San Mateo County Express Lanes Joint Powers Authority
Board of Directors Meeting Minutes

Meeting No. 54
April 12, 2024

This meeting of the SMCEL-JPA Board of Directors was held in person and by teleconference pursuant to Government Code Section 54953(e). Members of the public was able to participate in the meeting remotely via the Zoom platform or in person.

Board of Directors: Alicia Aguirre (Chair), Emily Beach (Vice Chair), Rico E. Medina, Gina Papan, Carlos Romero and Michael Salazar.

1.0 CALL TO ORDER/ ROLL CALL

Chair Alicia Aguirre called the meeting to order at 9:00 a.m. Roll call was taken.

AGENCY:	IN-PERSON:	ABSENT:	REMOTE AB 2449:	REMOTE Publicly Accessible Teleconference Location:
C/CAG	Alicia Aguirre			
C/CAG	Michael Salazar			
C/CAG		Rich Hedges		
SMCTA				Carlos Romero
SMCTA	Emily Beach			
SMCTA	Rico E. Medina			

Staff Present (In-Person):	**Staff Present (Remote):**
Sean Charpentier, Executive Council – C/CAG	
April Chan, Executive Council – TA	
Mima Crume – Clerk of the Board	**Members of the Public (In-Person):**
Tim Fox – Legal Counsel	Jessica Manzi – TA
Kaki Cheung – C/CAG	
Van Ocampo – C/CAG	**Members of the Public (Remote):**
Connie Mobley-Ritter – TA	
Peter Skinner – TA	
Lacy Vong – HNTB	

Other members of staff and members of the public were in attendance via in-person or remote using zoom.

2.0 PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA
Note: Public comment is limited to two minutes per speaker. Members of the public who wish to address the Board should complete a speaker's slip to make a public comment in person or raise their hand in Zoom to speak virtually.

Clerk Crume reported that there were no public comments.

3.0 APPROVAL OF CONSENT AGENDA

This item is to set the final consent and regular agenda, and to approve the items listed on the consent agenda. All items on the consent agenda are approved by one action. There will be no separate discussion on these items unless members of the Board, staff or public request specific items to be removed for separate action.

3.1 Approval of the minutes of Board of Directors regular business meeting No. 53 dated March 8, 2023. APPROVED

3.2 Accept the Sources and Uses of Funds for the FY2024 Period Ending February 29, 2024. APPROVED

Director Medina MOVED to approve the consent agenda items 3.1 and 3.2. Director Romero SECONDED. **MOTION CARRIED 5-0-0**

4.0 REGULAR AGENDA

4.1 Receive an update on the draft Fiscal Year 2023 Flow of Funds and the illustrative forecasts for Fiscal Years 2024 through 2031. INFORMATION

Ms. Manzi provided an update on the draft Fiscal Year 2023 Flow of Funds and projections for Fiscal Years 2024 through 2031. She detailed the flow of funds as per the loan agreement, highlighting key reserve allocations:

- Operating Reserve: A $3 million buffer for unexpected expenses.
- Revenue Stabilization Reserve: Safeguarding against revenue loss, with an estimate of $22 million.
- Repair and Rehabilitation Reserve: Allocated for significant infrastructure repairs.
- Equipment Replacement Reserve: Designated for toll equipment replacement, with an annual target of $5.9 million.

Remaining funds are distributed to the revenue sharing fund, with 85% for loan repayment and 15% for equity programs or other JPA-identified initiatives.

Chair Aguirre asked if there are any aspects of the express lanes project not covered by our responsibilities or funding.

Mr. Charpentier clarified that the JPA covers all maintenance and operational costs for the express lane, including expenses related to contracts with Caltrans or the Bay Area Toll Authority. This encompasses everything mentioned, such as potholes and equipment, within the area included in the lease.

Ms. Manzi sought input from the Board on whether to fully fund the equipment replacement reserve or prioritize allocating more funds to bond and operating loan repayments. Proceeding with the second options means that the equipment replacement reserve may be reduced. A 10-year financial model has been prepared. Option 1 allocates $5.9 million yearly to the equipment replacement fund, with excess revenue used for bond repayment (85%) and other programs (15%). Option 2 prioritizes loan repayment, spreading a $10 million bond payment over three years. Any leftover funds go to the equipment replacement fund, enabling earlier loan repayment. If our reserves can't cover expenses, we may need to tap into other reserves.

Mr. Charpentier noted that there would be flexibility among the reserves if a situation arose that exceeded the funds allocated to a specific reserve category. These funds are not restricted, lacking federal covenants or state mandates dictating their use for specific purposes, allowing for discretion. Ms. Chan added that while the Operating Fund reserve and the stabilization reserve have prescribed amounts dictated by the funding agreement, the capital reserve, which Ms. Manzi is discussing, does not have a set formula. Therefore, there are options to considerby the board.

Director Romero expressed concern about costs to rehabilitate the roadway, which will require a larger repair and rehabilitation reserve.

Ms. Manzi clarified that while the annual operating and maintenance budget handles potholes and emergencies, the repair and rehabilitation fund is for significant paving projects. Since the express lanes are new and Caltrans has upcoming paving projects, there's currently no urgent need for a large sum in that fund. However, staff intended to evaluate this category closely to determine the best allocation in the future.

Director Romero expressed concerns about the deterioration of lanes after rain, highlighting the importance of maintenance.

Ms. Manzi elaborated on the evolution of different funds over time, emphasizing the focus on overall trends rather than specific numbers. She noted that the scenarios were identical for the first five years due to funds being allocated to build the revenue stabilization fund, with differentiation starting from fiscal year 2028. She also highlighted that decisions made today wouldn't have an immediate impact, as funds from fiscal year 2023 were unlikely to flow into the equipment replacement reserve. Ms. Manzi summarized the positions of both options after ten years. While both options had the same amount in the operating reserve, differences arose in the revenue stabilization reserve due to debt carrying expenses. However, the most significant disparity was in the equipment replacement reserve, with option one having $8 -$9 million dollars more than option two. This discrepancy stemmed from option two paying down more loans, resulting in reduced interest payments. Ultimately, the decision revolved around prioritizing either building reserves or repaying loans to minimize interest expenses.

Vice Chair Beach sought clarification on the slide, noting that in option 2, repaying approximately $4 million more in the loan results in $150,000 in interest savings. While this means more money in the JPA's pocket due to faster interest payment, it also translates to about $9 million less in total reserves. Ms. Manzi confirmed this understanding was correct.

Director Romero expressed confusion about the apparent $8.83 million difference between option one and option two. He assumed that the numbers for bond principal payments, bond interest payments, and operating loan payments would collectively reflect this difference. However, upon examination, he found that these numbers did not add up to $8.83 million. He asked where the remainder of this amount might be allocated. Ms. Manzi explained that she'd examined the full financial model to provide an analysis.

This risk of lower reservesis evident in potential catastrophic events like accidents damaging the express lanes infrastructure, which could affect revenue collection and loan repayment capabilities. Ms. Manzi then outlined the next steps, which include refining the financial model to align with the evolving budgets developed by the budget team. The plan is to present a recommendation to the board next month regarding the proposed approach. Additionally, a clarifying document is being developed to accompany the loan agreement, addressing aspects open to interpretation or unclear in operationalizing the directions outlined in the agreement. This ongoing activity aims to ensure a shared understanding of how the loan agreement is implemented.

Vice Chair Beach followed up by a question about potential additional cost savings resulting from repaying the loans earlier. She asked whether there were other significant savings to consider beyond the $150,000 in interest savings already identified, or if that constituted the primary source of cost savings.

Ms. Manzi stated that she hadn't found any additional savings to consider. However, she clarified a crucial aspect regarding the equipment replacement reserve. She explained that the intended funding goal for it was $6 million annually. Yet, upon reviewing the tables, she noted that this target wouldn't be achieved until the later years. This delay was due to a significant portion of funds being directed towards operating expenses initially, which was essential to sustain operations. Consequently, the funding for equipment replacement and revenue stabilization wouldn't reach the desired level until 2028. She emphasized that, in this context, there appeared to be a deficit in capital funding.

Ms. Chan contributed to the discussion, mentioning an important aspect related to principal payments. She clarified that there were two significant principal payments to be made, primarily by the TA, with expectations for repayment by the JPA. The first payment of $5 million was due in 2027, followed by another of $10 million in 2030. Ms. Chan stressed the importance of fulfilling these payments, highlighting that while the TA was initially responsible, the JPA would ultimately be looked to for repayment. She indicated that this consideration was factored into both options being discussed. Mr. Charpentier highlighted that while the presented cost savings were projected over a 10-year period, they didn't encompass the entire duration of the repayment. He emphasized that repaying the principal would lead to additional cost savings in interest over the entire repayment period for both loans.

Director Romero raised a point regarding the scheduled principal payments on the bonds. He mentioned that there was an expectation of residual funds in the interest reserve, stemming from the cessation of interest payments as of February. This leftover amount could potentially be utilized to pay down the principal. Director Romero sought clarification on whether this situation persisted and how it would impact the repayment of future sums due.

Mr. Skinner responded that it was premature to determine the exact amount of bonds that would remain. He explained that the TA were awaiting the closure of the last contracts with Caltrans, along with some outstanding balances that needed payment upon receipt of invoices. Mr. Skinner anticipated that there would likely be around one to two million dollars of bond funds remaining, possibly slightly more. Once they obtained this information, they planned to integrate it into the financial model to assess the flow of funds accordingly.

Director Romero sought clarification regarding the usage of the interest reserve, expressing his belief that it could solely be utilized for interest payments due to the bond's structure. Ms. Chan affirmed Director Romero's understanding, confirming that any remaining funds in the interest reserve must be allocated towards the bonds.

Ms. Mobley-Ritter provided clarification on the different funds available for use. She differentiated between the capitalized interest reserve, which is strictly designated for bond payments, and the remaining construction funds. These construction funds cover costs incurred before March 2, 2024, and their allocation is still being determined. Once these construction costs are settled, the surplus will be available to address the initial $5 million principal payment due in 2027 and potentially the subsequent $10 million payment in 2030. Ms. Mobley-Ritter emphasized that while the capitalized interest can only be used for bond principal reduction, the surplus construction funds can be utilized for various purposes related to bond repayment.

Vice Chair Beach expressed her curiosity about her colleagues' opinions on the direction they should take regarding the discussed matters. She emphasized the importance of avoiding a situation where the JPA lacks sufficient reserves and needs to seek additional funding from the TA. Reflecting on the challenges faced in accumulating the targeted $6 million in capital reserves due to initial financial constraints, she stressed the need for a robust capital reserve. Additionally, she highlighted the benefits of paying down the loan sooner, as it would enhance the JPA independence and ability to secure funding independently in the future. She invited input from others but acknowledged the option to revisit the discussion in the next meeting if necessary.

Director Romero expressed gratitude for Vice Chair Beach's remarks and shared his perspective as a member of the transportation authority. He emphasized the responsibility of taxpayers in San Mateo County to pay off the $100 million debt, highlighting the need to balance adequately funded operating reserves with paying down the bond principal. Director Romero stressed the importance of managing the debt to eventually free up funding for other projects outlined in the transportation authority's strategic plan. Director Romero concluded by suggesting further discussion on the matter in the future.

4.2 Receive an update on the JPA organizational assessment. INFORMATION

The Board received an update on the JPA's organizational assessment. Kaki Cheung, Deputy Director for C/CAG supporting the JPA, provided an overview. The JPA had initiated an organizational assessment, with a contract approved for consultant WSP in November 2023. The project's goal is to ensure the organization is structured to deliver on Express Lanes' vision and goals while maximizing efficiency and effectiveness.

The Project Manager Ms. Dinsdale provided an overview of their work on the organizational assessment. She discussed the project's goals, emphasizing the need to assess the organization's efficiency and effectiveness. She outlined the project's timeline and key milestones. Ms. Dinsdale then explained how the consultant team developed selection criteria based on desired organizational characteristics across various domains, such as finance, people, community, and operations.

Mr. DiAdamo from WSP discussed the insights gathered from interviews with board members, staff, and peer agencies. He highlighted key points, including the successful performance of express lanes, concerns about duplication of responsibilities among staff, the emphasis on local control and equity, and the importance of fiscal responsibility. Mr. DiAdamo then introduced the selection criteria for evaluating potential organizational models, dividing them into two categories: "Can this model?" and "How well does this model?" He emphasized the need to establish clear criteria before delving into specific organizational models to ensure a comprehensive evaluation process.

Ms. Dinsdale of WSP outlined the upcoming milestones in the assessment process. She mentioned that they would provide a preliminary findings report in the summer and an alternatives analysis towards the end of the year, followed by the final report after the first of the year. Ms. Dinsdale then provided a preview of the types of organizational models they are drafting for consideration, including variations such as maintaining the current model, establishing a standalone agency, or redistributing functions among existing agencies. She emphasized that cost would be a key criterion in the evaluation process, ensuring that the impact and value of each model are carefully assessed.

5.0 REPORTS

a) Chairperson Report.

None.

b) Member Communication.

Director Medina mentioned that he spoke at an event at Elks Lodge, sharing information related to the Express Lanes. The audiences had insightful and sometimes challenging questions.

c) Executive Council Report - Executive Council Verbal Report.

Ms. Chan shared a staffing announcement regarding Connie Mobley-Ritter's retirement. Ms. Mobley-Ritter has been with the organization for 8 years and will be retiring at the end of the month. Ms. Chan expressed gratitude for Connie's contributions, particularly her role in securing the $100 million bond for the construction of express lanes. She also highlighted Connie's efforts in providing quarterly reports to both the TA board and the express lanes JPA board. Ms. Chan wished Connie well in her retirement.

Ms. Mobley-Ritter expressed her gratitude for the opportunity to work on behalf of San Mateo County taxpayers, acknowledging the importance of the work done by everyone involved. She thanked the organization for the chance to make a difference within the county and expressed her appreciation for the opportunity to serve.

Ms. Chan continued her report by informing the board that Kate Steiner and Kevin Belts would be responsible for delivering the quarterly reports to the board in the future. Additionally, she shared a joint announcement regarding the organization's submission to the WTS San Francisco chapter for the Community Transportation Benefits Program. The organization has been selected to receive the 2023 WTS San Francisco Chapter Innovative Transportation Solutions Award, which will be presented at an annual event on June 20th in Oakland. Ms. Chan expressed her intention to invite the entire board, particularly the chair and vice-chair, to receive the award.

Mr. Charpentier provided two updates during his report. Firstly, he mentioned receiving complaints about potholes, noting that not all of them are in the express lane but also in the general-purpose lanes. Additionally, Caltrans is working on a capital project to reseal the section between Whipple and the Santa Clara County line. Median work will begin this calendar year, with pavement work starting early next calendar year. He explained that the presence of potholes in this section is due to the scheduled and budgeted capital project following the Express Lane project overlay, which was not as thick as desired because of the upcoming work. Secondly, Mr. Charpentier announced a change in the meeting schedule. The next meeting will be on May 17th instead of the previously scheduled May 10th. A cancellation notice for the May 10th meeting will be sent out, along with an agenda for the May 17th meeting.

d) Policy/Program Manager Report.

None.

6.0 WRITTEN COMMUNICATIONS

None.

7.0 **NEXT REGULAR MEETING**

May 10, 2024 – Regular board meeting cancelled.
May 17, 2024 – Next board meeting.

8.0 **ADJOURNMENT** – 9:54 a.m.