

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
1250 SAN CARLOS AVENUE, SAN CARLOS, CA 94070**

MINUTES OF JULY 1, 2010

MEMBERS PRESENT: R. Foust (Chair), R. Gordon, C. Groom, J. Lee, K. Matsumoto, T. Nagel

MEMBERS ABSENT: J. Vreeland

STAFF PRESENT: C. Cavitt, S. Cocke, G. Harrington, C. Harvey, R. Lake, M. Lee, M. Martinez, N. McKenna, D. Miller, T. Reavey, M. Scanlon, M. Simon

Chair Rosanne Foust called the meeting to order at 5:03 p.m. Director Terry Nagel led the Pledge of Allegiance.

CONSENT CALENDAR

- a. Approval of Minutes of June 3, 2010
- b. Acceptance of Statement of Revenues and Expenses for May 2010

A motion (Lee/Gordon) to approve the Consent Calendar was passed.

PUBLIC COMMENT

None

CITIZENS ADVISORY COMMITTEE (CAC) REPORT

Chair Pat Dixon said, at its June 29, 2010 meeting, the CAC received information on the following:

- Allocation of \$50 million in funds to the TA investment portfolio.
- Contracts for on-call environmental planning consulting services.
- Funding for the Measure A Local Shuttle Program.
- State and Federal legislative report.
- Auxiliary Lane Project Celebration – Highway 101: Auxiliary Lane Project-Millbrae Avenue to Third Avenue.

Chair Foust complimented the CAC for their work.

CHAIRPERSON'S REPORT – ROSANNE FOUST

Congratulated Director Rich Gordon for his primary win for a State Assembly seat.

NOMINATING COMMITTEE FOR CITIZENS ADVISORY COMMITTEE MEMBER

The Selection Committee (Chair Foust and Director John Lee) conducted interviews in April. Several well-qualified applicants were put on a list to be considered for future vacancies. The

committee is recommending appointment of Elizabeth Lasensky to fill a vacant seat that expires May 31, 2012.

Director Karyl Matsumoto asked what distinguished Ms. Lasensky for the position. Chair Foust said the Selection Committee was looking for applicants with knowledge of the TA; an understanding of transportation issues in the county, and familiarity with various transportation modes and regional transportation issues.

Director Matsumoto asked if incumbents are automatically recommended for appointment. Chair Foust said this was the first year incumbents were not interviewed because every report the Board has received on the activity, engagement, attendance and interest of the incumbents has been very positive. The Selection Committee also considers geographic representation throughout the county.

A motion (Lee/Matsumoto and Nagel) to recommend appointment of Ms. Lasensky to the CAC was approved.

Director Nagel said she was very impressed with the qualifications of CAC applicants.

SAMTRANS LIAISON REPORT – KARYL MATSUMOTO

The June 9, 2010 report is in the agenda packet.

JOINT POWERS BOARD (JPB) REPORT

Executive Director Michael Scanlon reported on the meeting of July 1, 2010:

- Public comment included bikes on board, special service, and the High Speed Rail (HSR) alignment in Mountain View.
- Peninsula Rail Program (PRP) Director Bob Doty was thanked for his presentation on HSR to the San Francisco Municipal Transportation Authority (SFMTA).
- Cat Tucker was reappointed to the JPB CAC to represent Santa Clara County.
- Heard a report from the JPB CAC.
- Metropolitan Transportation Commission (MTC) liaison Sue Lempert said new bridge tolls rolled out today.
- Year-to-date performance statistics for May 2010 compared to May 2009
 - a. Total Ridership was 10,913,828, a decrease of 6.4 percent.
 - b. Average Weekday Ridership was 37,555, a decrease of 6.5 percent.
 - c. Total Revenue was \$38,927,604, a decrease of 1.8 percent.
 - d. On-time Performance was 94.2 percent, a decrease of 1.1 percent.
 - e. Average Caltrain Shuttle Ridership was 5,560, a decrease of 9.1 percent.
- The Board received a Clipper card and brochure.
- Executive Officer, Customer Service and Marketing Rita Haskin and her team were recognized for the new Caltrain Web site. The site receives more than 250,000 hits a month.
- Special service:
 - a. Baseball ridership is up 1 percent to about 198,000 for the first 42 games of the season.
 - b. Three to four extra trains will be provided for the July 4th fireworks in San Francisco.

- c. A Saturday schedule, supplemented with a few additional limited trains, will be in effect for Monday, July 5 and will include a roundtrip to Gilroy.
- A Request for Proposals (RFP) has been released for the Caltrain operating contract. There are approximately 400 first-round questions from persons interested in bidding.
- The bikes-on-board count study should be completed by the end of July.
- The Bicycle Advisory Committee hopes to schedule its first meeting in July.
- Staff cannot apply for the \$10 million grant to improve onboard bicycle capacity because Caltrain cannot afford the required \$2.5 million local match. A smaller grant may be available later if Caltrain chooses to add more bicycle capacity.
- Presented introductory information on possible fare and service changes.
- Staff presented the proposed Fiscal Year (FY) 2011 Operating Budget. Staff and the MTC were thanked for their work during this extraordinarily difficult time to present a balanced Operating Budget. Staff must find about \$2.3 million in reduced expenses through service cuts and increased fares.
- The FY2011 Capital Budget is bare bones. Items that can be deferred will be deferred with the exception of safety items.
- Mr. Doty presented an update on the PRP and HSR.
- The Board:
 - a. Approved the Consent Calendar.
 - b. Accepted the Statement of Revenues and Expenses for May 2010.
 - c. Called for a public hearing on September 2, 2010 for consideration of service suspensions and fare changes.
 - d. Adopted a FY2011 Capital Budget.
 - e. Adopted a FY2011 Operating Budget contingent upon approval by the City and County of San Francisco Board of Supervisors.
 - f. Awarded a contract to Granite Construction Company, Inc. for a total amount of \$77,699,000 for the San Bruno Grade Separation Project. A contingency of California Transportation Commission funding in the amount of \$26.7 million was approved yesterday. The award is also contingent upon a construction management agreement with the city of San Bruno.
 - g. Legal Counsel reviewed a formal protest on a bid of \$6.3 million from Disney Construction, Inc. for the reconstruction of the Jerrold Avenue Bridge Replacement Project. The Board rejected the protest and awarded the contract to Disney Construction, Inc.
 - h. In the interest of fairness, rejected all bids for the San Mateo Bridges Phase 1 – Foundation Improvements Project due to some confusion by bidders. The project will be readvertised.
 - i. Authorized a contract to The Louis Berger Group, Inc. and Jones & Stokes Associates, Inc. for a total amount up to \$2,500,000 for a three-year base period to provide on-call environmental planning consulting services.
 - j. Received a State and Federal legislative update.
 - k. Legal Counsel briefed the Board on pending litigation against the JPB.
 - l. Cancelled the August 5 meeting. The next regularly scheduled meeting is September 2.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Scanlon reported:

- A ribbon-cutting ceremony is scheduled for Thursday, July 22 at 10 a.m. at Coyote Point in Burlingame to celebrate the completion of the Highway 101 Auxiliary Lane Project: Millbrae Avenue to Third Avenue.
- Director Jim Vreeland provided a phone report to Mr. Scanlon prior to this meeting on outreach for the Calera Parkway that said outreach was well-attended. He is appreciative of staff's efforts to provide good dialogue and public understanding of the project. Written comments will be accepted until July 22.

FINANCE

Authorization to Allocate an Additional \$50 Million in Funds to the Investment Portfolio Managed by CSI Capital Management, Inc.

Deputy CEO Gigi Harrington said the request is to move \$50 million from the County Pool to an investment fund managed by the Agency and advised by CSI Capital Management Inc. (CSI). If approved, no more than \$10 million a month would be moved over the course of the fall beginning in September. In 2008, staff and a Board subcommittee worked to recommend moving the first \$100 million out of the County Pool, which was approved in summer 2008. The Board approved moving an additional \$50 million in December 2009. A total of \$124 million has been transferred out of the County Pool to the TA investment portfolio. An additional \$16 million is in the Local Agency Investment Fund.

Director Nagel said information she received from staff indicates the funds in the CSI-advised fund and the County Pool appear to fluctuate comparably when compared to the benchmark. She asked why staff would continue to transfer money from the County Pool if all things are equal, and whether the decision to move the funds is in reaction to the County Pool's loss of funds from investments in Lehman Brothers. Ms. Harrington said, when the TA was created in 1988, the funds were initially invested through the County Pool. Over the years, the amount of money in the County Pool has grown to more than \$450 million, as project funds were allocated but not drawn down. Long before the current economic downturn, and the collapse of Lehman, it was recommended that keeping such a substantial amount of funds in one location was an imprudent investment practice, and that the County Pool underperformed when compared to the SamTrans investment portfolio, which was invested with advice from CSI. Chair Foust and Directors Lee and Gordon spent six months looking at the pros and cons of moving the funds and also the investment advisor recommended by staff. The funds are held in a custodial account at the Bank of New York in the TA's name, not by a private investment firm. CSI makes recommendations to staff on where the funds may be placed based on cash flow needs and the world economy. Ms. Harrington said the Board delegated to her the authority and responsibility of investing TA funds. CSI investment advisor Bill Osher provides the TA with quarterly reports as part of the service he provides to the TA, JPB and San Mateo County Transit District (District). There are \$252 million TA funds in the County Pool. This recommendation would take the TA to approximately \$200 million in the TA portfolio managed by CSI and about \$200 million in the County Pool. Ms. Harrington said there is currently no long-term plan in mind as it is prudent for the investment policy and practices to be reviewed on an ongoing basis and adjusted as circumstances warrant. Staff is looking to diversify with two types of portfolios: the County

Pool, which is a money-market type approach, and the portfolio managed by CSI, which is generally the way one would manage local government funds.

Director Nagel asked if the benchmark from Bank of America Merrill Lynch is a composite index and if the benchmark needs to be updated. Ms. Harrington said she will provide this information to Director Nagel.

Mr. Scanlon commented on Director Nagel's reference to the performance of the County Pool and CSI. He said TA funds invested with recommendations from CSI have consistently outperformed the County Pool.

Director Nagel said she is looking at the growth to see how the County Pool performed and it appears to be a difference of just a couple of dollars. Mr. Scanlon said this is dealing with basis points on money this big, and it is significant.

Director of Finance Trish Reavey addressed Director Nagel's question about the benchmark. She said staff went through the investment policy with the investment advisor when it was adopted in May 2010. The plan is to review it again and, perhaps, revamp it next year. After the Lehman Brothers bankruptcy, the market has become much tighter and people are not investing in corporate bonds as much, which is the last line item in the benchmark in the TA's investment policy. She said it is very difficult and a little unrealistic for our investment advisor to compare to right now.

Ms. Reavey said the TA investment portfolio generally outperforms the County Pool. She said the difference looks close because the information provided only goes back to November. Ms. Reavey said the County Pool has, on occasion, sold investments to show a larger return than they actually would be showing if they just held their investments to maturity as they usually do, or as they plan to do when investments are purchased, per their normal policy. After the Lehman loss, the County Pool sold investments at a gain so it could recover, or make up for, some of the loss that was showing. Ms. Reavey thinks it was done at fiscal year-end, as well, due to the jump in their returns in June. Generally, when the County Pool buys its investments, the return is spread over the life of that investment. When one sees a jump like that, it usually means something was sold for a profit. Ms. Reavey said, if the chart on the growth of \$1,000 that she provided to Director Nagel covered a longer period of time, it would show how the portfolio managed by CSI consistently outperformed the County Pool.

Director Nagel referred to Exhibit B – TA Report of Investments in the Board packet. She said it shows the TA investment portfolio includes a group of corporate bonds that are financial in nature including JP Morgan, Bank of America, Goldman Sachs and Wells Fargo. Ms. Reavey said these are fully backed by the US government and all are rated AAA.

Director Nagel said these are the same types of investments that went south before. Ms. Reavey said these are fully backed by the US government. Ms. Reavey said that, in the past, investments such as Lehman Brothers were not fully backed by the US government. She said the County Pool also has a lot of investments that are not rated AAA. Ms. Reavey sits on the Investment Advisory Committee for the County Pool and watches their investments. She believes the County Pool

continues to be a viable investment option for the TA. As Ms. Harrington noted, the TA keeps funds in the County Pool to diversify the portfolio, and it is also very liquid when spending needs develop.

Director Nagel asked if there was any risk with the collateralized mortgage obligations and Federal Home Loan Mortgage Corporation bonds in the portfolio. Ms. Reavey said these are backed by the full faith and credit of the US government.

Director Matsumoto said the city of South San Francisco issued a RFP for professional fund management a year ago and hired Chandler Asset Management. The city conducted a study session on its investment portfolio and Chandler Asset Management recommended the city hold back on investment with the County Pool.

Director Gordon said Mr. Osher makes recommendations for moving dollars and benefits from that recommendation. He asked if staff has independently looked at this. He said he would feel more comfortable if staff is making the recommendation to move money.

Ms. Harrington said a Board member asked if additional funds could be moved when the last transfer of funds was made from the County Pool. She said staff did not recommend moving additional funds because they didn't believe there were places to adequately and safely place the funds. She said staff works with Mr. Osher and he has found strong investments where he can invest the funds over the course of the next six months.

Chair Foust thanked Director Matsumoto for the memo from the city of South San Francisco on investment advice from Chandler Asset Management.

Director Nagel asked if staff looked at other financial investment firms. Ms. Harrington said staff has not done a competitive procurement. Staff brought the appointment of CSI to the Board, and it was approved. The advantage in hiring CSI is that they also advise the JPB and the District. There is a pooling of funds and staff is able to get advice at a lower rate. Ms. Harrington said the Board subcommittee interviewed Mr. Osher for an extended period of time to ensure they were comfortable with his services that staff was recommending.

Director Nagel said she would like to see long-term comparisons of both methods and see how they stack up over time because the Board is responsible for the welfare of that money and it would be nice to track investments over the long term.

Director Matsumoto said the County Pool does not track investment information or provide updates for the city of South San Francisco compared to the city's investment advisor firm.

A motion (Matsumoto/Gordon) to authorize allocation of an additional \$50 million to the investment portfolio managed by CSI was approved.

Award of Contracts to The Louis Berger Group, Inc. and to Jones & Stokes Associates, Inc. to Provide On-call Environmental Planning Consulting Services for up to \$500,000 for a Three-year Term

Director of Contracts and Procurement Cheryl Cavitt said staff is recommending the Board approve award of two contracts for on-call environmental planning and consulting services for up to \$500,000. That amount is to be shared in aggregate between the two consultants without guarantee of any specific work going to either one. Staff also recommends authorizing the Executive Director or his designee to exercise up to two additional one-year option terms for up to \$250,000 in total to be shared in aggregate between the above two firms, if deemed in the best interests of the TA. She said the first solicitation for this service in December 2009 resulted in rejection of all proposals. Staff readvertised and received five proposals. The above two firms were brought forward for award of contract and each has significant Disadvantaged Business Enterprise participation in their proposals.

A motion (Gordon/Nagel) to award the contracts for on-call environmental planning consulting services was approved.

Allocation of New Measure A Funds: Local Shuttle Program (Part 1 of 2)

Executive Officer, Planning and Development Marian Lee introduced Senior Planner Stacy Cocke. Ms. Cocke presented details on project overview, the review process, applications received, staff recommendations and the schedule.

- The policy that anchored staff was the 2004 voter-approved Expenditure Plan, the 2009-2013 Strategic Plan and the Implementation Plan that outlined a two-year call for projects and included project evaluation criteria and the process.
- The two-year call for projects is for Fiscal Years 2011 and 2012 with funding availability of \$1.45 million for each fiscal year for the existing shuttles funded under the original Measure A. This leaves about \$800,000 available per fiscal year to fund the new or competitive shuttle category for a total of \$2.25 million per year or \$4.5 million for the call for projects.
- Anyone can apply for funding but must receive sponsorship from SamTrans. Applications received are evaluated by the TA and the City/County Association of Governments of San Mateo County (C/CAG).
- Evaluation criteria included project need, policy consistency, readiness, effectiveness and sustainability. Applicants must be located in San Mateo County and meet mobility needs or connections to regional transit.
- Twelve existing shuttle programs applied: ten commuter shuttles, a midday shuttle and a senior shuttle.
- Eight new program applications were received. An amount of \$1.6 million is available for new shuttles so the TA is undersubscribed by \$950,000. This will roll over to future calls for projects. Staff recommends supporting three applications and requesting resubmission from five others with missing information. Projects that potentially duplicate SamTrans service will be monitored and projects with a low match will be notified. The total match for all eight new applications is \$650,000, which is just over 50 percent of available matching funds.
- Three new applications that met all criteria include the Foster City Blue Line, Foster City Red Line and Redwood City Mid Point. Five applicants that need to provide additional information include the South San Francisco Ferry Shuttle, East Palo Alto Shopper Shuttle,

East Palo Alto Youth Shuttle, Menlo Park Senior Shuttle Shopper and the Millbrae On-demand Shuttle.

Ms. Cocke said staff, along with TA CAC input, recommends the Board approve an allocation of \$99,718 for FY2011 for the Foster City Blue Line, Foster City Red Line and Redwood City Mid Point shuttles.

A motion (Nagel/Groom) to allocate \$99,718 for the three shuttles was approved.

Program

Verbal Update on State and Federal Legislative Program

Executive Officer, Public Affairs Mark Simon reported:

Mr. Simon congratulated Director Gordon for his primary win and said it will be exciting to work with someone through the Government Affairs office who is familiar with transit issues and an established champion for those issues.

State:

- The State government has not passed its budget for the 17th time in 20 years. Issues that could affect transit include an increase in the vehicle license fee rate and Assembly Democrats want to impose an oil severance tax.
- The Transit Funding Protection Initiative will appear on the November ballot as Proposition 22.
- The \$400 million State Transit Assistance appropriation resulting from the gas tax swap was released by the State Controller's Office on June 25. Funds include \$4.2 million for SamTrans and \$5.1 million for Caltrain, which are critical to current budget issues.
- AB 2620: Transportation toll facilities. In its original form, it dedicated up to 15 percent of net revenues from High Occupancy Toll lanes to the State Highway Operations and Protection Program. That language in the bill has been amended and instead legislators want to change the overhead rate the Department of Transportation (DOT) charges for reimbursed work it performs for local agencies or private entities. This could be very significant for the TA because it does a significant amount of work with Caltrans. Staff may come back and recommend an endorsement due to the language change.

Federal

- The main focus is on the energy bill authored by Senators John Kerry and Joe Lieberman, which is in a state of flux.
- There are some grant applications, mostly related to HSR projects, the DOT announced it will be accepting and staff is working closely to see if they proceed and find some additional funding opportunities.

Director Lee asked if the president authorized about \$4 billion for HSR and if there is a fight about who will get the money.

Mr. Simon said July 2 is the deadline for fiscal bills to pass out of their policy committees, and being in the Legislature doesn't mean it is the end of the process by which one can get their bill

to go forward. Staff is still looking to do this with the support of some significant members of the State Senate.

Mr. Scanlon said, at the Federal level, the second increment of the \$2.3 billion FY2011 Federal money the FRA issued is available for applications California received \$2.45 billion from the first installment and will be going back to get a piece of the \$2.3 billion installment. This will be incremental over years going forward and was part of the 2011 budget.

Mr. Simon said this is part of the reason staff is pushing hard to get some of the money allocated through SB 965. Staff is in a better position to compete for the next round of funding if prior available funding has been spent effectively.

Director Nagel said C/CAG supported SB 965 and asked how much support there was from San Mateo County or cities along the rail line. Mr. Simon said staff focused on critical cities that we knew had prior concerns about HSR, in cooperation with Senator Joe Simitian's office. He was interested in the cities that are members of the Paratransit Coordinating Council and where they stood. Mr. Simitian thought that was a reasonable threshold that if they were in support of this, there was no reason to assume that other cities would also find themselves in a comfortable position.

Chair Foust said the San Mateo County Economic Development Association sent a letter of support for SB 965 in support of the cities. Mr. Scanlon said staff has received letters of support from a range of interests including environmental, labor, cities and businesses. There has been a wide range of outreach and, in terms of where the agency stands with State Senate leadership, it is in a very good position.

REQUESTS FROM THE AUTHORITY

Director Matsumoto added congratulations to Director Carole Groom on her reelection to the Board of Supervisors.

WRITTEN COMMUNICATIONS TO THE AUTHORITY

None

LEGAL COUNSEL

David Miller reported on the outcome of a case called Russell Peterson against the JPB. This was a lawsuit aimed at deeming the Memorandum of Understanding (MOU) that was entered into between the JPB and the California High-Speed Rail Authority (CHSRA) approximately two years ago to be violative of a Trackage Rights Agreement between the Union Pacific Railroad Company (UP) and the JPB. This agreement was entered into when the JPB purchased the Peninsula rail corridor from Southern Pacific Transportation Company (SP) and, among other things, provides for freight and intercity rail rights and obligations to reside with SP. The freight and intercity rights and obligations now reside with UP, SP's successor. In the lawsuit the plaintiffs asserted that the JPB unlawfully entered into the MOU with the CHSRA. They claimed that without UP's consent any expenditures made by the JPB or the CHSRA under the MOU would constitute a waste of public funds. Notably, UP, with whom the JPB has ongoing excellent relations, did not intervene in the case or otherwise object to the JPB entering into the MOU.

Mr. Miller said the JPB's demurrer to the complaint recently was sustained by the trial court without leave to amend. As a result, absent an appeal, the case will be dismissed and the JPB's position vindicated.

DATE AND PLACE OF NEXT MEETING

The next meeting is scheduled for Thursday, September 2, 2010, at 5 p.m. at the San Mateo County Transit District Administrative Building, Bacciocco Auditorium, 2nd floor, 1250 San Carlos Avenue, San Carlos CA 94070.

Chair Foust asked about the possibility of not having enough on the August agenda. Mr. Scanlon said staff recommends cancelling the August meeting and to convene for the September 2 meeting.

A motion (Gordon/Nagel) to cancel the August meeting was approved.

Adjourned 6:17 p.m.