



AGENDA

SAN MATEO COUNTY TRANSPORTATION AUTHORITY CITIZENS ADVISORY COMMITTEE

Bacciocco Auditorium, 2nd Floor
1250 San Carlos Avenue, San Carlos, CA 94070

December 3, 2013 – Tuesday

4:30 p.m.

1. Pledge of Allegiance
2. Call to Order/Roll Call
3. Approval of Minutes from November 5, 2013
4. Public Comment
Public testimony by each individual speaker shall be limited to three minutes
5. Review Quarterly Investment Report and Fixed Income Market Review Outlook for the Quarter Ended September 30, 2013 (TA Board of Directors November 7, 2013 Meeting Item 10a)
6. **Transportation Authority Board Meeting Agenda for December 5, 2013**
 - a. Acceptance of Statement of Revenues and Expenditures for October 2013 **(TA Item 4b)**
 - b. Program Report: Highway 101/Broadway Interchange **(TA Item 10a)**
 - c. Update on New Measure A Pedestrian and Bicycle Program Criteria for the 2013 Call for Projects **(TA Item 10b)**
 - d. Update on State and Federal Legislative Program **(TA Item 10c)**
 - e. Capital Projects Quarterly Status Report – 1st Quarter Fiscal Year 2014 **(TA Item 10d)**
 - f. Approval of Minutes of November 7, 2013 **(TA Item 4a)**
7. Report of the Chair (Barbara Arietta)
8. Report from Staff (Joe Hurley)
9. Member Comments/Requests
Committee members may make brief statements regarding CAC-related areas of concern, ideas for improvement, or other items that will benefit or impact the TA or the CAC

10. Date, Time, and Place of Next Meeting: Tuesday, January 7, 2014 at 4:30 p.m.,
San Mateo County Transit District Administrative Building, Bacciocco Auditorium,
2nd Floor, 1250 San Carlos Ave, San Carlos, CA 94070
11. Adjournment

All items on this agenda are subject to action

CAC MEMBERS: Barbara Arietta (Chair) • John Baker • Jim Bigelow • John Fox • Rich Hedges •
Randall Hees • Jeff Londer • Daina Lujan • Doris Maez • Larry Shaine •
Laurie Simonson (Vice Chair) • April Vargas • William Warhurst • James Whittemore

INFORMATION TO THE PUBLIC

If you have questions on the agenda, please contact the Assistant District Secretary at 650-508-6223. Assisted listening devices are available upon request. Agendas are available on the Transportation Authority Website at www.smcta.com.

Date and Time of Boards and Advisory Committee Meetings

San Mateo County Transportation Authority (TA) Committees and Board: First Thursday of the month, 5 p.m. Transportation Authority Citizens Advisory Committee (CAC): Tuesday proceeding first Thursday of the month, 4:30 p.m. Date, time and location of meetings may be changed as needed.

Location of Meeting

The San Mateo County Transit District Administrative Office is located at 1250 San Carlos Avenue, San Carlos, which is one block west of the San Carlos Caltrain Station on El Camino Real, accessible by SamTrans bus Routes: 260, 295, ECR, and KX.

Public Comment

If you wish to address the Citizens Advisory Committee, please fill out a speaker's card located on the agenda table. If you have anything that you wish distributed to the Citizens Advisory Committee and included for the official record, please hand it to the Assistant Authority Secretary, who will distribute the information to the Committee members and staff.

Members of the public may address the Citizens Advisory Committee on non-agendized items under the Public Comment item on the agenda. Public testimony by each individual speaker shall be limited to three minutes and items raised that require a response will be deferred for staff reply.

Accessibility for Individuals with Disabilities

Upon request, the TA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and a preferred alternative format or auxiliary aid or service at least two days before the meeting. Requests should be mailed to Nancy McKenna at San Mateo County Transportation Authority, 1250 San Carlos Avenue, San Carlos, CA 94070-1306; or email to cacsecretary@smcta.com; or by phone at 650-508-6279, or TDD 650-508-6448.

Availability of Public Records

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at 1250 San Carlos Avenue, San Carlos, CA 94070-1306, at the same time that the public records are distributed or made available to the legislative body.

**CITIZENS ADVISORY COMMITTEE (CAC)
SAN MATEO COUNTY TRANSPORTATION AUTHORITY (TA)**

1250 San Carlos Avenue, San Carlos CA 94070
Bacciocco Auditorium, 2nd Floor

MINUTES OF NOVEMBER 5, 2013

MEMBERS PRESENT: B. Arietta, J. Baker, J. Bigelow, R. Hedges, R. Hees, J. Londer, D. Lujan, L. Shaine, W. Warhurst, J. Whittemore

MEMBERS ABSENT: J. Fox, D. Maez, D. Mensing, L. Simonson, A. Vargas

STAFF PRESENT: J. Averill, L. Bhuller, A. Chan, E. Goode, J. Hurley, R. Lobo, J. Slavitt, L. Snow

Chair Barbara Arietta called the meeting to order at 4:34 p.m. and Jim Whittemore led the Pledge of Allegiance.

APPROVAL OF MINUTES OF OCTOBER 1, 2013

Chair Arietta said Doris Maez e-mailed a request to change the 3rd paragraph on page 11 under Member Comments. She would like change "and San Bruno Avenue has been closed for construction" to "causing a delay in train service and temporary closure of San Bruno Avenue."

A motion (Hedges/Bigelow) to approve the October 1, 2013 minutes as amended was approved.

PUBLIC COMMENT

None

ITEMS FOR REVIEW – NOVEMBER 7, 2013 TA BOARD MEETING

Acceptance of Statement of Revenues and Expenditures for Fiscal Year Ending June 2013 (unaudited) (TA Item 4b)

Larry Shaine asked why there is a spike in the staff projections of administrative expenses.

Ladi Bhuller, Manager, Budgets, said the administrative expenses were under budget due to three items: staff support, legal, and software maintenance and license costs. She said the variance in staff support was because staff had charged their time to the other agencies. The surplus in legal and software maintenance and license support costs was because less service was required than anticipated.

A motion (Londer/Whittemore) to accept the statement of revenues and expenditures for Fiscal Year (FY) ending June 2013 was approved.

**Acceptance of Statement of Revenues and Expenditures for September 2013
(TA Item 4c)**

Mr. Whittemore asked why oversight is up so high coming in at 182 percent. Joe Hurley, Director, Transportation Authority Program, said there is a lot of front end work that gets done including preparation for Calls for Projects (CFP). Those charges hit on oversight line item and the costs would be incurred on the front end of the program. Now that the initial wave of the CFP is over the TA will start incurring the costs of the projects that were allocated as part of the CFP.

A motion (Hees/Londer) to accept the statement of revenues and expenditures for September 2013 was approved.

Authorize Acceptance of Quarterly Investment Report and Fixed Income Market Review Outlook for the Quarter Ended September 30, 2013 (TA Item 10a)

Chair Arietta said Bill Osher of CSI Investment is unable to attend but he will attend in December to present this item.

Mr. Whittemore asked if there is an explanation for why the Federal mortgage obligations are flowing through as cash obligations. Lori Snow, Manager, Treasury, said it is an interest payment and it arrived on the first when the books are being closed, so to ensure it was not double counted or not counted at all it was shown as cash in the money market.

A motion (Shaine/Whittemore) to accept the Quarterly Investment Report and Fixed Income Market Review Outlook for the Quarter Ended September 30, 2013 was approved.

Review the Program of Projects for Transmittal to Metropolitan Transportation Commission (MTC) for Dumbarton Rail Regional Measure 2 (RM2) Funding (TA Item 11a)

April Chan, Executive Officer, Planning and Development, said the administrative draft of the Dumbarton Rail Project Environmental Impact Report (EIR) and Environmental Impact Statement was put on hold because of a deficient funding plan. MTC wanted an implementation plan regarding RM2 funds. Staff has been working with the Alameda County Transportation Commission and the cities of Menlo Park, East Palo Alto and Redwood City to determine what kind of projects could be beneficial for the corridor. The list of projects exceeds the \$34.7 million that is available so prioritization was done to identify projects that support the existing Dumbarton Express Bus Service, could be implemented relatively quickly, and would help to relieve congestion in the corridor. Priority one projects are to replace the existing fleet of buses, study some enhancements to the service, and transit signal enhancements to improve the running times of the buses along the corridor. Priority two projects are adding possible transit centers to be serviced by the Dumbarton Express Bus. These projects add up to the \$34.7 million that is available.

Ms. Chan said in 1998, Measure A funding was moved from the Grade Separation Category to the Caltrain Improvement Line for the Rapid Rail Study to benefit Dumbarton Rail. Staff is determining how much funding is remaining and will come back with recommendations about what should be done with that funding.

Rich Hedges said the M Line is funded with RM2 money and service has been reduced. He said the area it serves will be a job growth area but on many occasions there was no enough staff to provide the service. Ms. Chan said this line is run by AC Transit and it is not Dumbarton money. Mr. Hedges said it still comes from RM2 funding for cross-bay transit. He said he would like to see that line get fixed. Ms. Chan said the MTC has asked the TA to submit plans for the Dumbarton line. Mr. Hedges said it comes from the same pot of RM2 funding and they are related.

Mr. Shaine said at least one private shuttle goes across Dumbarton for Stanford. He asked if there is an opportunity to coordinate that shuttle with the express buses and then use Stanford as a source of funding. Ms. Chan said there is a need to beef up the existing east to west service. She said this request to MTC includes asking for funding to conduct a study to enhance transportation services across the corridor. She said it is in the realm of studying what other opportunities there are. Mr. Shaine said Stanford is in Santa Clara County and asked if that will be studied. Ms. Chan said this is to connect the East Bay with Redwood City, Menlo Park, and East Palo Alto. She said one bus line does connect up with Stanford.

Jim Bigelow said there was some activity to try to pull this money and use it for Warm Springs Bay Area Rapid Transit and a case was made how money could be used to enhance ridership in advance of a rail option. He said Caltrain is the operator of record to Union City on Dumbarton Rail. He said what is being presented is good and the bus operating money stays on the corridor.

John Baker arrived at 4:58 p.m.

Authorize Amendment of the FY2014 Budget and Programming and Allocation of \$5,350,000 of Measure A Funds from the Grade Separation Program Cycle (TA Item 10b)

Joel Slavit, Manager, Monitoring and Programing, said the solicitation for candidate grade separation projects was issued on August 5. Proposals were evaluated using criteria presented to the Board at its August meeting. He said staff is recommending a deferral on the final decision on the Menlo Park proposal to grade separate Ravenswood Avenue until the proposal is revised to meet program eligibility criteria. The existing proposal states the city will only support a two-track option, which is not consistent with the requirement that scenarios be considered to accommodate the planned Caltrain/high-speed rail (HSR) blended system, which may include a third passing track through the area. Staff will be working with Menlo Park and will come back to recommend funding if its proposal includes options for a passing track system.

William Warhurst said one criterion should be to determine if the request for funding is a fair and reasonable request. He said it needs to be explicit as a priority item. Mr. Slavit said that was something the evaluation panel looked at. Mr. Hurley said the question is if data can be reviewed to make appropriate investment decisions at a cheaper price. He said these projects are not cheap and historically the grade separations built in San Mateo County have gone through this type of preliminary planning and studies. This is consistent with what it has cost in the past but there may be some situational differences. He said there has been pushback from TA staff to the project sponsor

asking them to explain what the differences are that account for the projected costs and that information was provided to the selection committee. Mr. Warhurst said that information would be useful to include in the staff report.

Randy Hees asked if there will be good projects to spend the money on if the money that was moved from grade separations to the Dumbarton Project came back to grade separations. He asked if the funding should be pushed back into the grade separation account or back into the main Caltrain budget. Ms. Chan said it can be something the TA can discuss in the future but at this point staff has to figure out how much funding there is. She said right now the TA should do the studies to see where they lead.

Mr. Shaine asked if there is any opportunity to tie in the Broadway Interchange Project with the grade separation project while they're in the early stages. Mr. Hurley said the TA conformed the interchange to the east side of the grade separation so it would not preclude the options for a series of grade separations because there was uncertainty about what the options were and the interchange project needed to move forward. He said the interchange has been design to prevent backup onto the freeway under current grade crossing conditions, and if the grade is separated it will only improve the situation.

Mr. Baker said if the \$3.7 million will be going to 25th Avenue and the \$1 million will be going to 28th and 31st avenues it sounds disingenuous to call them matching funds because they are for separate projects. He asked if there is a requirement to get true matching funds. Mr. Slavitt said the panel discussed it and it is matched for a project as a whole showing the city is providing support, but there is no requirement to provide a match.

Mr. Bigelow said the lessons learned from other grade crossings projects had to do with not doing enough preliminary engineering and exploring in the pre-work. Staff is sensitive to get accurate costs.

Mr. Hedges said the Burlingame crossing is very unsafe so the sooner the grade is separated the better. He said the cost of the San Mateo project includes the EIR for all three grade separations. If the grade separations don't occur the disruption that will happen as Bay Meadows grows out will be constant gridlock. He said there is some urgency for safety reasons on at least two projects.

Mr. Whittemore said he has compared amounts for other grade separation projects and there is no cheap way to do them and these costs are actually reasonable. He asked since the cities were asked if they could justify their cost estimates if any of them change their numbers. Mr. Slavitt said cities responded and stated the deliverables that were part of their package were needed.

Mr. Whittemore said a faction in Burlingame detests HSR. He asked why Burlingame is managing this project and if they have ever managed a project of this size before. Mr. Slavitt said there will be outreach with this effort and the city thought it would best if they were the lead. Mr. Hurley said he is not aware of a project that Burlingame has

taken on of this magnitude. He said they will be engaged with Caltrain staff throughout the process.

Chair Arietta asked if there is an estimated date that Menlo Park will conform to the requirements. Mr. Slavit said staff is waiting to hear back from them. He said the criteria state that all applicants must at least study alternatives that accommodate the system.

A motion (Bigelow/Hees) to support the authorization to amend the FY2014 Budget and program and allocate \$5,350,000 of Measure A funds from the Grade Separation Program cycle was approved.

Authorize Allocation of \$240,000 in Original Measure A Funds to the Peninsula Corridor Joint Powers Board for Design Review on the South San Francisco Caltrain Station (TA Item 10c)

Mr. Baker said this is a very dangerous station that needs to be redesigned.

Mr. Whittemore said there must be a way to get people from the station to the ferry terminal.

A motion (Baker/Bigelow) to authorize the allocation of \$240,000 in Original Measure A funds to the Peninsula Corridor Joint Powers Board for design review on the South San Francisco Caltrain Station was approved.

Update on State and Federal Legislative Program (TA Item 11d)

No report.

Approval of Minutes of October 3, 2013 (TA Item 4a)

No discussion.

Approval of 2014 Board of Directors Meeting Calendar (TA Item 4d)

No discussion.

REPORT OF THE CHAIR – BARBARA ARIETTA

Chair Arietta said since the TA moved their January meeting to January 9, the TA CAC can reschedule their meeting to January 7.

A motion (Hedges/Shaine) to reschedule the January 2014 TA CAC meeting to January 7 was approved.

See attachment for Chair Arietta's complete report.

REPORT FROM STAFF – JOE HURLEY

Mr. Hurley said the pavement condition index mentioned in the chair's report is very serious. Once roads start to deteriorate without proper maintenance they will rapidly degrade to a state of disrepair. The costs associated with fixing deteriorated roads are going to skyrocket. He said this is public works directors' number one issue.

Mr. Hurley said following the meeting on December 3 will be the holiday dinner.

Mr. Hedges said California has excise tax on gas that makes the gas tax a little high but California's gas tax is among the lowest in the country and it has not been raised since 1991. He said with increased fuel efficiency the state is getting less money from the gas tax.

Chair Arietta said she would rather pay tax at the pump than have the government tracking every mile she drove and where she went for a "pay as you drive" type of tax.

MEMBER COMMENTS/REQUESTS

Mr. Whittemore said taxfoundation.org shows California as the 2nd most taxed state for gasoline. He said the 8 Ride Ticket on the Clipper Card is only good for 30 days. He said if you put money on your card and you don't tag on and six months go by, the money goes off the card and you have to call Clipper to have them reattach the money to the card. He said Cubic Corporation is the servicing agency for Clipper.

Mr. Hees said while he was traveling, he tried Greek transit and it was easier to understand and use than many of the Bay Area transit facilities.

Mr. Warhurst said John Chiang, California's State Controller, might be interested in the situation regarding Clipper Card money issues. He said he has not yet seen anyone using the bikes from the Bike Share Program in Redwood City.

Daina Lujan said she attended Carole Groom's Connectivity Event and the City/County Association of Governments did a presentation on infrastructure funding. She attended a public meeting regarding Senate Bill 1339, which is the requirement for employers of more than 50 employees to offer alternative transit. She said MTC and the Bay Area Air Quality Management District should be coming out with regulations in early December.

Mr. Hedges said there will be a study session here on November 13th on Bus Rapid Transit. He said rapid bus does not have a designated lane but it travels a longer distance between stops and gets people to their stops faster. He said MTC is meeting on Friday at noon concerning Bay Area prosperity. He said he had trouble with Clipper but their staff worked with him and it has been working since.

DATE, TIME AND PLACE OF NEXT MEETING

Tuesday, December 3, 2013 at 4:30 p.m. at 1250 San Carlos Avenue, Bacciocco Auditorium, 2nd Floor, San Carlos, CA 94070

The meeting adjourned at 5:58 p.m.

Averill, Joshua

From: Barbara Arietta <barietta@hotmail.com>
Sent: Monday, November 04, 2013 7:13 PM
To: Averill, Joshua
Subject: **CAC Chair's Report for Tuesday 11/5/2013**

1. CALTRAIN CELEBRATION - 150TH BIRTHDAY

Caltrain kicked off its 150th birthday celebration at the Menlo Park Station on Saturday, October 19th. Speakers at the event were: State Senator Jerry Hill, San Mateo County Supervisor Warren Slocum, Menlo Park Mayor, Peter Ohtaki and Caltrain Board Chairman, and Ken Yeager.

A good time was had by all. Attendees included: historic re-enactors, a quintet playing railroad tunes, a contingent of visitors from Galway City, Ireland, led by Galway Mayor Pdraig Coneely, along with historic railway displays, a replica of the Golden Spike used in the ceremony marking the completion of the Transcontinental Railroad, as well as an authentic Wells Fargo Stagecoach.

If anyone missed out on this celebration, there will be another Caltrain celebration coming up on January 18, 2014, to commemorate the rail service from San Francisco to San Jose that began on January 16, 1864.

2. TRANSFORM 2018 EVENT

Stuart Cohen, Executive Director and Co-Founder of TransForm has announced that the public will be able to get a sneak peak of TransForm's Strategic Plan through 2018 at their upcoming fall event entitled, TransForm 2018, which will be held on Thursday, November 14 from 6pm to 9pm, at their San Francisco offices at 425 Market Street, on the 33rd floor. Tickets are \$20. Hors d'oeuvres and beer and wine will be included in the admission price.

3. MTC ANNOUNCES PAVEMENT REPORT CARD FOR LOCAL CITIES WITH PCI INDEX OF 60 OR BELOW IN SAN MATEO COUNTY

The MTC has announced that the streets and roadways of the bay areas have received a score of 66 out of 100 for its pavement condition index, which means 43,000 miles of lanes and roadways remain in fair condition, with the typical stretch of asphalt showing serious wear and likely to require rehabilitation soon. This score has not changed by more than 2 pts since 2006.

Streets and roadways below a 60 PCI score are likely to deteriorate rapidly. Jurisdictions in San Mateo County with a PCI score of 60 or below are: Belmont, East Palo Alto, Half Moon Bay and Pacifica.

The goal is to get everyone of our bay area cities to a score of 75 or better.

4. BAY AREA BIKE SHARE HITS THE ROAD

Already, over 2,500 people have signed up for an annual membership. which costs \$88, and 6,100 have taken advantage of the \$22 three-day pass and the \$9 daily pass. Bay Area Bike Share is set to expand by early next year.

5. TRANSBAY TERMINAL UPDATES

The Transbay Authority is updating its funding plan and would like to present an update to folks who are interested in seeing Caltrain and High Speed Rail Service extended to Transbay. Meeting will be held on Wednesday, November 6th at 4pm at Transbay HQ in downtown SF.

RSVPS required, due to limited space.

6. CALTRAIN WILL GIVE UPDATE ON STUDY OF MOVING SF RAILWAY CAR STORAGE ON THURSDAY, NOVEMBER 7TH AT SAN CARLOS JPB MEETING

At its monthly meeting in San Carlos at 10 am on Thursday, November 7th, Caltrain is going to present an update on a study exploring the feasibility of moving rail car storage to allow space near 4th and Kings Streets to be used for new real estate development in San Francisco.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
STAFF REPORT**

TO: Transportation Authority

THROUGH: Michael J. Scanlon
Executive Director

FROM: Gigi Harrington
Deputy CEO

SUBJECT: **QUARTERLY INVESTMENT REPORT AND
FIXED INCOME MARKET REVIEW AND OUTLOOK**

ACTION

Staff recommends the Board accepts and enters into the record the Quarterly Investment Report and Fixed Income Market Review and Outlook for the quarter ended September 30, 2013.

SIGNIFICANCE

The San Mateo County Transportation Authority (TA) Investment Policy contains a requirement for a quarterly report to be transmitted to the Board within 30 days of the end of the quarter. This staff report was forwarded to the Board of Directors under separate cover on October 16, 2013 in order to meet the 30 day requirement.

BUDGET IMPACT

As this reports on the Quarterly Market Review and Outlook, there is no budget impact.

BACKGROUND

The TA is required by State law to submit quarterly reports within 30 days of the end of the quarter covered by the report to the Board of Directors. The report is required to include the following information:

1. Type of investment, issuer, date of maturity, par and dollar amount invested in all securities, investments and money held by the local agency;
2. Description of any of the local agency's funds, investments or programs that are under the management of contracted parties, including lending programs;
3. For all securities held by the local agency or under management by any outside party that is not a local agency or the State of California Local Agency Investment Fund (LAIF), a current market value as of the date of the report and the source of this information;
4. Statement that the portfolio complies with the Investment Policy or the manner in which the portfolio is not in compliance; and,
5. Statement that the local agency has the ability to meet its pool's expenditure requirements (cash flow) for the next six months or provide an explanation as to why sufficient money shall or may not be available.

A schedule, which addresses the requirements of 1, 2, and 3 above, is included in this report on pages 5 and 6. The schedule separates the investments into two groups: The Investment Portfolio, which is managed by SunTrust Banks, doing business as CSI Capital a SunTrust Group (CSI); and Liquidity funds, which are managed by TA staff. The Investment Policy governs the management and reporting of the Investment Portfolio and Liquidity funds.

CSI provides the TA a current market valuation of all the assets under its management for each quarter. The valuation is provided by FT Interactive Data, the major operating division of Interactive Data Corporation (IDC). IDC is a leading provider of global securities data. They offer one of the largest information databases with current and historical prices on securities traded in all major markets including daily evaluations for more than 2.5 million fixed-income securities.

Due to the nature of securities, which are bought and sold in a principal market, such as fixed-income securities, multiple market values may exist for a given security at any given time. CSI has chosen IDC as an unbiased estimator of these prices based on their leading role as a provider of end-of-the-day pricing, an evaluation of their methodology and the experience of their evaluation staff. Unfortunately, given the recent volatility in the markets, not every security is currently supported or accurately reflected by IDC. Therefore, at the end of the quarter, CSI surveyed a number of Wall Street firms to get an accurate market value of the securities held in the TA's portfolio. These surveys reflect the levels at which someone is actually willing to purchase the securities held by the TA. In the case of money market instruments, which are not supported by IDC, CSI uses adjusted cost.

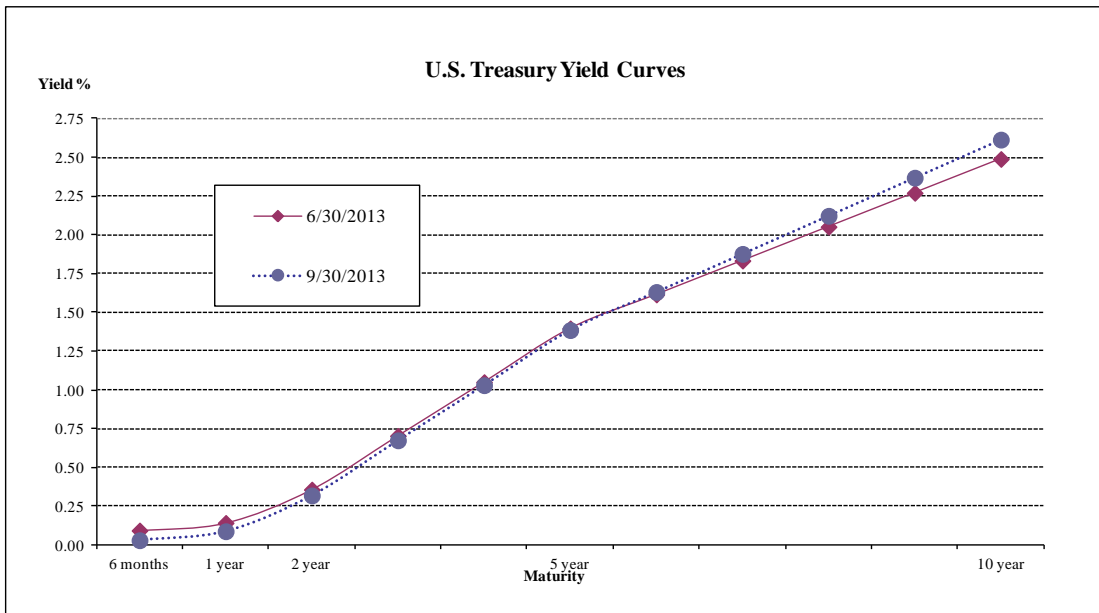
The liquidity funds managed by TA staff are considered to be cash equivalents and therefore market value is considered to be equal to book value (i.e. cost). The shares of beneficial interest generally establish a nominal value per share. Because the Net Asset Value is fixed at a nominal value per share, book and market value are equal and rate of income is recalculated on a daily basis.

The portfolio and this Quarterly Investment Report comply with the Investment Policy and the provisions of Senate Bill 564 (1995). The TA has the ability to meet its expenditure requirements for the next six months.

DISCUSSION

Fixed Income Market Review and Outlook

The direction of interest rates was mixed during the third quarter of the calendar year (first quarter of the fiscal year) as investors began to differentiate between the outlook for short-term and long-term bonds. Short-term rates were unchanged or modestly lower, as investors maintained their expectation that the Federal Reserve Bank (Fed) was unlikely to increase the Federal Funds rate before mid-2015. On the other hand, longer-term interest rates rose modestly on expectations that the Fed would begin to taper their program of purchasing long-term bonds sometime this fall.



Data Source: Bloomberg Finance L.P.

The third quarter was also notable for its heightened levels of interest rate volatility. Heightened levels of volatility are typical around periods of changing investor expectations. Indeed, CSI believes the summer of 2013 marked the beginning of a multiyear path towards higher rates. Over the next several years, CSI believes yields on 10-year Treasury notes may more than double from their current level.

Heightened levels of volatility are also typical during periods of increasing uncertainty. Due to events such as the looming Federal government shutdown, threatened military action in Syria, the debate over the Federal debt ceiling, poor communication by the Fed and mixed economic data, the quarter had an overabundance of issues to give investors pause.

In addition to the increased uncertainty, CSI believes that the economy is potentially at the beginning of a bear market in bonds meaning the expected return on these types of investment securities will decrease. This increases the need to distinguish between the signal (pieces of information that are both meaningful and symbolic of longer term trends in the economy and markets) and the noise (transitory events that are unlikely to have a lasting effect).

CSI believes most of the events that transpired over the third quarter are noise, not signals, and are unlikely to have a lasting impact on the economy and markets. The exception to this is that CSI does detect a pattern of overall global growth and slow but steady improvement in the domestic employment situation, which, if correct, would be good for the economy and equity markets and provide for higher interest rates down the road.

CSI's current expectation is for the bond market to settle into an uneasy period of relative quiet until many of the issues currently responsible for our heightened levels of uncertainty resolve themselves. This period of relative calm will be short lived, transitioning to the underlying trends of slow but steady improvement in both the global economy and the domestic employment situation, ultimately leading to higher interest rates.

Strategy

Over the foreseeable future CSI expects interest rates to move modestly higher. They continue to caution that the current low rates leave no room for a sudden rise in interest rates, which would result in negative returns.

Given CSI's outlook and the current level of uncertainty in the markets, we are comfortable keeping the portfolio's exposure to a change in interest rates below that of the benchmark.

As of the end of the quarter, the TA's portfolio consisted of approximately 85.8 percent Agency Securities and 14.2 percent United States Treasury securities (see Exhibit 5).

Budget Impact

The portfolio's performance is reported on a total economic return basis. This method includes the coupon interest, amortization of discounts and premiums, capital gains and losses and price changes (i.e., unrealized gains and losses). For the quarter ending September 30, the portfolio returned 0.28 percent. This compares to the benchmark return of 0.49 percent. The performance graph in Exhibit 3 shows the relative performance of the Authority since inception. The Growth of a Thousand Dollars graph in Exhibit 4 shows the cumulative performance over this same time frame for the Authority's portfolio.

The portfolio's yield to maturity, the return the portfolio will earn in the future if all securities are held to maturity, is also reported. This calculation is based on the current market value of the portfolio including unrealized gains and losses. For the quarter ending September 30, the portfolio's yield to maturity or call was 0.52 percent. The benchmark's yield to maturity was 0.67 percent.

Another method of measuring the portfolio's yield to maturity is the yield of the portfolio at cost. This calculation is based on the value of the portfolio at cost and does not include any unrealized gains or losses as part of its computation. As of the end of the quarter the portfolio's rate of return on investments, at cost, was 0.88 percent.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REPORT OF INVESTMENTS
FOR QUARTER ENDED SEPTEMBER 30, 2013**

TYPE	CUSIP NUMBER	DATE OF MATURITY	PAR VALUE	CARRYING AMOUNT	MARKET VALUE	ACCRUED INTEREST	MARKET VALUE + ACCR. INT.
<u>FUNDS MANAGED BY SUNTRUST BANK/CSI GROUP</u>							
<u>INVESTMENT PORTFOLIO:</u>							
TREASURY SECURITIES							
U.S. Treasury Note	912828TX8	11-15-15	15,000,000	14,998,828	15,001,200	21,399	15,022,599
GOVERNMENT BONDS							
FHLMC	3137EACR8	02-25-14	19,000,000	18,901,470	19,098,420	26,851	19,125,271
FHLMC	3137EACB3	04-23-14	13,500,000	13,932,270	13,683,600	149,063	13,832,663
FHLMC	3134G4ER5	08-19-15	10,000,000	10,001,100	10,006,500	5,972	10,012,472
FHLMC	3134G3SD3	09-28-15	10,000,000	9,996,000	10,028,100	833	10,028,933
FNMA	31398A4M7	10-26-15	10,000,000	10,221,000	10,244,600	70,417	10,315,017
FHLMC	3134G3Y20	11-27-15	6,000,000	6,000,600	5,994,420	10,417	6,004,837
FNMA	3135G0RX3	11-27-15	20,000,000	20,015,000	19,991,400	34,722	20,026,122
FHLMC	3134G34B3	01-28-16	10,000,000	9,998,500	9,969,700	8,889	9,978,589
FNMA	3135G0UM3	02-26-16	4,395,000	4,394,561	4,386,034	2,285	4,388,320
FNMA	3135G0VH3	03-04-16	15,070,000	15,149,118	15,128,924	8,791	15,137,715
FHLMC	3134G3SE1	03-21-16	12,000,000	12,007,500	12,035,880	3,667	12,039,547
FNMA	3135G0VA8	03-30-16	24,000,000	24,041,832	23,941,200	667	23,941,867

EXHIBIT 1

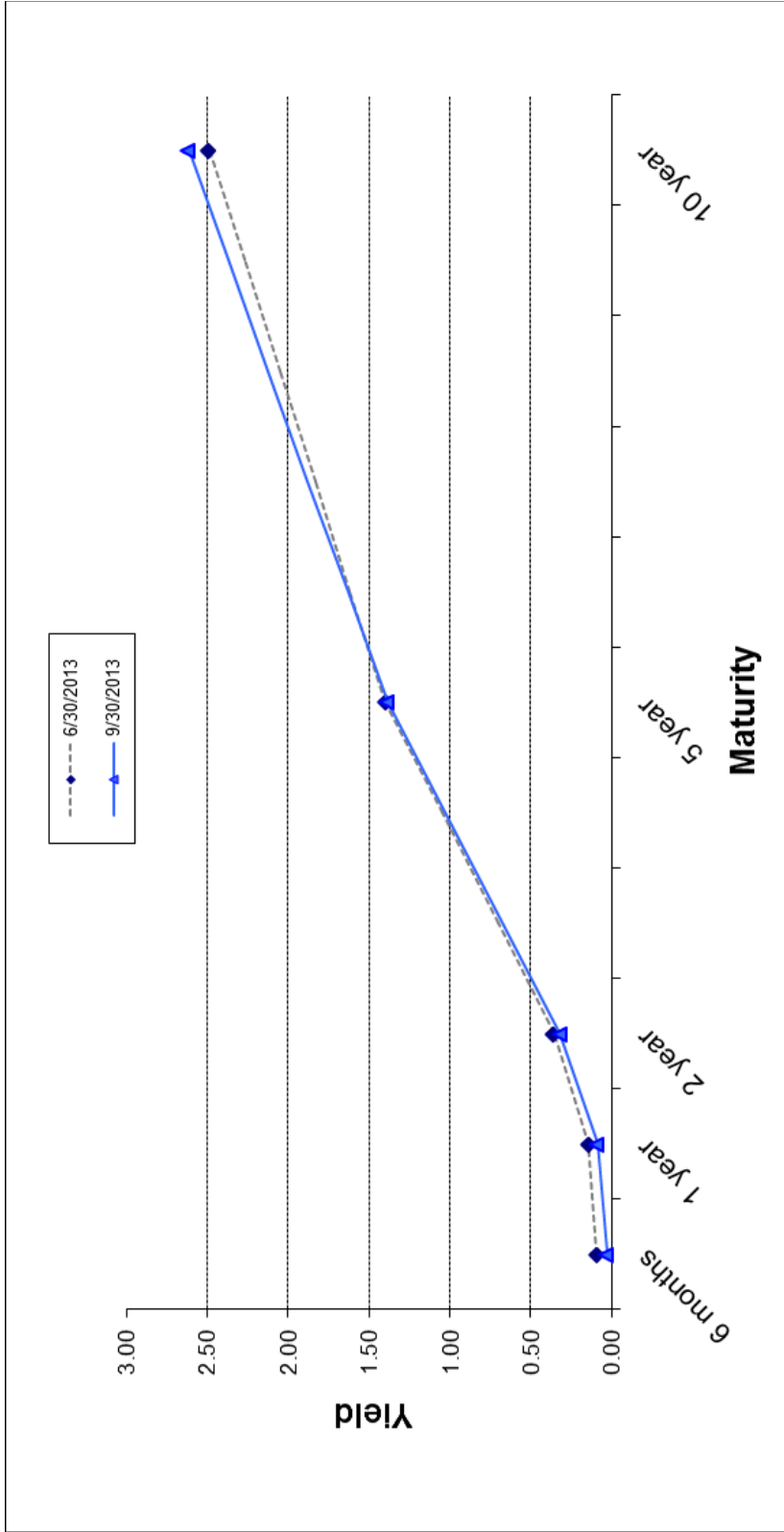
**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REPORT OF INVESTMENTS (Continued)
FOR QUARTER ENDED SEPTEMBER 30, 2013**

TYPE	CUSIP NUMBER	DATE OF MATURITY	PAR VALUE	CARRYING AMOUNT	MARKET VALUE	ACCRUED INTEREST	MARKET VALUE +ACCR. INT.
<u>FUNDS MANAGED BY SUNTRUST BANK/CSI GROUP (Cont.)</u>							
TREASURY INFLATION PROTECTED SECURITIES							
US Inflation Indexed Note	912828KM1	04-15-14	10,485,720	10,122,021	10,570,969	60,880	10,631,849
TOTAL FUNDS MANAGED BY SUNTRUST BANK/CSI GROUP			179,450,720	179,779,799	180,080,947	404,852	180,485,799

LIQUIDITY FUNDS MANAGED BY DISTRICT STAFF:

BANK OF AMERICA CHECKING LAIF				531,794	531,794	0	531,794
SAN MATEO COUNTY POOL				8,576,442	8,576,442	1,622	8,578,063
				254,946,574	254,946,574	160,802	255,107,376
TOTAL FUNDS MANAGED BY DISTRICT STAFF				264,054,809	264,054,809	162,424	264,217,233
TOTAL AS OF JUNE 30, 2013				443,834,608	444,135,756	567,276	444,703,032

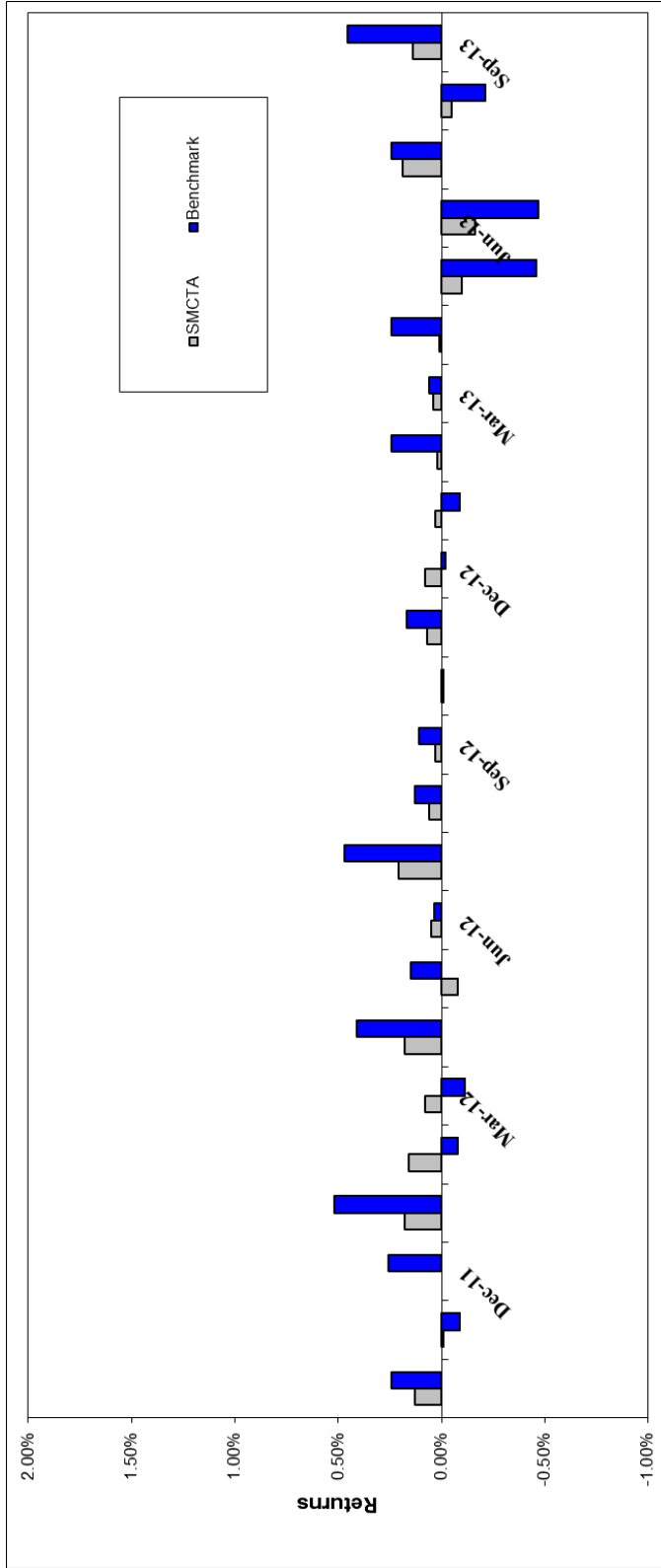
San Mateo County Transportation Authority Historical Yield Curve



Data Source: Bloomberg

CSI Capital, a SunTrust Group

San Mateo County Transportation Authority
 Monthly Review – Account vs. Benchmark
 Rolling 24 Months

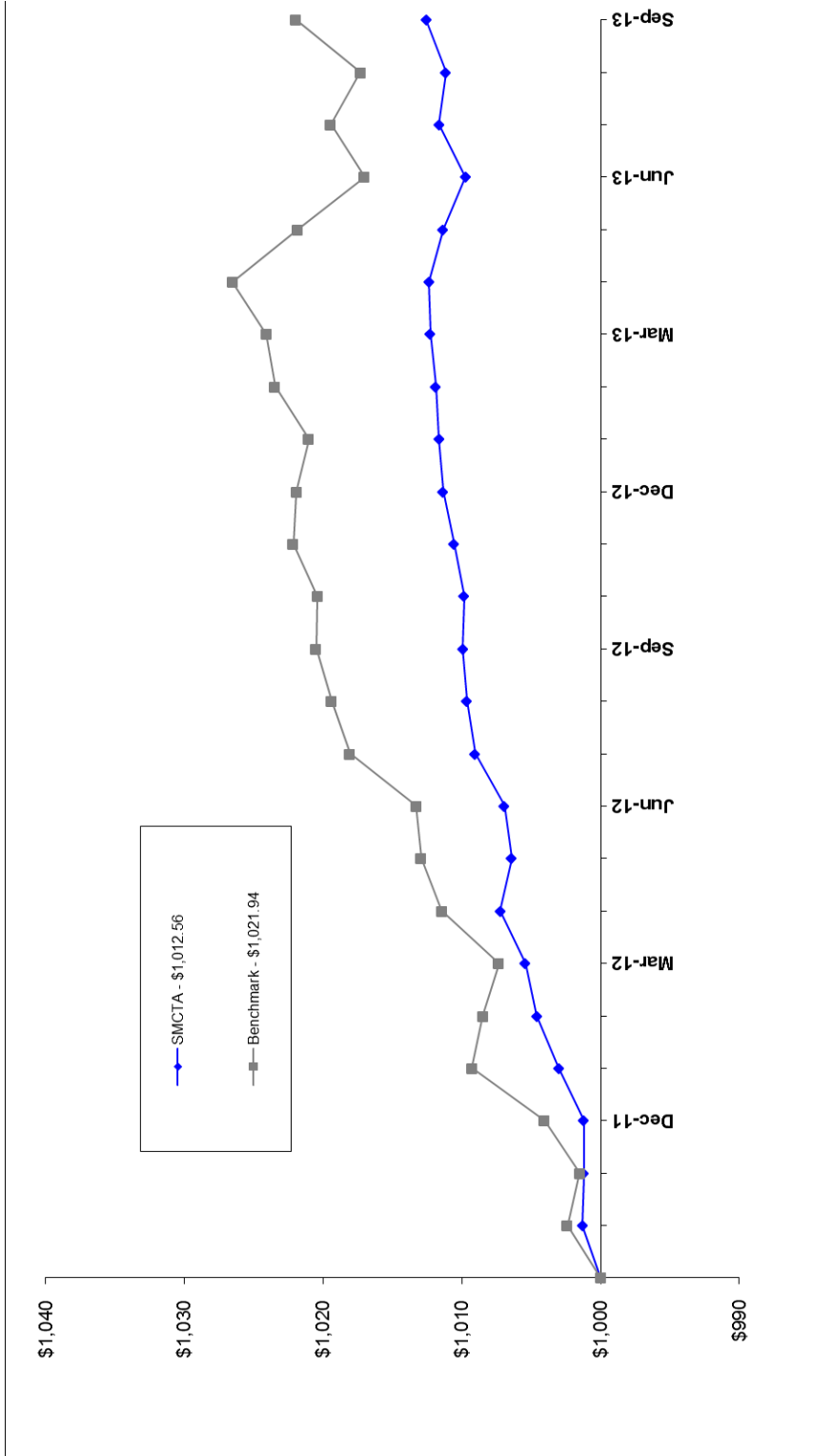


Trailing 12 Months	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Trailing 12
MONTHLY PERFORMANCE DATA													
SMCTA	-0.01%	0.07%	0.08%	0.03%	0.02%	0.04%	0.01%	-0.10%	-0.16%	0.19%	-0.05%	0.14%	0.26%
Benchmark	-0.01%	0.17%	-0.02%	-0.09%	0.24%	0.06%	0.24%	-0.46%	-0.47%	0.24%	-0.21%	0.46%	0.14%

San Mateo County Transportation Authority

Growth of a Thousand Dollars

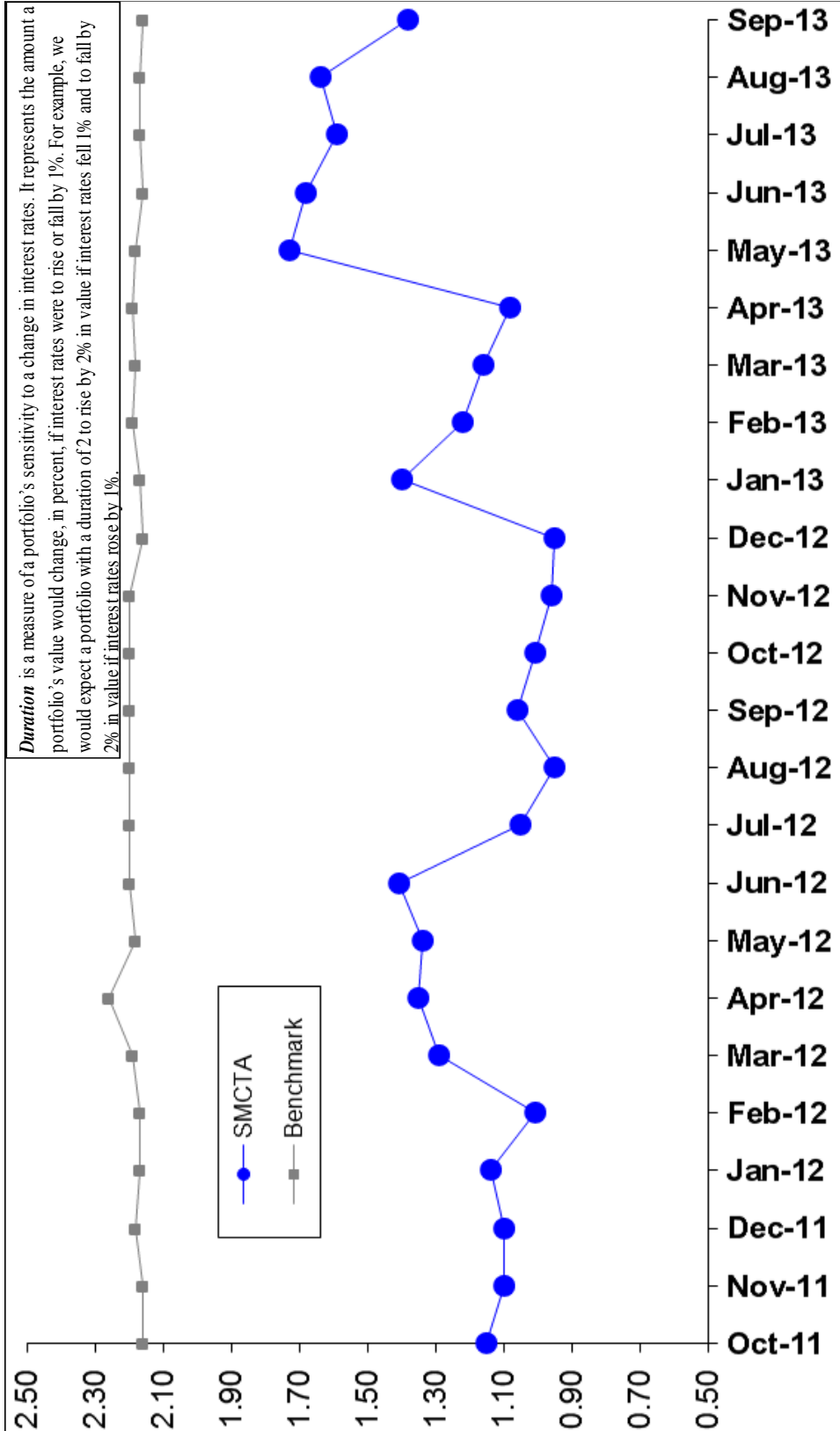
Rolling 24 Months



CSI Capital, a SunTrust Group

San Mateo County Transportation Authority

Duration vs. Benchmark



San Mateo County Transportation Authority

Percent of Assets Held by Type

