

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

MINUTES OF JANUARY 31, 2017

MEMBERS PRESENT: K. Bond, A. Chen, J. Fox, P. Haynie, R. Hedges, J. Londer, O. O'Neill, S. Scruggs, S. Stamos, W. Warhurst

MEMBERS ABSENT: B. Arietta (Chair), D. Bautista, E. El-Dardiry, K. Kuklin

STAFF PRESENT: J. Averill, A. Chan, C. Fromson, J. Hurley, L. Millard, J. Slavitt

Vice Chair John Fox called the meeting to order at 4:30 p.m. and led the Pledge of Allegiance.

APPROVAL OF THE JANUARY 3, 2017 MEETING MINUTES

Motion/Second: Warhurst/Bond

Ayes: Bond, Chen, Haynie, Hedges, O'Neill, Scruggs, Stamos, Warhurst, Fox

Absent: Arietta, Bautista, El-Dardiry, Kuklin, Londer

Jeff Londer arrived at 4:32 p.m.

PUBLIC COMMENT

None

ITEMS FOR REVIEW – FEBRUARY 2, 2017 TA BOARD MEETING

Acceptance of Quarterly Investment Report and Fixed Income Market Review and Outlook for the Quarter Ended December 31, 2016 (TA Item 13c)

Isaac Chyou, 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
 - 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: Londer/Warhurst

Ayes: Bond, Chen, Haynie, Hedges, Londer, O'Neill, Scruggs, Stamos, Warhurst, Fox

Absent: Arietta, Bautista, El-Dardiry, Kuklin

**Acceptance of Statement of Revenues and Expenditures for December 2016
(TA Item 6b)**

Motion/Second: Warhurst/Londer

Ayes: Bond, Chen, Haynie, Hedges, Londer, O'Neill, Scruggs, Stamos, Warhurst, Fox

Absent: Arietta, Bautista, El-Dardiry, Kuklin

Amendment to the Fiscal Year (FY) 2017 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 (TA Item 13b)

Ladi Millard, Director, Budgets and Analysis, said 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 means there is less money available for the next CFP.

Motion/Second: Hedges/Londer

Ayes: Bond, Chen, Haynie, Hedges, Londer, O'Neill, Scruggs, Stamos, Warhurst, Fox

Absent: Arietta, Bautista, El-Dardiry, Kuklin

Acceptance of the 2016-2025 Highway Program Capital Improvement Program (TA Item 12)

Joel Slavit, Manager, Programming and Monitoring, presented:

- History
 - TA Strategic Plan 2014-2019 identified Highway Program funding shortfall, recommended preparation of a CIP
 - August 2015: presented Highway CIP findings to the Board
 - Fall 2015: Highway CIP subcommittee met to discuss findings; provided guidance on the 2015 Call for Projects (CFP)
 - 2016 activities
 - Updated Highway CIP based on 2015 CFP recommendations and subsequent project updates
 - Prepared Highway Performance Assessment
- 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 CFPs
 - Identify key issues and present policy considerations
- Methodology
 - Generated list of projects with schedules, cost and funding from:
 - Sponsor letters of interest
 - Existing pipeline of highway projects and projects submitted for the 2015 Highway Program CFP
 - 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
 - Performance measures:
 - Congestion
 - Safety

- 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

Shaunda Scruggs asked why congestion is not the same in the evening as the morning. Mr. Slavitt said there are number of different variables.

Ms. Scruggs asked if there is any way to uncover what the variables might be. Joe Hurley, Director, TA Program, said the first step is to conduct the assessment to determine what the problem is necessitating the next question, which is how to solve it.

Public Comment

Paul Krupka, Consultant Project Manager, Redwood City, said the city is grateful that the CAC and the Board authorized \$5.5 million for the design of the Highway 101/Woodside Interchange Project. He emphasized the city's commitment to press ahead and complete project design. The city needs money for right of way and

construction, and will try to secure its own money and find other sources. The work the TA is doing will help Redwood City present the best picture.

Olma O'Neill asked if the four projects that were awarded funds and are approaching five years of inactivity have to regularly report their status. Mr. Slavitt said there is a pending lawsuit on one of the projects.

Mr. Hurley said two projects sponsored by Half Moon Bay are running into snags getting California Coastal Commission permits. The East Palo Alto University Avenue Interchange is trying to re-craft the scope of the project and bring it more in line with the funds available.

Mr. Warhurst said in some places where there is a strong sponsor it makes sense to require a local match for highway projects. Sometimes giving a project seed money from the TA helps it attract other funds by demonstrating to other funding sources that a project might be a good project.

Steve Stamos asked if there is comparison data available for the data collected over the three-year period regarding accidents. Mr. Slavitt said City/County Association of Governments of San Mateo County (C/CAG) collects data, but it is not broken down to the level needed for that type of comparison.

Mr. Stamos asked if the program addresses highway repair projects. Mr. Slavitt said that comes from a different category of funds.

Jeff Londer asked if the TA is working with San Francisco County and Santa Clara County. Mr. Slavitt said coordination is taking place on the managed lanes project.

Pamela Haynie said she can guarantee the congestion is not just between 8 a.m. and 9 a.m. and 5 p.m. and 6 p.m. and staff should take this into consideration. Mr. Slavitt said there is a lot of data and staff is using these hours to show how bad it really gets and these peak hours are the worst, but congestion does extend longer than these hours.

Vice Chair Fox asked if this information could be used in transportation modality planning. Mr. Slavitt said this study identifies where the worst areas are.

Mr. Warhurst asked if there are things other than construction to address needs. Mr. Slavitt said there are regional entities that address that problem. Building a capital project is not the only way to address a problem.

April Chan, Chief Officer, Planning, Grants, and the TA, said the TA is to administer the Measure A Program. The TA wanted to figure out a way to stretch the Measure A dollars the farthest. The suggestions presented are things congestion management agencies are looking at. C/CAG is in the process of putting together the Countywide Transportation Plan, which includes other ideas how to address the transportation deficiencies.

Ms. Scruggs asked if there is any pressure on the funding agency to work with multiple jurisdictions on a cohesive plan. Ms. Chan said funding programs are very specific. The TA has a close working relationship with C/CAG and the Metropolitan Transportation Commission and they try to work on some of the problems and congestion areas together. Right now the TA is working on managed lanes on Highway 101 and is working with Santa Clara County and San Francisco County. These agencies work together to get funding to solve a problem together. Where there can be synergy it is done.

An Chen said looking at what was approved in 2012, none of the projects are where the red lines on Highway 101 and State Route 92 problems are. She asked if the TA can move the money to address immediate needs. Mr. Slavitt said the Board may consider moving the funds after five years.

Mr. Hurley said the TA committed to geographic equity to voters in 2004 and needs to honor that commitment.

Mr. Stamos asked if this item will come back in May with specific recommendations. Mr. Slavitt said yes.

Motion/Second: Haynie/Londer

Ayes: Bond, Chen, Haynie, Hedges, Londer, O'Neill, Scruggs, Stamos, Warhurst, Fox

Absent: Arietta, Bautista, El-Dardiry, Kuklin

Update on State and Federal Legislative Program (TA Item 14a)

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.

Programming and Allocation of up to an Additional \$7.5 Million of Measure A Funding for the 101/Broadway Interchange Reconstruction Project in Burlingame (TA Item 13a)

- 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
 - One of the condemnation cases ruled in favor of the property owner who was seeking a significantly higher amount than what the parcel was appraised
 - Unanticipated goodwill settlement associated with the acquisition of one of the parcels
 - Need to extend temporary construction easements to accommodate modified construction staging
 - Special accommodations to the businesses and hotel to mitigate impacts caused by construction activities
 - Additional legal cost associated these right of way activities and other components of the project
 - Utilities: \$3.5 million
 - Pacific Gas and Electric's (PG&E) initial estimate was high level and did not include contingency and risk reserves that the updated cost estimate now includes
 - Unsuitable material was discovered during geotechnical borings, which necessitated a change in the utility relocation strategy and increased the number of utilities requiring relocation
 - Utility relocation work encountered several unknown buried objects
 - Additional project management/design: \$600,000
 - Unforeseen site conditions and adjustments to construction staging were needed resulting in a higher-than-budget project management/design support level of effort
 - Follow-up landscape contract: \$2 million
 - The Caltrans Project Report included a subsequent landscape construction contract as a project obligation, which was not included as part of the budget because there was thought at the time that new source of funding (State Highway Operation and Protection Program not available when the budget was developed could become available to cover all or part of this subsequent contract
 - In compliance with the governor's executive order and the continuing water conservation effort as part of the State's drought action plan, a non-potable (recycled water) system must be developed to sustain the landscaping within the State right of way

Mr. Londer asked what the unforeseen buried objects were. Mr. Hurley said concrete.

Mr. Stamos asked if this is beyond the contingency and when the project will be completed. Mr. Hurley said yes and substantial completion will be done this summer.

Mr. Hedges asked who had to pay to fix the high intensity power lines that got knocked down over the interstate. Mr. Hurley said in August of 2015, the contractor clipped a transmission tower causing the high power transmission lines to fall across Highway 101.

That is completely outside of this cost and is being dealt with between the contractor and PG&E.

Vice Chair Fox asked if there is a possibility for an additional need to cover funding to complete the project. Mr. Hurley said this is a conservative estimate with a healthy contingency built in. Any money that is not expended will be made available for allocations to other highway projects.

Motion/Second: Hedges/Londer

Ayes: Bond, Chen, Haynie, Hedges, Londer, O'Neill, Scruggs, Stamos, Warhurst, Fox

Absent: Arietta, Bautista, El-Dardiry, Kuklin

Approval of Minutes of January 5, 2017 (TA Item 6a)

No discussion.

REPORT OF THE CHAIR – JOHN FOX

No report.

REPORT FROM STAFF – JOE HURLEY

Mr. Hurley said:

- The State Route 92/El Camino Real project contract has been awarded to Ghilotti Construction who has until February 6 to execute the contract. It is expected to start in March and last a year.

MEMBER COMMENTS/REQUESTS

None

DATE, TIME AND PLACE OF NEXT MEETING

Tuesday, February 28, 2017 at 4:30 p.m. at 1250 San Carlos Avenue, Bacciocco Auditorium, 2nd Floor, San Carlos, CA 94070

Adjourned at 5:51 p.m.