



Meeting No. 6 – Scheduled Meeting	Meeting Date July 14, 2009			
Meeting Time 4:30 – 6:20 p.m.	Recorded By N. Briley			
Attendees: <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> Current Members: Amin Almuti H. Andy Franklin Linda Lautenberger Elmo Wedderburn James Zumwalt </td> <td style="width: 33%; vertical-align: top;"> Alternates: Bob Barksdale Lawrence Donovan William Kaplan Claudia Spencer </td> <td style="width: 33%; vertical-align: top;"> Staff: Naomi Briley Angela Charles Tom Horton Molly McArthur Scott Schroeder </td> </tr> </table>		Current Members: Amin Almuti H. Andy Franklin Linda Lautenberger Elmo Wedderburn James Zumwalt	Alternates: Bob Barksdale Lawrence Donovan William Kaplan Claudia Spencer	Staff: Naomi Briley Angela Charles Tom Horton Molly McArthur Scott Schroeder
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Agenda Item	Action Taken			
<i>Welcome & Introduction</i>	Introduction of Members, Alternates, and Staff present.			
<i>Public Comment</i>	No comments.			
<i>Review of Administrative Matters</i>	<p>The COC reviewed the minutes from the April 7, 2009 meeting. The committee members voted unanimously to approve the minutes for posting on the BART website.</p> <p>One member requested a copy of the last audit report. Staff provided copy of audit report from last meeting.</p> <p>Staff noted that A. Charles will move on to another project within BART and will no longer work on the COC. Staff introduced N. Briley, who will take her place.</p> <p>A COC member commended A. Charles for her great work on the COC project, other COC members agreed.</p>			
<i>Presentation of Bond</i>	Scott Schroeder, BART Controller Treasurer, provided the Committee			



Investment Report

with a response to questions raised by the Committee at the last meeting regarding the investment companies MBIA and FSA and their corporate rating downgrading and the related impact of bond funds they hold on behalf of the project.

Questions from COC members and alternates are listed below:

1. Principal value is the initial cost value as opposed to fair market value. What is current fair market value of each?
2. Are these level 1 investments or level 2? Assume level 1.
3. BART has elected equal draws, if one is at higher risk why not do higher proportion or draws from the highest risk?

S. Schroeder's response:

Upon receipt of proceeds for the project, BART went into the open market and solicited bids from various AAA annuities; highest bids were awarded to MBIA and FSA.

After financial turmoil in the market, both entities suffered downgrades. FSA is currently rated AA3 and MBIA is Baa by Moody's independent investor research firm. MBIA is collateralized; however the District had some dispute regarding the downgrading provision language in the documents. After consulting an attorney, and realizing the potential for MBIA to claim substantial damages, the District opted not to terminate its legal agreement with MBIA, therefore taking some annuities and putting them in another holder

besides MBIA would be a breach of contract. BART also chose to keep investments with MBIA and FSA because of continued high interest rates that are rare in the current market.

At the beginning of the contract, both entities were rated AAA, so the project elected to invest equally in both, and make equal draws from each. As of 6/30/09, the principal value of the FSA investment is \$189,190,201.53 The principal value of FSA investment is \$189,268,313.42 The difference in principal balances is due to the difference in interest rates.

A COC member asked:

So [the project] is not invested with any other companies besides MBIA and FSA?

S. Schroeder's response:

We are under the contract documents; therefore we cannot draw any money and invest it anywhere else. We would most likely get a lower investment rate if we were to invest the money elsewhere anyway.

A COC alternate asked:

How do the draw downs work? Are they scheduled?

S. Schroeder's response:

We did them in a Pro Forma cash flow, so they would have the opportunity to schedule them on a monthly or quarterly basis.

A COC member asked:



	<p>You're not planning any court action?</p> <p>S Schroeder's response: No, because it is collateralized.</p> <p>A COC member asked: If you had to do it again, would you do the same thing?</p> <p>S Schroeder's response: Yes, I don't think we are in any kind of danger at this point. We have gone through rough patches but it looks like we are stabilized. We are still getting a great rate of interest on our investments.</p>
<p><i>Ad Hoc Subcommittee Tours</i></p>	<p>Subcommittee members toured four current work sites for Earthquake Safety Program upgrades. Tours were held on June 23, 2009 and June 30, 2009.</p> <p>Tour 1 Sites Visited: Rockridge Station, Lake Merritt Station and MacArthur Station</p> <p>Tour 2 Sites Visited: Rockridge Station, North Oakland Aerials and MacArthur Station</p> <p>Committee members and alternates shared site tour information with the group.</p> <p>A COC member requested that a formal presentation about each site</p>

be given to the Committee prior to the next set of site tours. The member suggested that a closer look at the planning might help to understand why each station needs retrofit work.

Staff replied that ESP staff would arrange presentations prior to visiting sites.

A COC member complimented the contractors' fiber wrap work at Lake Merritt Station and the fixes at Rockridge station. The member noted that BART is putting funds to work and is doing a professional and efficient job.

A member questioned the number of construction management contractors working at each site, suggesting that a few main contractors be responsible for the entire contract, rather than hiring several sub contractors.

Staff replied that the project tried to combine jobs where possible but because of the range of retrofit activities, the work needed to be logically broken down into smaller contracts. The contract was given to the firm that could do the work.

A COC member noted that the tours were helpful because the Committee was able to see a variety of different earthquake upgrades while viewing a few stations. Staff was commended for selecting a great series of examples from a complicated situation.

A COC member requested that the next set of tours be linked to the



	<p>construction schedule update.</p> <p>Staff agreed to link progress schedule to tours prior to the next tour.</p> <p>A COC alternate noted that tours were very helpful and that questions raised during the tour were answered in ways that an engineer, financial expert or any member of the public could understand.</p> <p>A COC member asked if any documentation of the work is being recorded.</p> <p>Staff responded that weekly construction photos are taken and that the media department at BART is recording an ongoing documentation of the project.</p> <p>Staff noted that tours will resume when there is another substantial amount of work completed.</p>
<i>Election of COC Committee Chair and Vice Chair</i>	<p>Annually, the Committee Chair and Vice Chair need to be reviewed.</p> <p>Staff asked if there was a preference for staying as they are or choosing a new chair and vice chair.</p> <p>The COC Chair indicated that he is prepared to continue as is or to change. The Vice Chair echoed his sentiment.</p> <p>The Committee voted unanimously to keep H. Andy Franklin as Chair and Jim Zumwalt as Vice Chair. The service will continue through January 2010.</p>
<i>COC Committee</i>	<p>After the first year of service the COC Chair is required to report to</p>



<i>Report to BART Board</i>	<p>the BART Board. A draft of the Report to the Board was prepared by staff and distributed to members for review. Staff indicated that they would collect edits and compile them into a final draft for the committee to review. Staff will then reserve a date for the Chair to make a presentation to the BART Board in the fall.</p>
<i>Project Update</i>	<p>Project staff provided an overview of project progress to date:</p> <p>In the C Line operability retrofits portion of the project, contractors will not have to do as many aerals as thought in beginning. The project originally named 52 piers that we thought needed the operability retrofit. That number is now down to about 7 piers. The 4th Street Warehouse design was completed and advertised.</p> <p>Construction at MUNI/Church Street is now complete. The schedule has continued to have design slippage, but the project is still looking at a March 2014 end date for the entire Program. The project has 35% of the design completed for retrofits that require an additional operability upgrade. The 34.5 KV Upgrade and Replacement Project is still in scope definition phase.</p> <p>Staff provided an overview of the 34.5 KV Upgrade and Replacement Project. Traction power for BART is provided at various locations, but not all of these locations are linked together. Consequently, in the event of an earthquake, certain portions of the operability retrofit area could be left without 34.5KV power. The new project will provide new cable links between MacArthur Station and Rockridge Station and between MacArthur Station and Ashby Station. It will also replace one of the existing cables in the West Oakland viaduct with a</p>



	<p>new one to ensure that at least one cable will remain functional after the earthquake.</p> <p>A member asked if there are any environmental documents associated with the 34.5 KV work.</p> <p>Staff replied that there are not.</p> <p>A COC member asked how BART will interface with PG&E on the 34.5 KV Project.</p> <p>Staff replied that, for this project, BART will not interface with PG&E because they will not interfere with PG&E's substation.</p> <p>A COC member asked how staff would rate BART's working relationship with PG &E.</p> <p>Staff responded that the relationship is very good. PG& E has prioritized work with BART during many projects that required relocation of utilities.</p>
<i>Financial Report</i>	<p>Project staff discussed the financial report:</p> <p>The current expended budget is \$155, 798, 998.00. The financial report now includes a new baseline budget column, as requested at the last COC meeting.</p> <p>No tube work is being funded with bond money and the project doesn't expect to use bond money to fund it in the future. In the project's most recent analysis of the Tube, while most retrofits were eliminated, two new locations were identified that might need retrofit.</p>



	<p>Engineers now think that one of those locations may not need the retrofit. This retrofit will be paid for by funds other than bond money.</p> <p>A member asked how the bond fund spending fits into the overall spending.</p> <p>Staff reviewed the program funding overview and funds received to date. Staff also explained changes that have occurred since the beginning of the project in funding.</p>
<i>Response to Metro Article</i>	<p>Metro Article – At the last Committee meeting, the COC Chair provided a Washington Post article regarding spending within Washington DC’s Metro transit agency. The Chair asked if it would be possible to have someone within BART review the article and comment back on how events described in the article could or could not happen at the District.</p> <p>Molly McArthur provided a summary of her findings:</p> <p>After speaking with the treasury, ticketing and auditing departments at BART, the general conclusion was that BART is in control of funds due to stringent internal controls. Several BART departments were in agreement that if an agency cannot control ticketing then it cannot handle big federal money. Because of BART’s correction of problems during earlier years, BART does not have these problems in handling money.</p>
<i>New Business Items</i>	<p>The Vice Chair received an email from a member of the public which asked questions about BART and the Citizens’ Oversight Committee. The questions related to engineering and operational matters. The Chair agreed to forward questions to M. McArthur and/or T. Horton.</p>



	Staff would then answer questions and forward the responses back to J. Zumwalt to respond to the public inquiry.
<i>Selection of Future Meeting Time and Date</i>	The next meeting was scheduled for October 7, and later rescheduled to October 13, 2009.
<i>Public Comment</i>	No public comment.
<i>Adjournment</i>	The meeting was adjourned at approximately 6:20 p.m.