

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

MINUTES OF FEBRUARY 2, 2017

MEMBERS PRESENT: E. Beach, M. Freschet, C. Groom (Chair), D. Horsley, K. Ibarra, C. Johnson, K. Matsumoto

STAFF PRESENT: J. Averill, J. Cassman, A. Chan, C. Fromson, S. Gaffney, J. Hartnett, J. Hurley, K. Kelly, M. Martinez, N. McKenna, M. Simon, J. Slavitt, S. van Hoften

Chair Carole Groom called the meeting to order at 5:01 p.m. and led the Pledge of Allegiance.

SWEARING IN OF CAROLE GROOM (BOARD OF SUPERVISORYS)

Martha Martinez, Authority Secretary, administered the Oath of Office.

CITIZENS ADVISORY COMMITTEE (CAC) REPORT

The January 31 report is in the reading file.

APPROVAL OF CONSENT CALENDAR

- a) Approval of Minutes of January 5, 2017
- b) Acceptance of Statement of Revenues and Expenditures for December 2016

Motion/Second: Johnson/Matsumoto

Ayes: Beach, Freschet, Ibarra, Johnson, Matsumoto, Horsley, Groom

PUBLIC COMMENT

None.

CHAIRPERSON'S REPORT

No report.

SAN MATEO COUNTY TRANSIT DISTRICT LIAISON REPORT – K. MATSUMOTO

The February 1 report is in the reading file.

PENINSULA CORRIDOR JOINT POWERS BOARD (JPB) REPORT – J. HARTNETT

The February 2 report is in the reading file.

REPORT OF THE EXECUTIVE DIRECTOR – J. HARTNETT

Jim Hartnett, Executive Director, reported:

- The Route 92/El Camino Real Interchange Reconstruction Project in the city of San Mateo was awarded to Ghilotti Construction, whose bid came in 5 percent below the \$16 million engineers estimate. The project is funded with a combination of Measure A, State, and local funding. California State Department of Transportation (Caltrans) will administer the construction contract, with construction expected to be under way mid-March 2017 and completion by March 2018.

- A news release regarding the rollout of several new Measure A-funded shuttles was picked up by multiple news outlets. Staff hopes that raising awareness of these shuttles will bolster ridership and better meet the mobility needs of San Mateo County. These additional shuttle routes will bring the total number of routes funded by Measure A to 38.
- The Highway 101 Managed Lanes Project team continues their work on the technical studies such as traffic and assessment of potential right of way and environmental impacts associated with the various Highway 101 Managed Lanes alternatives under consideration. The team recently reached out to staff from local jurisdictions along the corridor to solicit input on both project development and outreach strategies for the public meetings targeted for this spring.

Director Maureen Freschet said a lot of cities in San Mateo County are discussing sanctuary cities and asked what impact sanctuary cities would have on Federal funding. Mr. Hartnett said staff is aware of the executive order that was issued and the congressional delegation is looking at it to see what it means.

Joan Cassman, Legal Counsel, said given the TA's mission, since the TA is much more limited to grant and financially support projects in the Transportation Expenditure Plan, she does not think the TA would be a victim, but some of the sponsors with cities who receive Federal funding and who need Federal sources to support projects could be.

ACCEPTANCE OF THE 2016-2025 HIGHWAY PROGRAM CAPITAL IMPROVEMENT PROGRAM (CIP)

Joel Slavitt, Manger, Programming and Monitoring, presented:

- Purpose
 - High-level order of magnitude assessment of costs versus revenues over a 10-year period: Fiscal Year (FY) 2016 to FY2025
 - Provide context for investment decisions for future Highway Calls for Projects (CFP)
 - Identify key issues and present policy considerations
- Methodology
 - Generated list of projects with schedules, cost and funding
 - CIP is not financially constrained; purpose is to demonstrate funding need
 - Not a programming document; no prioritization of projects
- CIP: Order of Magnitude Findings
 - 10-year identified costs (FY2016-2025): \$1,587 million
 - 10-year funding projections: \$630.9 million
 - 10-year funding shortfall: \$956 million
- Performance assessment purpose: Better understand regional congestion and safety hot spots in San Mateo County
- Policy considerations
 - Highway Program currently is on a pay-as-you-go approach, should the TA consider advancing future Measure A funds?
 - Are the following matching funds goals realistic?
 - Key Congested Area (KCA) projects: 50 percent Measure A Highway Program and 50 percent matching funds

- Supplemental Roadway (SR) projects: 70 percent Measure A Highway Program and 30 percent matching funds
- Should design and right of way costs be programmed and allocated to projects only after a credible funding plan for construction is presented to the TA?
- Should the TA enforce timely use of funds policies? Four projects awarded \$16 million from the 2012 CFP are approaching five years of inactivity
- Options to leverage funds for future CFPs
 - Advance funding from future Highway Program revenues to fund projects; may need to consider debt financing; could provide, for remaining life of measure, up to \$450 million, less financing costs
 - Require sponsors to provide funding match
 - Work with public and private partners on innovative financing and delivery strategies
- CFP: Different approaches
 - Fund Measure A pipeline projects first, reserve a small set-aside for new projects
 - Fund Measure A pipeline projects in areas of greatest congestion and safety deficiencies first, reserve small set-aside for other and new projects
 - Fund design and right of way only after a solid funding plan provided for construction
 - Consider combination of the approaches listed above
- Next steps
 - Re-initiate discussion with Highway CIP subcommittee: February to April
 - Present policy revisions to Board for next Highway CFP: May to June
 - Release next Highway CFP: summer
 - Board decision on funding awards: December

Director Freschet asked which projects are sitting inactive and why. Mr. Slavitt said one is the Calera Parkway Project in Pacifica and there is a lawsuit pending on that project.

Mr. Hartnett said it is also a question as to whether the city of Pacifica wants to proceed with that project.

Mr. Slavitt said there are two projects in Half Moon Bay with permitting issues that need to be resolved before those projects can proceed. The fourth project is the Highway 101 University Avenue Interchange Project in East Palo Alto, and the sponsor is looking to redo the scope.

Director Cameron Johnson thanked April Chan, Chief Officer, Planning, Grants, and the TA, and staff for the analysis and recommendations. He said traffic congestion on the Highway 101 corridor is a quality of life issue and economic issue for the region. The question is if there are things that can be done within the TA's charter that can be more efficient with the money and deploy it in a way that is more likely to have a positive impact on the problem. He said interest rates are low and the cost of construction is going up so he is attracted to the idea of advancing money. He asked if staff feels this would be a wise thing to do. Ms. Chan said staff does not want to proceed until further

analysis is done, but did want to have it on the table as something to review. She said resolving congestion and safety issues earlier will save money down the line.

Director Ken Ibarra said it could be highways or pipelines or anything, it should be done sooner because things are not getting cheaper. This is not the first region to go through this type of congestion. He asked what is being done in Southern California that is working. Ms. Chan said one of the policy considerations is whether to advance funding. Southern California has decided to tax itself a couple of times. The current measure is supposed to take care of things that were originally identified, but it costs a lot more today to do things that voters were informed of earlier.

Director Ibarra said he is in favor of planning ahead and perhaps using debt service to get projects going sooner than later instead of the pay-as-you-go approach.

Director Emily Beach said electrification and last-mile infrastructure are critically important. She asked if SR projects cost twice as much. Mr. Slavitt said not necessarily. There are twice as many SR projects listed in the CIP as KCA projects, and the sum total of the SR projects is a lot more than the KCA projects.

Director Beach asked how long the performance assessment was studied. Mr. Slavitt said for congestion and traffic flows staff looked at data from 2015, for safety it was over a three-year period.

Director Karyl Matsumoto asked how realistic it is to require sponsors to provide a funding match. Mr. Slavitt said it is very tough. If there is a new project coming forward such as an interchange, the TA might work with the local sponsor to bring in fees from the development.

Director Matsumoto said a lot of cities don't have Transportation Demand Management (TDM) programs for housing or businesses, and asked if the TA could factor that in or help cities that don't have TDMs.

Director Matsumoto said the TA approved the State Route 92/ Highway 101 project and asked if work is being done on it. Ms. Chan said the TA did fund the State Route 92/Highway 101 study, and that is how the cost estimate in the Highway CIP was updated by \$300 million.

Director Matsumoto asked if the lawsuit against the California High-Speed Rail Authority (CHSRA) prevails if it could delay anticipated funding from CHSRA. Ms. Cassman said the ongoing litigation is a concern for the CHSRA program, but not a concern for the electrification program because there is a funding agreement with CHSRA that allows CHSRA to draw from other sources of funding to meet their obligation.

Mr. Hartnett said Atherton's participation in the lawsuit is with the recognition that it could affect the electrification funding. Atherton wants to stop high-speed rail even if it causes the electrification project to stop. Because of the agreements reached with the State and CHSRA, the project is not solely dependent upon the Proposition 1A funds.

Chair Groom asked if there is a process for repurposing the funds for projects that have been inactive. Ms. Chan said the Board has taken action to deprogram inactive projects in the past. Staff will recommend working with the subcommittee and coming back to the Board with a recommendation.

Chair Groom asked if there is a timeline for that. Ms. Chan said staff will work with subcommittee in the next three months and then return to the Board.

Chair Groom asked how long it would take to put together a program for the debt refinancing. Ms. Chan said it is a six- to nine-month process.

Director Johnson said the Legislature is trying to work out a highway funding bill, and there has been discussion about an infrastructure program at the Federal level. He asked if these issues would be material to a decision about advancing funding and what the timing would be to make the decision before that legislation moves through. Ms. Chan said the TA wants to leverage the Measure A funding against State and Federal dollars. Staff is not recommending going with debt financing right now. If the Board decided it is the way to go, the TA may be able to do a certain amount, and it would still be a six- to nine-month process, but there would be a full assessment first.

Director Matsumoto said there has been a change in Half Moon Bay and the Pacifica City Council members, so those projects should be reviewed.

Director Don Horsley said if people in Los Angeles and Santa Clara have gone out for additional revenue, the TA is going to have to do the same thing. The TA will have to go to the voters to come up with additional revenue sources.

Public Comment

Paul Krupka, Project Manager for the Highway 101/Woodside Road Interchange Project, said the city of Redwood City is grateful for the Board's action last month to allocate money to the project. The city is moving forward and committed to completing the next phase of work. Part of the process is to define and acquire right of way. The city is committed to putting forth a \$9 million piece of right of way for the project and finding matching funds to help offset and leverage the project funds they will get from the TA. Without having committed funds, it is very hard to get funding from the Federal government.

Chair Groom said Director Matsumoto and Director Johnson will remain on the subcommittee, and she appointed Director Horsley since some of the issues are in his supervisorial district.

Motion/Second: Horsley/Ibarra

Ayes: Beach, Freschet, Ibarra, Johnson, Matsumoto, Horsley, Groom

FINANCE

Programming and Allocation of up to an Additional \$7.5 Million of Measure A Funding for the 101/Broadway Interchange Reconstruction Project in Burlingame

Joe Hurley, Director, TA Program, presented:

- Project phases and schedule
 - Environmental clearance was secured in March 2011
 - The design phase was completed in Jun 2014
 - Construction began in September 2014 and substantial completion of the project is expected this summer
- Necessitated by unanticipated situations and conditions, and to fund a subsequent project obligation, the project requires the infusion of \$7.5 million in additional funding
 - Right of way/legal: \$1.4 million
 - Utilities: \$3.5 million
 - Additional project management/design: \$600,000
 - Follow-up landscape contract: \$2 million

Director Johnson asked what the project contingency was and what used it up. Mr. Hurley said 5 percent and lower than it should have been for this type of project. There were design changes during construction above and beyond what were included in the original contract. He said in August of 2015 the contractor clipped the transmission tower knocking transmission lines across the highway and closing it over a weekend. That is not part of this cost.

Director Horsley asked who initiated this project. Mr. Hurley said the city of Burlingame.

Director Horsley asked if the landscaping is required by the State why the State doesn't pay for it. Mr. Hurley said it was caused by the interchange reconstruction project and the removal of the landscaping that was there, and is now a restoration.

Director Matsumoto asked if Burlingame can contribute any more money. Mr. Hurley said they do not have the financial ability to contribute.

Mr. Hartnett said staff looked for anything that could be delayed to offset the costs, but everything on the list has to be done to complete the project.

Motion/Second: Horsley/Ibarra

Ayes: Beach, Freschet, Horsley, Ibarra, Johnson, Matsumoto, Groom

Director Ibarra left at 6:05 p.m.

Amendment to the FY2017 Budget to Increase Total Operating Revenues by \$128,000 for a New Total of \$87,296,166 and Decrease Total Operating Expenses by \$128,781 for a New Total of \$167,705,679

Shannon Gaffney, Interim Chief Financial Officer, said this is a minor adjustment to reflect additional revenues received from City/County Association of Governments of San Mateo County (C/CAG) to support TA projects. In the TA Expenditure Plan there are mandated expenditures to certain categories. This year the sales tax figures were

lower than budgeted so the amount of money in the categories has to be adjusted down. This does not change anything out being built, it just means there is less money available for the next CFPs.

Motion/Second: Johnson/Beach

Ayes: Beach, Freschet, Horsley, Johnson, Matsumoto, Groom

Absent: Ibarra

Mr. Hartnett introduced Kathleen Kelly, the new Interim Chief Financial Officer.

Acceptance of Quarterly Investment Report and Fixed Income Market Review and Outlook for the Quarter Ended December 31, 2016

Monique Spyke, PFM Asset Management, presented:

- Portfolio compliance and sector allocation
 - PFM is managing \$155.6 million of assets on behalf of the TA
 - The portfolio is in compliance with the TA's investment policy and the California government code
 - The portfolio is diversified in different asset classes allowed by the policy and now includes allocations in corporate notes, negotiable certificates of deposit, and commercial paper
 - The average credit quality across the portfolio is fairly high at essentially AA
- Portfolio earnings and return
 - The TA realized earnings of approximately \$290,000 in the last three months of the calendar year
 - Total return on the portfolio was -0.66 percent
 - Rising rates impacted market values of the portfolio
 - Portfolio performance is measured against the benchmark and PFM was able to be less negative by 17 basis points
 - The market value fell 66 basis points for the quarter, the benchmark fell 83 basis points for the quarter
 - The yield on the portfolio rose to 1.22 percent
 - Average maturity of the portfolio is 2.14 years
- United States economic and market highlights
 - Over the last 12 months
 - The economy grew \$534 billion
 - 2.3 million jobs were created
 - 17.4 million vehicles were sold
 - 561,000 new homes were sold
 - Economic highlights
 - Consumer confidence highest since 2001
 - Jobless claims lowest since 1974
 - Consumer prices highest since 2014
 - Housing process record high
 - Market highlights
 - Equities at record high
 - Two-year Treasury yield highest since 2011
 - US dollar highest since 2003

- Oil highest since 2015
- Fourth quarter portfolio activity
 - Managed the portfolio's duration to be comparable to the benchmark to reduce potential performance mismatches
 - Sold Federal agencies as spreads continued to tighten over the quarter
 - Added agency mortgage-backed securities to the portfolio seeking incremental income and further portfolio diversification
 - Purchased high-quality corporate securities throughout the quarter and valuations remained fair to modestly expensive amid tight yield spread levels
 - Purchased commercial paper and certificates of deposit as significant money market reforms during the fourth quarter created excellent investment opportunities in short-term credit instruments
- Investment strategy outlook
 - Primary objectives shall be safety of principal, liquidity, and return
 - Position the portfolio's duration to be aligned with the benchmark
 - Favor US Treasuries over agencies
 - Purchase opportunities in the agency mortgage-backed security sector that are well structured and offer adequate yield spreads
 - Favor broad allocation to various credit sectors, including corporate notes, commercial paper, and negotiable bank certificates of deposit

Motion/Second: Beach/Horsley

Ayes: Beach, Freschet, Horsley, Johnson, Matsumoto, Groom

Absent: Ibarra

PROGRAM

Update on State and Federal Legislative Program

Casey Fromson, Manager, Government and Community Relations, provided the following update:

State

Transportation makes up 6 percent of the total funding for the governor's budget. This includes \$1.8 billion for streets and roads, \$1.8 billion for highways, \$250 million for goods movement, and \$400 million for transit.

The Transit and Intercity Rail Capital Program would see an infusion of \$400 million, Active Transit would get \$100 million, and the Low Carbon Transportation program would get \$360 million. This funding is contingent on other legislation in the budget that ask for an extension on the Cap and Trade Program.

Federal

Elaine Chao was confirmed as Transportation Secretary.

Senate Democrats have produced a transportation package but House Republicans are not interested in doing it for the first 200 days.

REQUESTS FROM THE AUTHORITY

Director Johnson asked if another director would be the TA representative on C/CAG as he needs to step down from that role. Director Matsumoto said she would do it. Chair Groom said Director Beach can be the alternate since she is already an alternate for her city.

WRITTEN COMMUNICATIONS TO THE AUTHORITY

No discussion.

REPORT OF LEGAL COUNSEL

None

DATE AND PLACE OF NEXT REGULAR MEETING

Thursday, March 2, 2017 at 5 p.m. in the San Mateo County Transit District Administrative Building, Bacciocco Auditorium, 2nd floor, 1250 San Carlos Avenue, San Carlos CA 94070

The meeting adjourned at 6:26 p.m.