANs, we felt that some diversification was appropriate, including to provide adequate liquidity in the unlikely event that the State required additional time to roll over all \$8 billion in maturing RANs. This diversification objective, coupled with the fact that \$50mm was scheduled to be spend prior to the RANs' maturity date, resulted in an allocation of (1) \$170mm to the RAN purchases, (2) \$24mm to a money market fund to meet November and expected December and January requisitions, and (3) \$116 million to a portfolio of U.S. Treasury Securities designed to meet project expenditures from February 2011 through December 2012.

The project expenditures met by the Treasury Portfolio produced an average life of only 7 months with each incremental 0.01% of investment yield worth ~\$7,000. Market conditions were such that U.S. Agency Securities in this short investment period offered no more than 0.05% additional yield over the 0.24% Treasury portfolio yield obtained through competitive bid. Incremental yield from a Commercial Paper alternative was also modest and deemed unattractive relative to the incremental credit and liquidity risk. Additionally, the investment objectives for the \$116mm "short" portion of the overall portfolio took into account the exceptional yield obtained in the California RAN portion of the portfolio. With the RAN yield resulting in an overall investment return nearly double of other available alternatives even if the \$116mm "short portion" earned no interest at all, this "short" portion could emphasize safety, liquidity, and flexibility.

BART consistently looks to maximize investment yield within permitted and otherwise prudent safety and liquidity parameters. Historically, the yield differential between U.S. Treasury Securities and other of our permitted and otherwise prudent investment vehicles often justified incremental credit risk. In the current environment, however, particularly for shorter-term investments, that is generally not the case which, again, leaves us emphasizing preservation of capital, liquidity, and flexibility.

Scott L. Schroeder
Controller-Treasurer

Best Regards,

Molly McArthur
Division Manager, Community Relations, Capital Projects