

**CITIZENS ADVISORY COMMITTEE (CAC)
SAN MATEO COUNTY TRANSPORTATION AUTHORITY (TA)
1250 San Carlos Avenue, San Carlos CA 94070
Bacciocco Auditorium, 2nd Floor**

MINUTES OF OCTOBER 30, 2012

MEMBERS PRESENT: B. Arietta, J. Bigelow, J. Fox, R. Hees, E. Lasensky, J. Londer,
D. Maez, L. Simonson, W. Warhurst, J. Whittemore, G. Zimmerman

MEMBERS ABSENT: R. Hedges, D. Mensing, L. Shaine, A. Vargas

STAFF PRESENT: J. Averill, A. Chan, J. Hurley

Chair Barbara Arietta called the meeting to order at 4:31 p.m. and Jim Whittemore led the Pledge of Allegiance.

APPROVAL OF MINUTES OF SEPTEMBER 4

A motion (Bigelow/Zimmerman) to approve the October 2, 2012 minutes was approved.

PUBLIC COMMENT

None

ITEMS FOR REVIEW – NOVEMBER 1, 2012 TA BOARD MEETING

Agenda item 5c, TA Item 11a, was discussed first.

Authorize Acceptance of Quarterly Investment Report and Fixed Income Market Review and Outlook for Quarter Ended September 30, 2012 (TA Item 11a)

Bill Osher, CSI Capital, said at the end of July, interest rates were approaching all-time historical lows, but a series of actions was taken by the European Central Bank and the United States Federal Reserve (Fed) that flooded the system with money again. The markets responded, equity rose, and interest rates started to rise. He said when long-term interest rates start to rise, that is typically an indication the Fed is at the end of its stimulus because their goal is to lower rates, but by announcing lower rates, the rates actually start to go up due to fear in the market that inflation will rise, so it will no longer be useful to add more stimulus. He said the Europeans also pumped a lot of money into their system but they were willing to monetize debt, or use quantitative easing, by buying bonds, pumping money into the system and supporting debt in nearby countries. He said this will put mechanisms into place so if there is a brewing problem they can push it off. He said at the end of the quarter, interest rates hadn't changed. They went down and then went back up with the stimulus, but now there is uncertainty about how things will play out. This is the third time the Fed engaged in quantitative easing, and it is open ended. The fear is if they are unable to quickly withdraw all the money they are pumping into the system in order to avoid inflation, we could have a severe inflationary environment. This is one of the biggest fears in the market today. He said this is a troubling time for us because interest rates are much lower than they should be. If the markets normalize, interest rates will rise rapidly and that will cause a

drop in the price of the bonds. He said his primary objective is to not lose money so he is managing the portfolio with very limited maturity investments. If interest rates rise it won't hurt the portfolio and will still produce positive returns. He said the Fed does not want to raise interest rates until 2015, but if the economy starts to do better, they may be forced to. Failure to do so would cause a lot of inflationary concerns and a large jump in long-term interest rates.

Elizabeth Lasensky and John Fox arrived at 4:40 p.m.

George Zimmerman said he had hoped that Mr. Osher invested short term, because if he invested midterm and interest rates went up, the TA could lose a lot of money. Mr. Osher said he puts safety first and this is what needed to be done.

Doris Maez asked what the Fed could have done differently that would have resulted in a better outcome. Mr. Osher said there are no right answers because there is no history to go by. He said the long-term outcome of their actions is unknown. If it is inflation, it could be a problem. It won't be known if that is the case until sentiment changes and the economy starts to turn. It remains to be seen if the Fed will be able to pull liquidity out of the system. He said this is big experiment. There is a certain supply of money in the system and it influences inflation. Velocity, which is when money changes hands from person to person, has been depressed because of the economic situation. If velocity was at its normal level, the level it was prior to the great recession, the cost of everything would be three times what it is today according to economic theory because of the amount of money that has been pumped into the system. He said there is hope the economy will turn around and there is a possibility it will happen.

Mr. Whittemore said debasing the currency is never a good long-term goal for a developed country because it will cause hyperinflation in the emerging markets. Mr. Osher said the policymakers are trying to get more people to work and to deal with the global dynamics of outsourcing and the loss of the middle class. He said the easiest way to do that is to make American goods more competitive. He said when America consumes more than it produces, it runs a trade deficit. The best way to get the trade deficit lower or to bring consumption and production into balance is through lowering the currency.

William Warhurst asked what policy Mr. Osher would have adopted if he knew what was going to happen. Mr. Osher said he believed the interest rates were going to normalize faster than they have. He said if he had a crystal ball he would have had a longer duration portfolio earlier. He said he would be in the same place he is today but he would have locked in interest rates earlier for a longer period of time.

Mr. Whittemore asked if Mr. Osher could take out any more money now or if what he has is enough, because the County Pool and the Local Agency Investment Fund (LAIF) are out of balance. Mr. Osher said he thinks he can start to take money again but he tries to invest as much as he can when there are opportunities.

Mr. Whittemore asked if there is no corporate component left in the portfolio. Mr. Osher said there haven't been any corporates in the portfolio for a couple of years, but there were some

Federal Deposit Insurance Corporation guaranteed corporates that matured. He said he was told not add corporate risk to the portfolio.

Mr. Whittemore asked why Mr. Osher is using a federated money market fund. Mr. Osher said the portfolio does not traditionally have any cash; it is swept back into LAIF or another area. He said whenever cash hits the account, it leaves the account the same day, but cash hit the account on the last day of the month and he didn't want it to leave the account that day because it takes time for money to show up on the report wherever it gets put and they wanted the books to be right for this report so he left it in cash over the weekend.

A motion (Hees/Whittemore) to support the report was approved.

Authorize Approval to Program \$8,615,000 in State Proposition 1B State-Local Partnership Program (SLPP) Funds (TA Item 11b)

Executive Officer, Planning and Development April Chan said the 2006 Proposition 1B program provided about \$1 billion to the SLPP and provides a dollar-for-dollar match based on the sales tax collected for the program. San Mateo County has a full-cent sales tax: half a cent for the San Mateo County Transit District (District) and half a cent for the TA. Over a five-year period, this \$1 billion translated to about \$17 million for the county, of which half or \$8.615 million is for the TA.

Mr. Whittemore asked if SLPP funding was used last year for Caltrain. Ms. Chan said that funding was the District's SLPP funding, not the TA's.

Laurie Simonson asked if cities that got SLPP funding would be eligible to compete for One Bay Area Grant (OBAG) funding. Ms. Chan said they agree not to compete for the OBAG funding. Ms. Simonson asked if there are specific types of projects that can apply for the funding. Director, Transportation Authority Program Joe Hurley said mostly the projects are local roads that are in a state of disrepair, overlays, sidewalk repairs, and rehabilitative-type projects.

A motion (Bigelow/Zimmerman) to support the authorization to approve the programming of \$8.615 million in SLPP funds was approved.

Authorize Amendment to Fiscal Year (FY) 2013 Budget and Programming and Allocation of \$61,000 of Original Measure A Funds to the County of San Mateo for the Alpine Road Bicycle Safety Improvement Project (TA Item 11c)

No discussion.

A motion (Hees/Londer) to support the authorization to amend the FY2013 budget and program and allocate \$61,000 for the Alpine Road Project was approved.

Authorize Allocation of \$410,000 in New Measure A Alternative Relief Congestion Funds to the Peninsula Traffic Congestion Relief Alliance to Support the Countywide Congestion Relief Program for Fiscal Year 2013 (TA Item 11d)

Mr. Zimmerman asked for examples of the program. Ms. Chan said carpools, vanpools, and safety training. She said this funding is to help support what the Alliance does, not necessarily to pay for those programs.

Mr. Whittemore asked if there are any metrics that show what the \$410,000 pays for.

Mr. Hurley said the information is in the Alliance's annual report on commute.org.

A motion (Lasensky/Simonson) to support the authorization to allocate \$410,000 to support countywide congestion relief was approved.

Update on State and Federal Legislative Program (TA Item 12a)

No discussion

Approval of Minutes of October 4, 2012 (TA Item 4a)

No discussion

Acceptance of Statement of Revenues and Expenditures for Fiscal Year Ending June 2012 (unaudited) (TA Item 4b)

Mr. Whittemore said staff is using a new method under total revenues and asked what the method is now because he is not able to carry the numbers across. He said there are major changes but he does not know what they are. Mr. Hurley said someone will get back to him about it.

A motion (Zimmerman/Lasensky) to support the acceptance of the Statement of Revenues and Expenditures for FY2012 was approved.

Acceptance of Statement of Revenues and Expenditures for September 2012 (TA Item 4c)

Mr. Whittemore said administrative expenses are already off from staff projections and he thinks staff projections need to be brought down permanently.

A motion (Londer/Zimmerman) to support the acceptance of Statement of Revenues and Expenditures for September 2012 was passed.

Adoption of Revised Conflict of Interest Code (TA Item 4d)

No discussion

A motion (Bigelow/Whittemore) to support the adoption of the conflict of interest code was approved.

Approval of 2013 Board of Directors Meeting Calendar (TA Item 4e)

Randy Hees said this calendar would put the TA CAC meeting on January 1, a holiday. Assistant District Secretary Joshua Averill said the CAC can reschedule their meeting to Wednesday, January 2, but the meeting must end by 6 p.m. because a different meeting is scheduled for that day as well. The CAC agreed to move the January 2013 meeting to Wednesday, January 2 with a 4:30 start time.

A motion (Hees/Bigelow) to support the approval of 2013 Board of Directors Meeting calendar was passed.

Authorize Amendment to On-Call Transportation Planning and Program Support Contract with CDM Smith, Inc, Fehr & Peers, and HNTB Corporation by an Estimated Aggregate Not to Exceed Amount by \$675,000 from \$2,250,000 to \$2,925,000 (TA Item 4f)

Mr. Warhurst said the CAC needs to know something about what these services are and why more money is needed. Mr. Hurley said consultants provide services and in looking ahead they felt they needed to increase the budget to address the needs that will be coming up.

Mr. Warhurst said the services listed in the staff report are vague and the CAC can't evaluate if this is a good way to spend the TA money. Mr. Hurley said the services are on an on-call basis so as the needs arise the TA will have the resources available to address them.

Mr. Zimmerman asked that the staff brief the CAC whenever they contemplate increasing expenditures.

Jim Bigelow said a planning Call for Projects (CFP), a request for cities interested in grade separations, and a call for planning components for the Highway Program are coming up, so the TA is anticipating they are going to need more funds in order to keep on schedule with the amount of work that is starting. Mr. Hurley said this is a blending of both anticipated and unanticipated work coming up. The TA does not want to have the need arise but not have the resources in place, so this is to ensure the TA is prepared.

Mr. Hees said he would like the CAC to receive an accounting of where money was spent with these contractors when updates and changes are made.

John Fox asked if the cost per project is already established. Mr. Hurley said the consultant's salaries and overhead rates are pre-negotiated. When a need arises, staff establishes the scope and a cost estimate associated with the need. Staff receives a cost proposal from applicants, measure it against the staff cost estimate, then negotiate those costs. Mr. Fox said this authorization raises the total amount of what could be spent on the services, but not the salaries. Mr. Hurley said this increases the budget capacity to meet the needs of the services.

A motion (Whittemore/Londer) to support the authorization to amend the on-call support contract was approved.

SamTrans Liaison Report – October 10, 2012 (TA Item 8)

No discussion

REPORT OF THE CHAIR – BARBARA ARIETTA

Chair Arietta reported:

- The Adopt-a-Station group is looking for station leaders.
- The Peninsula Corridor Joint Powers Board is hiring a Social Media Officer for Caltrain.
- A taskforce of elected officials has been put together to help plan the High Speed Rail blended system. They will hold public meetings to exchange ideas about modernization.
- The Active San Mateo County Conference was held in October and focused on walkable/bikeable urban corridors and the perspectives of local experts on health, transportation, and planning including the Complete Streets concept and the future of San Mateo County parks and recreation.
- The Burlingame City Council approved pursuing funding for grade separations at Broadway Avenue.
- OBAG funding for bike and pedestrian projects is now available and the Metropolitan Transportation Commission is accepting grant applications until December 14.

Mr. Fox said when ranking of these types of projects was done, value for the money was not considered. This could lead to a very expensive project using all of the funding that other equally good but cheaper projects would need. Mr. Hurley said that issue will be taken into consideration for subsequent CFPs.

Ms. Simonson asked if there is additional OBAG funding for bike and pedestrian programs since some is being used as described in the SLPP item discussed earlier. Mr. Hurley said there are two different pots. The OBAG funding for the SLPP item is just a swap of funding and is on a competitive basis. This OBAG funding for the bike and pedestrian program is from a separate pot of money and is on a formula basis.

REPORT FROM STAFF – JOE HURLEY

Mr. Hurley said the Highway 101/Willow Interchange Project is in the environmental phase. California Department of Transportation (Caltrans) is the lead, and the TA is participating in a monitoring and program management support role. There were two public meetings but were not well attended. Chair Arietta said she would like to be informed about when these meetings will occur and asked that the CAC be sent a calendar of events on a monthly basis.

Mr. Bigelow said Caltrans should give the CAC a presentation with updates on cloverleaf designs in property-limited rights of way. Mr. Zimmerman asked Mr. Bigelow if he was referring to design concepts not specific to any particular interchange. Mr. Bigelow said the old fashioned type cloverleaves are not the right way to handle capacity in some locations and the information would demonstrate a new model.

Mr. Hurley said he wanted to make sure the CAC is aware of the SamTrans Service Plan workshops and he will send out information about it.

Ms. Maez said SamTrans has a debt service of about \$24 million which is almost equal to the amounts that go to paratransit and Caltrain. She asked if this was for bonds that were taken on to

buy new equipment, or if it is to pay San Mateo County's share to BART, or something else. Mr. Hurley said he will send out the link to the information on the SamTrans website.

MEMBER COMMENTS/REQUESTS

Mr. Hees said the Original Measure A stated grade crossings were going to be \$4.4 million apiece. He said the \$500 million grade crossing proposals are getting scary.

Chair Arietta said Measure A is very important and needs to pass at the upcoming election.

Mr. Bigelow said the environmental document for the Dumbarton Corridor is being updated, and the modeling shows Dumbarton traffic can be mixed with the Caltrain corridor. Depending on what happens with the election, there may be interest in moving forward the environmental document. He hopes it will be out in circulation for public comment in 2013.

DATE, TIME AND PLACE OF NEXT MEETING

Tuesday, December 4, 2012 at 4:30 p.m. at 1250 San Carlos Avenue, Bacciocco Auditorium, 2nd Floor, San Carlos, CA 94070

The meeting adjourned at 5:53p.m.