

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY AND
CITY/COUNTY ASSOCIATION OF GOVERNMENTS
AD HOC COMMITTEE FOR 101 MANAGED LANES PROJECT
MINUTES OF JANUARY 2, 2019**

MEMBERS PRESENT:	<p>Transportation Authority Board (TA): Don Horsley, Emily Beach, Maureen Freschet</p> <p>City/County Association of Governments: (C/CAG) Board: Alicia Aguirre, Diane Papan, Doug Kim (arrived 10:51 a.m.)</p>
MEMBERS ABSENT	None
STAFF PRESENT:	<p>Transportation Authority: Jim Hartnett, April Chan, Carter Mau, Joan Cassman (Legal Counsel), C. Gumpal, J. Brook</p> <p>City/County Association of Government: Sandy Wong, Jean Higaki, Matthew Sanders (Legal Counsel)</p> <p>Bay Area Infrastructure Financing Authority (BAIFA): Andrew Fremier and Lisa Klein</p> <p>Santa Clara Valley Transportation Authority (VTA): Carolyn Gonot</p>

CALL TO ORDER

The joint TA and C/CAG ad hoc committee meeting was called to order by the Transportation Authority Chair Horsley at 10:05 am.

DISCUSSION AND POSSIBLE ACTION ON OWNER/OPERATOR DECISION FOR 101 MANAGED LANES PROJECT

April Chan, Chief Officer, Planning, Grants/Transportation Authority, and Sandy Wong, Executive Officer, City/County Association of Governments, both discussed the need for the two boards to reach consensus on who would own and operate the Highway 101 express lanes, once construction and system testing are complete. Two options were presented:

- TA and C/CAG (San Mateo) ownership, with a contract with VTA to operate, or
- Transfer ownership and operation to BAIFA

Ms. Chan noted that time was of the essence in making a decision, namely, by February 2019 in order for the TA and C/CAG to work with either VTA or BAIFA's system manager to help define the system and other technical requirements and to negotiate the contract with their system integrator.

Discussion ensued on a variety of issues, including ownership issues, gross vs. net revenues, project cost overruns, funding for managed lanes on 101 north of I-380, BAIFA model and board actions, and next steps. Ms. Chan and Ms. Wong responded to board members' questions and concerns during the discussions.

Ownership Issues were discussed

- BAIFA expressed that it could potentially just operate and not be the owner. However, under that scenario, it could be difficult to finance against future toll revenues.
- The power and authority of an owner was discussed and includes: 1) Toll discounts for Clean Air Vehicles (CAV) & HOV 2+; 2) Toll ordinance/toll policy; 3) Equity programs; 4) Enforcement; 5) Net revenues.
- VTA and other express lanes operators discuss with BAIFA and coordinate to make consistent decisions regarding treatment of discounts for HOV2+ and CAV. It was noted that VTA's current CAV discount is different from BAIFA because it is currently a HOT 2+ facility. Once it is a HOT3+ facility, the VTA Board would re-evaluate.

Gross Revenues Versus Net Revenues

- Net revenue is a function of gross revenue, with expenses coming off the top of gross revenues. Gross revenues can differ under the two models if the toll policies are set differently. Expenses coming off the top would include Bay Area Toll Authority (BATA) transactional costs for each toll tag, which would be same regardless of which model, and staffing costs, which could differ between VTA and BAIFA models. Under the VTA model, San Mateo County likely needs to obtain staffing to oversee the contract with VTA. Other expenses would include capital reserves or debt service, if financing is secured.
- Under the BAIFA model, Andy Fremier explained there would not be cross-subsidization unnecessarily, e.g. use of revenues generated in one corridor to subsidize another corridor, since, per legislation, revenues generated in one corridor are to benefit that corridor only.

- Under BAIFA model, concerns were raised whether San Mateo would get its fair share from net revenues since expenses coming off the top are controlled by BAIFA. Andy Fremier stated that San Mateo County would be able to receive what the County generates in terms of net revenues.

Project Cost Overrun

- For the current project that secured \$200M of SB1 funds, the applicants (MTC/Caltrans) along with the project sponsors TA and C/CAG signed the Baseline Agreement submitted to the California Transportation Commission that stated should the project have cost overruns, that the project partners will be responsible to secure additional funding. The parties (MTC, Caltrans, TA, and C/CAG) would discuss amongst themselves how to fund cost overruns.
- Similar to other projects TA had funded in the past, TA can potentially provide Measure A funds. This addressed the concerns that member cities of C/CAG would each need to contribute to any potential cost overrun for the capital project.

Operating Shortfall

- Under the VTA model, if toll revenue is insufficient to cover O&M costs, and if there is insufficient reserve to cover such overage, it will likely be the TA fronting the money until such time as toll revenue is in the positive. The TA will be reimbursed from future toll revenue.
- Under the BAIFA model, since BAIFA will own and operate, the BAIFA will assume any operational shortfall for its members.

Funding for 101 North of I-380

- Regardless of which model is selected, these are possible funding sources for the 101 managed lane segment north of I-380: It was noted that all are competitive, so funding decisions are not guaranteed. 1) SB 1, including Solutions for Congested Corridor (SCC); the state generates \$250m a year from this program; 2) STIP; 3) Measures A and W; 4) Federal DOT programs: TIGER, INFRA, BUILD, etc. 5) Regional Measure 3; 6) Future toll revenues from the segment south of I-380. Even if San Mateo does not choose BAIFA, there is nothing that precludes San Mateo pursuing these funding sources from and/or with MTC.
- Since the segment north of I-380 is currently being studied with San Francisco County Transportation Authority (SFCTA), a joint partnership with SF may make the entire segment more competitive with a number of the funding programs listed above. The two counties joining forces legislatively may also be beneficial.

BAIFA Model and Board Actions

- Types of liabilities BAIFA can take on if it becomes the owner were discussed, including tort and financial liabilities. BAIFA has not yet experienced tort liabilities for the I-680.
- Capital reserves: Andy Fremier explained that there likely would be an annual per-mile capital reserve set aside and that amount would be multiplied by the number of miles in the San Mateo managed lanes system. The total amount would be set aside from the San Mateo County gross revenues for future uses, including equipment replacement.
- Policy decisions, including the capital reserve policy and the arrangement with San Mateo County, have not yet been formally presented to the BAIFA board for discussion and action.
- BAIFA board votes by a majority basis, no single member has a veto power

Joint Ad Hoc Committee Member Discussion

- Those who support the San Mateo/VTA mode emphasized having the power to own the policy decision at the local level and San Mateo control of the corridor that is the economic engine in the region.
- Those who support BAIFA believe we can leverage the buildout of the 101 segment north of I-380, including facilities that may be needed to support express buses operation.
- Director Beach expressed withdrawing her second motion made at the 12/6/18 Board meeting and believed the partnership should be between TA and C/CAG.
- The parties acknowledged that under either scenario, there would need to be a joint governance structure. Different formats were briefly discussed. There could possibly be a joint policy board or a joint advisory board that makes recommendations back to each of the board. Or there could be a Joint Powers Agency made up of members from both boards.

TA Chair Horsley invited public comment.

Public Comment:

Drew, San Mateo, questioned how clean air would phase-out and how it would work with half discount. He also questioned if there were discussion around Highway 280 to San Francisco instead of Highway 101.

Next Steps

In conclusion, the next steps were determined as follows:

- TA and C/CAG ad hoc members relay the discussion and clarifications received at the joint ad hoc meeting to their respective board meetings on January 3 and January 10 and receive further direction.
- A subsequent joint TA and C/CAG ad hoc committee meeting was scheduled for January 25, 2019 at 10:00 am at the SamTrans headquarters, 1250 San Carlos Avenue, San Carlos.

ADJOURN

The meeting adjourned at 1:14 pm.