San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA)
Board of Directors Meeting Notice

Meeting No. 10

DATE: Friday, April 10, 2020

TIME: 9:00 A.M.

Join by Zoom: https://zoom.us/j/556771127
Meeting ID: 556771127

Join by Phone:
(669) 900-6833
Meeting ID: 556771127

Board of Directors: Alicia Aguirre (Chair), Don Horsley (Vice Chair), Emily Beach, Maryann Moise Derwin, Diane Papan, and Rico Medina

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On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant to the Shelter-in-Place Order issued by the San Mateo County Health Officer effective March 17, 2020, which was expanded and extended on March 31, 2020, the statewide Shelter-in-Place Order issued by the Governor in Executive Order N-33-20 on March 19, 2020, and the CDC's social distancing guidelines, which discourage large public gatherings, C/CAG meetings will be conducted via remote conferencing. Members of the public may observe or participate in the meeting remotely via one of the options above.

Persons who wish to address the SMCEL-JPA Board on an item to be considered at this meeting, or on items not on this agenda, are asked to submit comments in writing to mguilles@smcgov.org by 8:00 AM on Friday April 10, 2020. Emailed comments should include the specific agenda item on which you are commenting or note that your comment concerns an item that is not on the agenda or is on the consent agenda. Members of the public are limited to one comment per agenda item. The length of the emailed comment should be commensurate with the two minutes customarily allowed for verbal comments, which is approximately 250-300 words. Staff will read the public comments addressing matters on this agenda received before the deadline of 8:00 AM on April 10, 2020 at the time the matter is called. Staff will read the public comments addressing items not on this agenda received before the deadline of 8:00 AM on April 10, 2020 during agenda item 3 "Public comments." Comments received after the deadline but before the end of the meeting will be provided at the SMCEL-Board after the meeting.

1.0 CALL TO ORDER/ ROLL CALL

2.0 BRIEF OVERVIEW OF TELECONFERENCE MEETING PROCEDURES

3.0 PUBLIC COMMENT
Note: Public comment is limited to two minutes per speaker. Public comment permitted on both items on the agenda and items not on the agenda.

4.0 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.

4.1 Approval of the minutes of Board of Directors regular business meeting No. 9 dated March 13, 2020 ACTION p. 1

5.0 REGULAR AGENDA

5.1 Accept the Statement of Revenues and Expenditures for the Period Ending February 29, 2020 ACTION p. 4

5.2 Review and Approval of Resolution SMCEL 20-06 authorizing the Chair to execute an Agreement with ARUP North America Ltd. (ARUP) to perform an Equity Study for the San Mateo County Express Lanes for an amount not to exceed $306,680 ACTION p. 6

5.3 Informational update on the negotiation of the Express Lane Project loan between the SMCTA and SMCEL-JPA ACTION p. 29

6.0 REPORTS

a) Chairperson Report.
b) Member Communication.
c) Executive Council Report.
d) Policy/Program Manager Report.

7.0 WRITTEN COMMUNICATIONS

None.

8.0 NEXT REGULAR MEETING

May 15, 2020

ADJOURN

PUBLIC NOTICING: All notices of San Mateo County Express Lanes Joint Powers Authority Regular Board meetings, standing committee meetings, and special meetings will be posted at the San Mateo County Transit District Office, 1250 San Carlos Ave., San Carlos, CA.

PUBLIC RECORDS: Public records that relate to any item on the open session agenda for a regular Board meeting, standing committee meeting, or special meeting are available for public inspection. Those public records that are distributed less than 72 hours prior to a regular Board meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members, of the Board. The Board has designated the location of 555 County Center, 5th Floor, Redwood City, CA 94063, for the purpose of making public records available for inspection. Please note this location is temporarily closed to the public; please contact Mima Guilles at mguilles@smcgov.org to arrange for inspection of public records.

PUBLIC PARTICIPATION: Please refer to the first page of this agenda for instructions on how to participate in the meeting. Persons with disabilities who require auxiliary aids or services in attending and participating in this meeting should contact Mima Guilles at (650) 599-1406, five working days prior to the meeting date.

If you have any questions about this agenda, please contact:

Mima Guilles, Secretary - (650) 599-1406

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

Meeting No. 9

DATE: Friday, March 13, 2020

TIME: **9:00 A.M.**

PLACE: San Mateo County Transit District Office
1250 San Carlos Avenue, Second Floor Auditorium
San Carlos, CA

Board of Directors: Alicia Aguirre (Chair), Don Horsley (Vice Chair), Emily Beach, Maryann Moise Derwin (Call-in), Diane Papan (Call-in), and Rico Medina

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1.0 CALL TO ORDER/ ROLL CALL

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

Members Present:
C/CAG Members:
Alicia Aguirre, Maryann Moise Derwin (Call-in), Diane Papan (Call-in)

SMCTA Members:
Don Horsley, Rico Medina, Emily Beach (Called in and arrived in person at 9:06 a.m.)

Members Absent:
None.

Staff Present:
Sandy Wong – Executive Council
Jim Hartnett – Executive Council
Mima Guilles – Secretary
Tim Fox – Legal Counsel
Matthew Click – Program/Policy Manager
Sean Charpentier, Van Ocampo – C/CAG staff supporting SMCEL JPA
Joe Hurley, Connie Mobley-Ritter, Jennifer Williams – TA staff supporting SMCEL JPA
Leo Scott – Gray Bowen Scott

Other members of the public were in attendance.

2.0 PLEDGE OF ALLEGIANCE

3.0 PUBLIC COMMENT

None.

4.0 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.

4.1 Approval of the minutes of Board of Directors regular business meeting No. 8 dated February 21, 2020. APPROVED

Director Horsley **MOVED** to approve the CONSENT AGENDA. Director Medina **SECONDED**. **MOTION CARRIED 6-0-0**

5.0 REGULAR AGENDA

5.1 Accept the Statement of Revenues and Expenditures for the Period Ending January 31, 2020. APPROVED

Director Horsley **MOVED** to approve Item 5.1. Director Medina **SECONDED**. **MOTION CARRIED 6-0-0**

5.2 Review and approval of Resolution SMCEL 20-05 approving the opening of the SM 101 Express Lanes Project in Two Phases. APPROVED

Leo Scott, Gray Bowen Scott, provided an update on the opening of the SM 101 Express Lanes project in two phases, with the portion south of Whipple Avenue to be timed with the opening of VTA's express lanes in late 2021, and the segment north of Whipple Avenue to open in late 2022.

Director Beach **MOVED** to approve Item 5.2. Director Papan **SECONDED**. **MOTION CARRIED 6-0-0**

6.0 REPORTS

a) Chairperson Report.

None.

b) Member Communication.

Director Papan reported the Ad Hoc Finance Committee will be discussing to the JPA about the terms of the loan from the TA to the JPA coming up very soon. Hope to bring to the Board a report on the next meeting.

c) Executive Council Report.

Jim Hartnett relayed a message from Derek Hansel in relations to the financing for the Express Lanes during this volatile credit market. The TA's Finance team has developed a financing plan designed to be flexible, adaptable, and utilizes the strength of the Transportation Authority's extremely solid credit, to meet the challenging credit environment such as the one developed over the last couple of weeks. Derek and Connie will provide the Executive Council members and the finance ad hoc committee with updates. The team is going to work to ensure that the strategy provides the project with the most cost-effective capital necessary to complete the project.

Sandy Wong introduces Sean Charpentier, new Program Director of C/CAG. Sean will be providing staff support to SMCEL-JPA similar to what Jean Higaki did before she retired.

d) Policy/Program Manager Report.

Matthew Click, Program/Policy Manager (PPM), provided an update on the equity study consultant procurement. In response to SMCEL-JPA RFP, one proposal was received. Staff will go ahead with the consultant interview next Thursday. PPM will work in parallel to the establish an Equity Study Advisory Group.

Matthew Click also provided quick update that the express lane authorizing legislation, AB 194, does not mandate a before and after traffic study. Instead it says you must make traveler and traffic information available to a legislative aide or Caltrans upon their request. He further mentioned any traffic analysis data from the Equity Study can be used to assist with a before and after traffic study, if the JPA desires to conduct such study.

7.0 WRITTEN COMMUNICATIONS

None.

8.0 NEXT REGULAR MEETING

April 10, 2020

ADJOURNMENT – 9:31 a.m.

San Mateo County Express Lanes Joint Power Authority

Agenda Report

Date:	April 10, 2020
To:	San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) Board of Directors
From:	Executive Council
Subject:	Accept the Statement of Revenues and Expenditures for the Period Ending February 29, 2020
	(For further information, contact Derek Hansel, CFO, at 650-508-6466)

RECOMMENDATION

That the SMCEL-JPA Board accept and enter into the record the Statement of Revenues and Expenditures for the Period Ending February 2020.

The statement columns have been designed to provide year to date current actuals for the current fiscal year and the actuals since inception.

BACKGROUND

Year to Date Revenues: As of February year-to-date, the Total Revenue is $0, because there have not been advances under the two operating loan agreements between the SMCEL-JPA, the San Mateo County Transportation Authority and the City/County Association of Governments.

Year to Date Expenditures: As of February year-to-date, the Total Expenditures are $289,867. Major expenses are in Staff Support $154,660, Administrative Overhead $35,757 and Consultant $51,666.

Budget Amendment:
There are no budget amendments for the month of February 2020.

ATTACHMENT

1. Statement of Revenues and Expenditures Fiscal Year 2020 (February 2020)

SAN MATEO COUNTY EXPRESS LANE JPA
STATEMENT OF REVENUES AND EXPENDITURES
Fiscal Year 2020
February 2020

		ACTUAL		BUDGET
		7/1/2019 To 2/29/2020	TOTAL SINCE INCEPTION	ADOPTED BUDGET
	REVENUES:			
1	Advance from San Mateo County Transportation Authority and City/County Association of Governments of San Mateo County	-	-	1,744,911
2	**TOTAL REVENUE**	**-**	**-**	**1,744,911**
	EXPENDITURES:			
3	Staff Support	154,660	154,660	610,276
4	Administrative Overhead	35,757	35,757	53,635
5	Business Travel	81	81	3,000
6	Office Supplies	329	329	3,000
7	Printing and Information Svcs	-	-	5,000
8	Legal Services	28,650	28,650	50,000
9	Consultant	51,666	51,666	880,000
10	Insurance	5,384	5,384	-
11	Miscellaneous	13,340	13,340	140,000
12	**TOTAL EXPENDITURES**	**289,867**	**289,867**	**1,744,911**
13	**EXCESS (DEFICIT)**	**(289,867)**	**(289,867)**	**-**
14	**BEGINNING FUND BALANCE**	**-**	**-**	**-**
15	**ENDING FUND BALANCE**	**(289,867)**	**(289,867)**	**-**

San Mateo County Express Lanes Joint Power Authority
Agenda Report

Date: April 10, 2020

To: San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) Board of Directors

From: Executive Council

Subject: Review and Approval of Resolution SMCEL 20-06 authorizing the Chair to execute an Agreement with ARUP North America Ltd. (ARUP) to perform an Equity Study for the San Mateo County Express Lanes for an amount not to exceed $306,680.

(For further information, contact Sean Charpentier at 650-599-1462 and Matthew Click at 703-999-8444)

RECOMMENDATION

That the SMCEL-JPA Board of Directors review and approve Resolution SMCEL 20-06 authorizing the Chair to execute an Agreement with ARUP North America Ltd. (ARUP) to perform an Equity Study for the San Mateo County Express Lanes for an amount not to exceed $306,680.

FISCAL IMPACT

The total Fiscal Impact will be in the amount of $306,680 spread over the next 16 months. There are sufficient funds in the current SMCEL-JPA operating budget to cover the anticipated expeditures for the current fiscal year, and staff will budget enough money in the succeeding fiscal year/s to fund the balance of the contract.

SOURCE OF FUNDS

The SMCEL-JPA does not currently generate operating revenue and borrows money from both SMCTA and C/CAG to cover its operating budget in Fiscal Year (FY) 2020, to be paid back through toll revenues.

BACKGROUND

On April 11, 2019 and May 2, 2019 the City/County Association of Governments ("C/CAG") Board and the San Mateo County Transportation Authority ("SMCTA") Board, respectively approved the Joint Exercise of Powers Agreement (JEPA) for the Express Lanes Joint Powers Authority (JPA). The JEPA created the JPA pursuant to the California Joint Exercise of Powers Act to oversee the operations and administration of the San Mateo 101 Express Lanes Project, and to jointly exercise ownership rights over the express lanes.

On June 13, 2019 and July 11, 2019 the C/CAG Board and SMCTA Board respectively, approved the First Amended and Restated Joint Exercise of Powers Agreement officially changing the name of the

JPA from Express Lanes Joint Powers Authority to San Mateo County Express Lanes Joint Powers Authority.

One of the purposes of the SMCEL-JPA, as stated in the JEPA, is to create and implement an Equity Program associated with the Express Lanes. The Policy/Program Manager (PPM) is charged with overseeing the Equity Study and development of an implementable Equity Program. The findings of the study and recommendations for an Equity Program will be presented to the SMCEL-JPA Board.

On January 17, 2020, the Request for Proposal (RFP) for an Equity Study Consultant was issued to more than 10 firms and was posted on the SMCEL-JPA website. Staff also elicited the help of other Bay Area toll agencies and interest groups to disseminate the RFP. The deadline to submit responses to the RFP was extended to March 5, 2020, in order to provide interested firms with additional time. One firm, ARUP North America Ltd. (ARUP), submitted a response to the RFP.

On March 19, 2020, a panel interview was conducted. The panelists included the PPM and staff from the Santa Clara Valley Transportation Authority, C/CAG, SMCTA and HNTB. Also SMCEL-JPA Executive Council, Sandy Wong was present to observe the panel deliberation. ARUP received an average passing score from the panelists.

ARUP'S TEAM AND PROPOSAL

Staff recommend awarding the contract to ARUP because of ARUP's experience and skill with community-based process, technical aspects of transportation planning and policy, and the intersection of equity and transportation. Also, the ARUP team has extensive experience in the Bay Area.

ARUP is an employee-owned company that has been serving both public and private clients to plan and design sustainable, innovative development and transportation infrastructure projects. ARUP advises clients on transportation policy around multimodal travel and access, parking, demand management, and new mobility trends. ARUP has been in the Bay Area for over 25 years and has a core group of 30 transportation professionals. For the SMCEL-JPA Equity Study Project, ARUP is engaging two subconsultants: Estolano Advisors and Bob Allen, a Strategic Advisor. Estolano Advisors, a statewide firm based in Los Angeles that is experienced in facilitating meaningful and inclusive conversations across environmental justice communities, community-based organizations, transportation agencies, and cities.

Bob Allen is the Policy and Advocacy Campaign Director at Urban Habitat, where he leads the Transportation Justice Program. He will serve as a strategic advisor to the ARUP's team, providing input and guidance at key stages in the process.

The Equity Study will comprise of policy and planning work that will both seek to gain valuable stakeholder and community input; and, technical analysis of various equity program scenarios as part of the equity program development process over the next 12 months. This project will be extremely dynamic and require several iterations of stakeholder outreach and technical analysis. The ultimate goal of the Equity Study is to develop an implementable Equity Program prior to the opening of the Southern Section of the project in the Fall of 2021.

To complement ARUP's skills, the PPM (HNTB) brings national experience and expertise in the areas of express lanes. In addition to overseeing the entire Equity Study to be conducted by ARUP's Team, the PPM will provide general and technical support (on an as needed basis) to ARUP's Team under the existing HNTB contract.

SCOPE OF WORK:

The Scope of Work of the Equity Study Consultant will include, but is not limited to:
1) Development of a baseline condition technical report to provide an equity needs assessment of the US 101 Express Lanes project area and San Mateo County as a part of the regional express lanes network.
2) Engagement of an Equity Study Advisory Group to receive meaningful input from key stakeholders.
3) Development of a memorandum that incorporates the findings from the existing conditions technical report and guidance from an Equity Study Advisory Group. This memorandum shall include recommendations for an implementable Equity Program for the US 101 Express Lanes.

DELIVERABLES:

The Deliverables from the Equity Study Consultant will include, but is not limited to:
1) Baseline Conditions Technical Report
2) Equity Program and Policy Memorandum

There are many ways to define equity. The scope and budget include the identification and analysis of a reasonable number of potential equity recommendations. If an equity recommendation requires significant analysis beyond what is included in the scope of work, staff might have to return to the Board for a contract amendment if the additional unforeseen work cannot be accommodated within the existing contract.

Staff has negotiated the draft agreement between SMCEL-JPA and ARUP North America Ltd. The final negotiation has not been completeted yet and it is recommended that the Executive Council be authorized to negotiate final terms prior to execution by the Chair, subject to legal counsel approval.

ATTACHMENTS:

1) Resolution SMCEL 20-06
2) Draft Agreement with ARUP North America Ltd. for Equity Study Consultant

RESOLUTION SMCEL 20-06

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN MATEO COUNTY EXPRESS LANES JOINT POWERS AUTHORITY (SMCEL-JPA) AUTHORIZING THE CHAIR TO EXECUTE THE AGREEMENT FOR EQUITY STUDY CONSULTANT WITH ARUP FOR AN AMOUNT NOT TO EXCEED $306,680.

RESOLVED, by the Board of Directors of San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) that,

WHEREAS, the Joint Exercise of Powers Agreement for the San Mateo County Express Lanes was approved by the City/County Association of Governments ("C/CAG") Board and the San Mateo County Transportation Authority ("SMCTA") Board at their board meetings on April 11, 2019 and May 2, 2019, respectively; and

WHEREAS, the First Amended and Restated Joint Exercise of Powers Agreement for the San Mateo County Express Lanes ("JPA Agreement") was approved by the C/CAG Board and the SMCTA Board at their respective board meetings on June 13, 2019 and July 11, 2019; and

WHEREAS, the JPA Agreement created the SMCEL-JPA to: apply to the California Transportation Commission in order to own, administer, and manage the operations of the San Mateo County Express Lanes ("Project"); to share in the ownership, administration, and management of any potential future express lanes within San Mateo County; to set forth the terms and conditions governing the management, operation, financing, and expenditure of revenues generated by express lanes in San Mateo County; and to exercise the powers as provided by law (including but not limited to California Streets and Highways Code Section 149.7, as it now exists and may hereafter be amended); and

WHEREAS, one of the purposes of the SMCEL-JPA stated in the JPA Agreement is to create and implement an equity program associated with express lanes in the County; and

WHEREAS, the SMCEL-JPA desires to retain an Equity Study Consultant to conduct the Equity Study and formulate an implementable Equity Program; and

WHEREAS, staff issued the RFP for an Equity Study consultant on January 17, 2020; and

WHEREAS, by the extended deadline of March 5, 2020 of the RFP, the SMCEL-JPA received one proposal, from ARUP North America Ltd (ARUP); and

WHEREAS, SMCEL-JPA PPM and representatives of C/CAG, SMCTA, and the VTA conducted a panel interview on March 19, 2020; and

WHEREAS, through the Request for Proposal process, staff is recommending the award of contract to ARUP to perform the Equity Study for the formulation of an implementable Equity Program; and

WHEREAS, this Agreement is for a Not to Exceed Amount of $306,680; and

NOW THEREFORE BE IT RESOLVED, by the Board of Directors of the SMCEL-JPA that the Chair is authorized to execute the Agreement for Equity Study Consultant with ARUP for an amount not to exceed $306,680; and further authorize the Executive Council to negotiate the final agreement prior to execution by the Chair, subject to approval by SMCEL-JPA Legal Counsel.

PASSED, APPROVED, AND ADOPTED, THIS 10TH DAY OF APRIL, 2020.

____

Alicia Aguirre, Chair

AGREEMENT
BETWEEN
SAN MATEO COUNTY EXPRESS LANES JOINT POWERS AUTHORITY AND
ARUP NORTH AMERICA, LTD.
TO CONDUCT THE EQUITY STUDY FOR THE SAN MATEO COUNTY EXPRESS LANES

This Agreement entered this ___ day of ___________ **2020**, by and between the San Mateo County Express Lanes Joint Powers Authority hereinafter called "SMCEL-JPA" and Arup North America Ltd., hereinafter called "Consultant".

WHEREAS, the Joint Exercise of Powers Agreement (JEPA) for the San Mateo County Express Lanes was approved by the City/County Association of Governments (C/CAG) Board and the San Mateo County Transportation Authority (SMCTA) Board at their board meetings on April 11, 2019 and May 2, 2019, respectively; and

WHEREAS, the First Amended and Restated Joint Exercise of Powers Agreement (JEPA) for the San Mateo County Express Lanes was approved by the C/CAG Board and the SMCTA Board at their respective board meetings on June 13, 2019 and July 11, 2019; and

WHEREAS, the JEPA created the San Mateo County Express Lanes Joint Powers Authority, a joint powers agency to: apply to the California Transportation Commission in order to own, administer, and manage the operations of the San Mateo County Express Lanes; to share in the ownership, administration, and management of any potential future express lanes within San Mateo County; to set forth the terms and conditions governing the management, operation, financing, and expenditure of revenues generated by express lanes in San Mateo County; and to exercise the powers as provided by law (including but not limited to California Streets and Highways Code Section 149.7, as it now exists and may hereafter be amended); and

WHEREAS, one of the purposes of the SMCEL-JPA stated in the JPA Agreement is to create and implement an equity program associated with express lanes in the County; and

WHEREAS, the SMCEL-JPA desires to retain an Equity Study Consultant to conduct the Equity Study and formulate an implementable Equity Program; and

WHEREAS, on January 17, 2020, staff issued an RFP for an Equity Study consultant; and

WHEREAS, ARUP North America Ltd submitted a proposal; and

WHEREAS, the Consultant represents that it is able to provide said services as described in Attachment A and the billing rate set forth in Attachment B; and

WHEREAS, the parties hereto now wish to enter into this Agreement pursuant to which Consultant will render professional services in connection with the Project as hereinafter provided.

NOW, THEREFORE, IT IS HEREBY AGREED by the parties as follows:

1. **Scope of Work.** Consultant shall provide the following services set forth in Attachment A (SCOPE of WORK and BUDGET). In addition, and as needs are identified, the SMCEL-JPA will present the Consultant with a proposed amendment for any additional work or specific task/s not listed in Attachment A and request a cost proposal. The Consultant will provide the SMCEL-JPA with a cost proposal for the additional specific task applying the billing rates set forth in Attachment B (CONSULTANT KEY PERSONNEL and HOURLY RATES), also attached hereto.

2. **Compensation and Method of Payments.** Subject to duly executed amendments, the SMCEL-JPA will reimburse Consultant for its services as described in the Attachment A with rates based on Attachment B, including (as applicable) labor, supervision, and applicable surcharges such as taxes, insurance, and fringe benefits, indirect costs, overhead, profit, subConsultants' costs (including mark-up), travel, equipment, materials and supplies, expenses and any fixed fee. However, at no point should the total compensation for all Tasks listed in the Attachment A be more than the Not to Exceed Amount of Three Hundred Six Thousand Six Hundred Eighty Dollars ($306,680).

   Payments shall be made to Consultant monthly, based on an invoice submitted by Consultant that has been reviewed and approved by an Executive Council member and identifies expenditures and describes services performed in accordance with Attachment A. The SMCEL-JPA shall have the right to receive, upon request, documentation substantiating charges billed to the SMCEL-JPA.
   All invoices and/or requests for payments shall be submitted to:

   San Mateo County Express Lanes Joint Powers Authority
   555 County Center, 5th Floor
   Redwood City, CA 94063
   Attention: Van Dominic Ocampo

3. **Key Personnel.** The key personnel to be assigned to this contract by Consultant, their hourly rates, and the estimated hours to be supplied by each, are set forth in Attachment B, attached hereto and incorporated herein by this reference. Substitution of any key personnel named in Attachment B or decrease in the hours provided to the project by such key personnel will require the prior written approval of the SMCEL-JPA. Any substitution shall be with a person of commensurate knowledge and experience, unless otherwise approved by the SMCEL-JPA. Consultant shall maintain records documenting compliance with this Article, and such records shall be subject to audit. Consultant agrees that all personnel assigned to this work will be professionally qualified for the assignment to be undertaken. SMCEL-JPA reserves the right to direct removal of any individual, including key personnel, assigned to this work.

4. **Amendments.** SMCEL-JPA reserves the right to request changes in the services to be performed by Consultant. All such changes shall be incorporated in written amendments that specify the changes in work to be performed and any adjustments in compensation and schedule. All amendments shall be executed by the SMCEL-JPA and Consultant, and specifically identified as amendments to this Agreement.

5. **Relationship of the Parties**. It is understood that Consultant is an Independent Contractor and this Agreement is not intended to, and shall not be construed to, create the relationship of agent, servant, employee, partnership, joint venture or association, or any other relationship whatsoever other than that of Independent Contractor. Consultant has no authority to contract or enter into any agreement without the prior approval of the SMCEL-JPA Board. Consultant has, and hereby retains, full control over the employment, direction, compensation and discharge of all persons employed by Consultant who are assisting in the performance of services under this Agreement. Consultant shall be fully responsible for all matters relating to the payment of its employees, including compliance with social security, withholding tax and all other laws and regulations governing such matters. Consultant shall be responsible for its own acts and those of its agents and employees during the term of this Agreement.

6. **Non-Assignability**. Consultant shall not assign this Agreement or any portion thereof to a third party without the prior written consent of the SMCEL-JPA.

7. **Period of Performance.** Consultant's services hereunder shall commence upon execution of this Agreement by both parties, and shall be for a period of up to 16 months, unless extended by a duly executed amendment or terminated by the SMCEL-JPA Board at any time for any reason by providing 30 days' notice to Consultant. Termination to be effective on the date specified in the notice. In the event of termination under this paragraph, Consultant shall be paid for all services provided to the date of termination.

8. **Hold Harmless/ Indemnity.** Consultant shall indemnify and hold harmless the SMCEL-JPA, its board members, agents, officers, and employees from both C/CAG and SMCTA involved the project, against all claims, suits or actions to the extent caused by the negligence, errors, acts or omissions of the Consultant, its agents, sub-consultants, officers or employees related to or resulting from the performance, or non-performance, under this Agreement. For claims arising from Consultant's professional services, Consultant shall have no upfront duty to defend but shall be responsible for defense costs as part of its indemnity obligation.

   The duty to indemnify and hold harmless as set forth herein shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

9. **Insurance and Financial Security Requirements**
   Consultant shall, at its own expense, obtain and maintain in effect at all times for the duration of this Agreement the types of insurance and financial security listed in Attachment C, Insurance, attached hereto and incorporated herein, against claims, damages and losses due to injuries to persons or damage to property or other losses that may arise in connection with

the performance of work under this Agreement. All policies will be issued by insurers acceptable to the SMCEL-JPA, generally with a Best's Rating of A- or better with a Financial Size Category of VIII or better.

Consultant or its sub-consultants performing the services on behalf of Consultant shall not commence work under this Agreement until all insurance required under this section has been obtained. Consultant shall furnish the SMCEL-JPA with Certificates of Insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending the Consultant's coverage to include the contractual liability assumed by Consultant pursuant to this Agreement. These Certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to the SMCEL-JPA of any pending change in the limits of liability or of non-renewal, cancellation, or modification of the policy.

Workers' Compensation and Employer Liability Insurance: The Consultant shall have in effect, during the entire life of this Agreement, Workers' Compensation and Employer Liability Insurance providing full statutory coverage.

Liability Insurance: Consultant shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect Consultant, its employees, officers and agents while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all operations under this Agreement, whether such operations be by Consultant or by any sub-Consultant or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall be not less than $1,000,000 unless another amount is specified below and shows approval by the SMCEL-JPA.

Required insurance shall include:		Required Amount
a.	Comprehensive General Liability	$ 1,000,000
b.	Workers' Compensation	$ Statutory

The SMCEL-JPA and its officers, agents, employees and servants shall be named as additional insured on any such policies of insurance, which shall also contain a provision that the insurance afforded thereby to the SMCEL-JPA, its officers, agents, employees and servants shall be primary insurance to the full limits of liability of the policy, and that if SMCEL-JPA, or its officers and employees have other insurance against a loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, the SMCEL-JPA Board Chair, at his/her option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.

10. **Non-discrimination**. The Consultant and any sub-Consultants performing the services on behalf of the Consultant shall not discriminate or permit discrimination against any person or group of persons on the basis of race, color, religion, national origin or ancestry, age, sex, sexual orientation, marital status, pregnancy, childbirth or related conditions, medical condition, mental or physical disability or veteran's status, or in any manner prohibited by federal, state or local laws.

11. **Compliance with All Laws**. Consultant shall at all times comply with all applicable laws and regulations, including without limitation those regarding services to disabled persons, including any requirements of Section 504 of the Rehabilitation Act of 1973.

12. **Sole Property of the SMCEL-JPA**: Work products of Consultant which are delivered under this Agreement or which are developed, produced and paid for under this Agreement, shall be and become the sole property of the SMCEL-JPA. Consultant shall not be liable for the SMCEL-JPA's use, modification or re-use of products without Consultant's participation or for purpose other than those specifically intendent pursuant to this Agreement.

13. **Access to Records.** The SMCEL-JPA, or any of their duly authorized representatives, shall have access to any books, documents (including electronic), papers, videos voice recording, and records of Consultant, which are directly pertinent to this Agreement for the purpose of making audit, examination, excerpts, and transcriptions. The Consultant shall maintain all required records for three years after the SMCEL-JPA makes final payments and all other pending matters are closed.

14. **Merger Clause.** This Agreement, including all Attachments are hereto added and incorporated herein by reference, constitutes the sole agreement of the parties hereto with regard to the matters covered in this Agreement, and correctly states the rights, duties and obligations of each party as of the document's date. Any prior agreement, promises, negotiations or representations between the parties not expressly stated in this Agreement are not binding. All subsequent modifications shall be in writing and authorized by the SMCEL-JPA Board. In the event of a conflict between the terms, conditions or specifications set forth herein and those in Attachment A attached hereto, the terms, conditions or specifications set forth herein shall prevail.

15. **Governing Law.** This Agreement shall be governed by the laws of the State of California, without regard to its choice of law rules, and any suit or action initiated by either party shall be brought in the County of San Mateo, California.

16. **Notices.** All notices hereby required under this agreement shall be in writing and delivered in person or sent by certified mail, postage prepaid and addressed as follows:

San Mateo County Express Lanes Joint Powers Authority

555 County Center, 5th Floor
Redwood City, CA 94063
Attention: Sean Charpentier

With a copy to:

Matthew Click
PPM
San Mateo County Express Lanes Joint Powers Authority
HNTB Corporation
111 Broadway, 9th Floor
Oakland, CA 94607

Notices required to be given to the Consultant shall be addressed as follows:

Dahlia Chazan
Associate Principal
ARUP North America Ltd.
560 Mission Street, Suite 700 San
Francisco, CA 94105

17. **Third Parties.** Services provided by Consultant herein are solely for the benefit of SMCEL-JPA and nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party.

18. **Reliance (limited to Revenue Forecasting task only).** Consultant shall be entitled to rely on the completeness and accuracy of services, information and documents furnished by or on behalf of SMCEL-JPA. If the Deliverable is a report, it is understood by SMCEL-JPA that it is intended for and may be relied upon only by SMCEL-JPA. Any reliance by a third party ("Recipient") is subject to Consultant's prior written consent at its sole discretion and subject to the third-party execution of Consultant's standard form reliance letter. Consultant emphasizes that the forward-looking projections, forecasts, or estimates are based upon interpretations or assessments of available information at the time of writing. The realization of the prospective financial information is dependent upon the continued validity of the assumptions on which it is based. Actual events frequently do not occur as expected, and the differences may be material. For this reason, Consultant accepts no responsibility for the realization of any projection, forecast, opinion or estimate. Findings are time-sensitive and relevant only to current conditions at the time of writing. Consultant will not be under any obligation to update the report to address changes in facts or circumstances that occur after the date of our report that might materially affect the contents of the report or any of the conclusions set forth therein. Consultant may supply written advice or confirm oral advice in writing or deliver a final written report or make an oral presentation on completion of the Services. Prior to completion of the Services Consultant may supply oral, draft or interim advice or reports or presentations but in such circumstances Consultant's written advice or Consultant's final written report shall take precedence. No reliance shall be placed on any draft or interim advice or report or any draft or interim presentation.

IN WITNESS WHEREOF, the parties hereto have affixed their hands on the day and year first above written.

ARUP North America, Ltd. (Consultant)

By: ______________________________ ______________________

Dahlia Chazan – Associate Principal Date

San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA)

By: ______________________________ ______________________

Alicia Aguirre - Chair Date

Attest by:

By: ______________________________ ______________________

Mima Guilles – Secretary of the Board Date

Approved as to form:

By: ____ __________________________

Timothy Fox – Legal Counsel Date

Attachment A
(SCOPE OF WORK and BUDGET)

The Scope of Work for the Equity Study Consultant will include, but is not limited to:

Note: Tasks highlighted in yellow would be scaled back if Arup is unable to proceed with aspects of the scope related to revenue forecasting.

0) Project Management
    a. The consultant shall conduct a kickoff meeting within one week of NTP.
    b. The consultant will host weekly telephonic update meetings of up to one hour with the PPM and JPA staff.
1) Develop a baseline condition technical report to provide an equity needs assessment of the US 101 Express Lanes project area and San Mateo County as a part of the regional express lanes network. This assessment should include, at minimum:
    a. Assist SMCEL-JPA (JPA) to define the Equity Study problem statement, set objectives, and recommend the methods to study equity and tolling. This shall inform activities to manage the Equity Study, including all public, stakeholder, and agency involvement.
        i. Develop and implement the Equity Study schedule, including deliverable and presentation milestones, with guidance and approval from the SMCEL-JPA PPM (PPM). The consultant team shall prepare a draft Equity Study schedule and submit it to PPM staff for review and approval.
        ii. Identify and engage, under guidance and approval from the PPM, stakeholder, agency, and community groups, to gather input and feedback throughout the Equity Study. Prepare a draft stakeholder, agency and community group engagement plan and submit to the PPM for review and approval. The stakeholder engagement plan shall include, at a minimum:
            1. Roster of primary stakeholder contacts, organized by affiliated organization, with contact information and a secondary, or contingency contact to represent that organization in the event the primary stakeholder contact is unable to participate.
            2. Annotated list of targeted stakeholder organizations, their jurisdiction or subject area of focus, and the purpose for their inclusion in the stakeholder engagement plan.
            3. Draft recommended progress report template for submission to the PPM for the duration of stakeholder engagement.
            4. Schedule of meetings, presentations, interviews with stakeholders, and progress reports to the PPM. The schedule shall include durations of, and dependencies among, stakeholder engagement tasks.
            5. Repository or tool to track stakeholder engagement progress for reporting to the PPM.
        iii. Define Equity Study problem statement, objectives, and methods.
            1. Conduct phone interviews with up to 8 PPM staff, JPA Board members, and key stakeholders to gather input on the Equity Study problem statement, objectives and methods to study equity and tolling.
            2. Prepare a memo recommending draft problem statement, objectives, target populations and study methods.
            3. Submit the memo to the PPM for review and approval.

iv. Attend meetings (up to five) of the SMCEL-JPA (JPA) board throughout the 12-month project period.
v. Present and gather feedback on the Equity Study schedule, engagement plan and problem statement memo at the first meeting of the Equity Study Advisory Group (ESAG).
vi. Upon PPM approval, include the Equity Study schedule, engagement plan, and problem statement memo in the Needs Assessment and Equity Study Baseline Conditions Technical Report.
vii. Coordinate the ESAG. The consultant team will use the ESAG roster (as provided by the PPM) to contact prospective ESAG members to solicit their participation. The goal is to establish an ESAG membership of up to 25 members, and the PPM will provide a list of up to 30 members to invite.
    1. Schedule and facilitate ESAG meetings once every two months, either virtually or in person, not to exceed 6 meetings over a 12-month period. The meeting schedule prepared for Task 1a shall include the ESAG schedule, which should incorporate milestones such as submittals and meetings designated for review and input. Present Equity Study progress during meetings.
    2. Draft and distribute meeting agendas, collateral, and presentation materials upon review and approval by the PPM.

b. Review applicable local, regional, state, and federal transportation equity rules, regulations, standards, and studies.
    i. This review shall include, but not be limited to:
        1. Existing or ongoing equity studies, such as the US 101 Mobility Action Plan and Transform's "Pricing Roads, Advancing Equity" report.
        2. Existing Bay Area express lanes operators' current measures and future plans to address equity.
        3. Potential issues, conflicts, or opportunities from various implementation scenarios of equity and tolling policies at the regional level.
        4. National tolling operators' equity policies to provide policy context and understanding of opportunities and challenges.
        5. National, regional, and local social equity, environmental justice, and/or community impact assessment regulations, guidelines, and reference literature.
    ii. Findings from 1b.i. shall be included in the Baseline Conditions Technical Report and shall be used to inform the development of equity metrics in task c.

c. Determine potential equity impacts to measure.
    i. Equity impacts to consider may include (but not be limited to) the following:
        1. Economic burden or lack of resources to receive benefits from the facility;
        2. Mobility constraints (e.g. travel time burdens, travel time reliability, travel cost, travel choice flexibility, value of time comparison);
        3. Other transportation issues and how they affect employment, health, education;
        4. Other measures of accessibility.
    ii. Solicit input and feedback from the ESAG (at a regularly scheduled meeting of the ESAG as described in Task 1b).

iii. Submit recommended equity metrics to the PPM for revision and approval. The recommended equity metrics will:
   1. Respond to the problem statement and objectives approved in Task 1a.
   2. Include metrics related to the quality and accessibility of transit service and active modes as well as automobile travel.
   3. Define study terms, such as: burden, benefit, impact, disadvantaged, communities of concern, low-income, and minority populations.
   4. Identify benchmarks/thresholds of impact severity, informed by the literature review in task 1b.

iv. Define metrics to assess transportation outcomes as a result of expected EL operational and financial performance. Such metrics could include (but are not limited to) average person and/or vehicle throughput (on both a daily and peak-hour basis), average toll rate (daily and peak hour), average peak travel time, and projected annual revenue (for the sole purpose of informing policy choices, not investment grade analysis)

d. Analyze current and projected demographic and GIS data to identify US 101 corridor and Express Lane users, including equity groups.

i. Data gathering: The consultant team shall gather available data about the populations who are the focus area of this study according to the approved equity metrics (1.c.i).
   1. Key demographic data shall include (but not be limited to) income, race, ethnicity, disability, age, limited English proficiency (LEP), educational attainment, mode of travel to and from work, time leaving home from work, automobile ownership, among others.
   2. The demographic data analyzed shall be grouped within the DIA and the IIA, at minimum. The consultant may expand the geographic boundaries of analysis to further contextualize and compare relevant findings.
   3. The consultant shall determine the data sources used to develop the US 101 EL Traffic and Revenue study (T&R), and whether those sources are available for use in this study. If those sources are not available, the consultant shall propose a methodology for how alternative data sources will be used to approximate socio-economic analysis conducted in the T&R. Alternative data sources shall be used in-lieu of unavailable T&R data sources, and they may be used in addition to T&R data. But they shall not be used as a replacement for available T&R data sources.
   4. The consultant shall gather data from the US Census Bureau (including Census, American Community Survey and Longitudinal Employer Household Dynamic data), MTC/ABAG and the California Household Travel Survey. The consultant shall also contact up to 10 local agencies and non-profit service providers that serve disadvantaged communities in San Mateo County to identify data they are able to share.

ii. The Direct Impact Area (DIA) will provide a narrow geographic boundary of analysis and shall include, at minimum, communities within 1 mile of the corridor.
   1. Refine the boundaries of the draft Direct Impact Area based on the existence of on/off ramps, feeder roads and parallel arterials that are subject to spillover/cut through traffic as a result of traffic conditions on 101.

2. Further refine the boundaries of the draft Direct Impact Area based on geographic data from Cal-EPA (CalEnviroScreen) and MTC's Communities of Concern.
3. Prepare a demographic analysis of the households located in the draft DIA and IIA, using approved equity metrics as compared to general County averages (without regard to social equity status).

iii. The Indirect Impact Area (IIA) will provide a broad geographic boundary of analysis and shall include, at minimum, San Mateo County.
1. Use demographic and geographic information to identify whether populations in the Indirect Impact Area are likely to be burdened by the express lanes based on approved equity metrics.
2. Findings about these populations shall include, at minimum, which census tracts in the County have the greatest share of burdened households.
3. Revise the boundaries of the Indirect Impact Area based on tests of statistical significance.

iv. Findings of existing conditions shall be included in the Needs Assessment. This document shall be delivered to the PPM for review and approval.

v. Upon approval of the Needs Assessment, the consultant shall refine necessary parameters to analyze future or expected conditions. Findings of current and future conditions analyses shall be included in the Baseline Conditions Technical Report (see 1e).

vi. The consultant shall present a summary at regularly-scheduled meetings of the JPA Board and the ESAG (not to exceed two meetings in total, as described in Task 1b).

e. Analyze readily available current and projected transportation demand and traffic data, according to findings from the US 101 EL T&R and the approved equity metrics (1.c.i).

i. Apply and post-process an existing select link analysis to assess trip patterns and impacts on travel time and destination accessibility.
1. The consultant shall post-process the select link analysis performed for the project T&R. If the existing select link analysis is not readily available, the consultant shall propose to the PPM an alternative means to approximate select link analysis, including limited model iterations, subject to availability of the VTA.
2. Prepare an O-D matrix based on the VTA model and/or the project T&R output to estimate the share of projected demand on the 101 corridor which can be attributed to each demographic group according to the approved equity metrics and the demographic analysis.

ii. Analyze the value of time/willingness to pay by demographic group and trip purpose to inform the development of potential demand scenarios, based on existing PPM information about demand sensitivity, to reflect the behavioral differences of travelers according to demographic group.

iii. Develop up to five scenarios of potential link demand based on varying toll prices, and other transportation measures according to the approved equity metrics, that show how various groups are likely to respond to each toll price.

iv. Create a spreadsheet-based tool that can evaluate different pricing and travel scenarios, estimating their projected impact on, traffic operations, relevant equity metrics, and express lane revenues, (for the sole purpose of informing policy choices, not investment grade analysis and only if directed by the JPA)

f. Refine the Equity Study goals, objectives, and study area boundaries (DIA, IIA) based on analysis, as necessary.
g. Develop and implement a public engagement strategy that identifies target audiences , disadvantaged populations and community-based organizations (CBOs) to involve based on the analysis and refined study area. This first of two public engagement steps shall identify existing or potential community transportation issues regarding the US 101 Express Lanes facility. Consultant shall submit the public engagement strategy to the PPM for review and approval. In response to the Covid-19 pandemic and current shelter in place mandates, the consultant will utilize a tailored approach to incorporate virtual engagement activities in the near-term as needed, followed by in-person engagements if social distancing protocols are lifted during the 12-month study. The priority is to be responsive to the challenges facing disadvantaged populations during this time while fostering meaningful engagement.

   These activities will be undertaken in partnership with CBOs to be identified by the consultant, with approval from the PPM. The consultant may provide subgrants to CBOs to support their participation. Activities should include, but not be limited to:
   i. Collect public engagement data to include, but not be limited to:
      1. Focus groups
      2. Surveys
      3. Public workshops or pop-ups
      4. Stakeholder interviews or workshops
      5. Virtual engagement strategies, such as livestream discussions, development of social media content for distribution by CBOs, and online surveys.
   ii. Produce and distribute all necessary collateral for public engagement, such as FAQs, fact sheets, web-site content, social media, presentations, etc.
   iii. Booking all venues and staffing all public meetings which may include presenting at meetings
   iv. Provide translation services for all collateral in Spanish and Chinese and other languages if necessary, and meeting translation services if needed
   v. Provide detailed documentation of input received at each meeting or activity and produce a memo with findings of public outreach.
h. Synthesize geographic, demographic, transportation, and public engagement findings to complete a needs assessment of current and future equity concerns that may be affected by the US 101 Express Lanes post-opening.
   i. Analyze and document findings to determine social equity impact and severity relative to equity metrics adopted in Task 1c, appropriate governing guidelines, and in comparison, to peer projects, where applicable.
   ii. Findings shall be included in the Baseline Conditions Technical Report which the consultant shall submit to the PPM for review and approval. Upon approval, the consultant shall present the Baseline Conditions Technical Report at regularly scheduled meetings of the JPA Board and ESAG (not to exceed two meetings in total, as described in Task 1b).

2) Develop a memorandum that incorporates the findings from the existing conditions technical report and guidance from the Equity Study Advisory Group. This memorandum shall include the recommendation for an Equity Program for the US 101 Express Lanes.
   a. Recommend an Equity Program:

i. Develop 3-4 potential equity programs based on the findings of task 1, as well as input from the Equity Study Advisory Group, community workshops, and stakeholder input. Submit the potential equity programs for review and approval from the PPM and JPA Board.
ii. Use the spreadsheet tool developed in Task 1e and the equity metrics developed in Task 1c to evaluate the performance of the 3-4 potential equity programs relative to express lane operations and revenues (for the sole purpose of informing policy choices, not investment grade analysis and only if directed by the JPA).
iii. Evaluate the 3-4 potential equity programs relative to the equity metrics adopted in Task 1c.
iv. Present the analyses of the 3-4 potential equity programs at a regularly scheduled meeting of the Equity Study Advisory Group to solicit their feedback.
v. Based on feedback from the Equity Study Advisory Group and the PPM, draft a Recommended Equity Program for the US 101 Express Lanes to include:
    1. Strategies to address and mitigate potential equity concerns.
    2. Implementation plan for the recommended mitigation strategies.
    3. Monitoring plan to ensure effective mitigation, post-opening, that define key performance indicators (KPI) of the mitigations' effectiveness.

b. Plan and implement the second phase of the public engagement strategy. Using new or the same engagement methods, as appropriate, this phase shall gather public perceptions and input to refine all components of the draft Equity Program.
c. Prepare a policy memorandum that incorporates the public input, stakeholder feedback, ESAG guidance, and needs assessment findings to recommend an equity program for the US 101 Express Lanes. The policy memorandum will succinctly summarize our recommendations into a reader-friendly document intended for a variety of decisionmakers and stakeholders.
d. The consultant shall submit the Baseline Conditions Technical Report, Needs Assessment Findings and Equity Program Recommendation to the PPM for review and approval. Upon approval, the consultant shall submit the final documents to the ESAG for review and SMCEL-JPA for approval.
e. The consultant shall attend and present, either virtually or in person, at a regularly scheduled meeting of each of the three boards and the ESAG (no more than twelve meetings).
f. Deliver up to ten presentations to government agencies, public interest groups, community organizations, and other stakeholders identified by the PPM.

<u>Required ESAG and Board Meetings (number not to exceed)</u>

1. Equity Study Advisory Group, ESAG (6)
2. JPA Board (5)
3. Project Update Meetings for other Boards (e.g. C/CAG or SMCTA), Agencies (e.g. Caltrans), and/or Stakeholder Groups, as requested (12)*

*NOTE: This does not include public meetings identified by the consultant as necessary for public outreach activities or required project management meetings.

<u>Deliverables</u>

1. Baseline Conditions Technical Report

a. Literature review findings
b. Stakeholder findings
c. Methodology
d. Needs Assessment
   i. Equity metrics
   ii. Demographic, geographic analysis
   iii. Transportation data analysis
   iv. Public Engagement phase I findings
   iv. Synthesis, conclusion of equity needs assessment

2. Equity Program and Policy Recommendations Memorandum
   a. Summary Baseline Conditions Technical Report
   b. Public engagement phase II finding
   c. Mitigation strategies (if applicable)
   d. Equity program recommendations
   e Monitoring strategy

Assumptions

1. The PPM will provide a single round of consolidated, internally consistent comments on each draft deliverable, and the consultant will prepare a final deliverable on the basis of those comments.

San Mateo County Express Lanes Equity Study

4.3.2020			Arup						Estolano Advisors					Bob Allen Strategic Advisor
		Name	**Dahlia Chazan**	**Autumn Bernstein**	**Joerg Tonndorf**	**Christa Cassidy**	**Joseph Kaylor**	**Total**		**Richard France**	**Riley O'Brien**		**Total**	Bob Allen
		Title	Associate Principal	Senior Planner	Associate Principal	Planner	Traffic Engineer			Principal	Associate	Research Analyst		
Hourly Rate		*Rate (fully loaded)*	300	210	300	135	135			260	130	95		125
Task														
1	**Baseline Conditions Technical Report and Needs Assessment**													
1a	Define objectives, ESAG facilitation (includes 15 in-person meetings)		4	198	16	72	0	57,300		16	25		7,410	1,500
1b	Literature review		0	4	0	24	0	4,080					-	
1c	Define equity metrics		2	8	4	12	24	8,340		6	12		3,120	1,500
1d	Demographic analysis		0	8	6	18	80	16,710		2	2		780	
1ei-iiii	Travel behavior analysis		0	8	10	18	40	12,510		4	8		2,080	
1eiv	Create spreadsheet tool to analyze different equity program options*		0	8	14	18	80	19,110		2	2		780	
1f	Refine objectives		0	4	2	12	12	4,680		2	8		1,560	
1g	Public engagement (phase one)		0	4	0	24	0	4,080		36	48	48	20,160	
1h	Needs assessment		4	32	2	80	24	22,560		2	6	8	2,060	1,500
2	**Develop equity program memorandum**													
2a	Draft and analyze 3-4 versions of equity program*		2	12	10	22	40	14,490		12	36		7,800	1,500
2b	Public engagement (phase two)		0	2	0	24	0	3,660		24	24	60	15,060	
2c	Draft policy memo		1	4	0	22	0	4,110		6	24	24	6,960	
2d-e	Board review and finalize (includes 3 in-person meetings)		1	24	0	8	0	6,420		0	0	0	-	1,500
2f	Present to stakeholders		0	18	0	84	0	15,120		0	0	0	-	
0	**Project Management**		**18**	**52**	**0**	**24**	**0**	**19,560**		**12**	**12**		**4,680**	
Total			**32**	**386**	**64**	**462**	**300**	**212,730**		**124**	**207**	**140**	**72,450**	**7,500**

Fee Total		**292,680**
Expenses		
CBO sub-grants		10,000
Travel costs		4000
Expenses Subtotal		**14,000**
Overall Total		**306,680**

NOTE: Arup's rates are valid through March 31, 2021; if the project extends beyond that time, they will need to be adjusted

* Fee for Tasks (1eiv) and (2a) are subject to modification regarding T&R scope reduction per JPA Board direction.

Attachment B
(CONSULTANT KEY PERSONNEL AND HOURLY RATES)

Arup Rates

These rates are subject to change in April 2021 and each April thereafter. Rate increases will be capped at 3% in 2021 and subject to negotiation in 2022 and beyond.

Name	**Title**	**Hourly Rate**
Dahlia Chazan	Associate Principal	$300
Autumn Bernstein	Senior Planner	$210
Joerg Tonndorf	Associate Principal	$300
Christa Cassidy	Planner	$135
Joseph Kaylor	Traffic Engineer	$135

Estolano Advisors Rates

Name	**Title**	**Hourly Rate**
Richard France	Principal	$260
Riley O’Brien	Associate	$130
	Research Analyst	$95

Bob Allen Rate

Name	**Title**	**Hourly Rate**

Bob Allen	Strategic Advisor	$125

Attachment C

INSURANCE PROVISION

San Mateo County Express Lanes Joint Power Authority

Agenda Report

Date: April 10, 2020

To: San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) Board of Directors

From: Executive Council

Subject: Informational update on the negotiation of the Express Lane Project loan between the SMCTA and SMCEL-JPA

(For further information, contact Sean Charpentier at 650-599-1462)

RECOMMENDATION

Receive informational update on the negotiation of the Express Lane Project loan between the SMCTA and SMCEL-JPA.

FISCAL IMPACT

This is an informational item and there is no associated fiscal impact. The proposed Express Lane project loan would be repaid from future toll revenues. The financial aspects of the proposed loan are discussed below.

SOURCE OF FUNDS

Not applicable.

BACKGROUND

The City/County Association of Governments ("C/CAG") Board, the San Mateo County Transportation Authority ("SMCTA") Board and Caltrans approved two Cooperative Agreements for the construction and funding of the Express Lanes project. The total project cost is $581 million. The project utilizes nine separate funding sources.

FUND SOURCE	AMOUNT (in millions)
SMCTA Local Measure A	$30.50
Private Contributions	$53.00
Federal	$9.50
STIP Administered by C/CAG	$33.50
ITIP (State)	$18.00
SHOPP (State)	$33.14
SB1 (LPP and SCC)	$222.03
Regional Toll Revenues (MTC)	$95.00
Future Toll Revenue	$86.47
TOTAL	**$581.14**

As noted in the table above, $86.47 million is expected to come from future toll revenue of the US 101 express lanes in order to cover costs not otherwise funded by grants. It is estimated that a bond/loan of $100 million will be needed for the $86 million mentioned above, various costs and fees associated with a bond loan, coordination costs associated with the 101/Holly Interchange reconstruction project, first year start up express lanes operational costs for the early opening of the southern segment, and the bond interest for the early years before there will be net positive toll revenues. The SMCTA has committed to making such a loan to be secured by Authority sales tax revenues, with the loan and interest to be repaid by the SMCEL-JPA from future toll revenues.

Funding drawdown for the construction project (the $86.47 million portion) is expected to be approximately 30 monthly payments ranging from $4.96 million per month to $0.4 million per month between April 2020 and September 2022.

Since late 2019, the SMCEL-JPA's Ad Hoc Finance Committee met with staff to discuss the appropriate financing vehicle to provide the funding needed for the project as discussed above. The SMCEL-JPA received an informational update at the SMCEL-JPA December 13, 2020 meeting. On January 10, 2020, the SMCEL-JPA engaged the services of PFM Financial Advisors LLC (PFM) as a financial advisor and Nixon Peabody LLP as legal counsel to assist the SMCEL-JPA in its negotiation of such financing terms with the SMCTA.

The instability in the capital markets due to the Covid-19 crisis will likely delay the SMCTA's issuance of bonds. It is not known how long the disruption in the municipal finance market will last. However, the SMCTA must begin making monthly project payments starting in April 2020, and the SMCTA suggested an Interim Loan structure so that the SMCEL-JPA would be able to repay the SMCTA for the monthly project payments made before the future issuance of bonds.

On March 19, 2020, the SMCEL-JPA Ad Hoc Finance Committee had a meeting with the PPM, SMCEL-JPA Executive Council, PFM, Nixon Peabody, and representatives from the SMCTA. The Ad Hoc Finance Committee had a subsequent meeting on March 31, 2020 with the PPM, SMCEL-JPA Executive Council, PFM, and Nixon Peabody. In response to these meetings, PFM has prepared a memo with an overview of the key points of the proposed loan structure. See Attachment 1. Ross Financial, the SMCTA's financial advisor, has prepared a memo on the proposed financing structure and prepared a Preliminary Term Sheet. See Attachment 2.

This is an informational item intended to solicit feedback from the SMCEL-JPA Board. SMCEL-JPA staff and advisors will continue to update and engage the SMCEL-JPA Ad Hoc Finance Committee and negotiate with the SMCTA staff and advisors.

ATTACHMENTS:

1) PFM Memorandum April 6, 2020
2) Ross Financial Memo (SCMTA's Financial Advisor) April 3, 2020; and Preliminary Term Sheet

April 6, 2020

Memorandum

To: The San Mateo County Express Lanes Joint Powers Authority

From: PFM Financial Advisors LLC

RE: Overview of Proposed Loan from San Mateo County Transportation Authority to the San Mateo County Express Lanes JPA for the Express Lanes Project

INTRODUCTION

PFM Financial Advisors LLC ("PFM"), as financial advisor to the San Mateo County Express Lanes Joint Powers Authority (the "SMCEL-JPA" or the "JPA"), is providing this memo as an update on the proposed loan from the San Mateo County Transportation Authority (the "TA") to the JPA to equip and install approximately 22 miles of managed lanes in both directions on US 101 from the San Mateo/Santa Clara County line to Interstate 380 (the "Project"). At this point in the loan transaction, there is not yet prepared a draft loan agreement. There is, however, a draft term sheet that details the more salient financial and legal terms that will provide the structure to the loan agreement. There has also been prepared a draft memo from the TA's financial advisor and several discussions between the JPA's team and the TA's team. Based upon the draft term sheet, the TA's memo discussing the proposed loan structure and the discussions had to date, this memorandum is intended to provide an update and a framework to the JPA Board that outlines the proposed loan transaction. While not all terms and conditions are yet defined, this framework should establish for the JPA Board a common understanding of the deal-points outlined so far, and allow for discussion, questions and direction from the Board within that framework.

OVERVIEW OF PROPOSED STRUCTURE

The San Mateo County Transportation Authority intends to issue variable rate sales tax bonds (the "Bonds") secured by a pledge of the TA's Measure A sales tax and its portion of the Measure W sales tax. The TA will loan the proceeds of the Bonds to the San Mateo County Express Lanes Joint Powers Authority to fund a portion of the Project. Once the Project becomes operational, the SMCEL-JPA is to pay monthly interest costs to the TA on the loan and repay the principal amount of the loan as soon as possible. The SMCEL-JPA will make payments from toll revenues generated from the Project net of operation and maintenance expenses and an annual set aside for equity projects. Under this loan structure, the TA is the lender and the SMCEL-JPA is the borrower. This loan structure is somewhat unique between transportation agencies and a separate JPA or outside agency. There are some similar examples, but few that are directly comparable. The financial and legal team will continue to research comparable lending transactions and share those findings in the weeks to come. The unique nature of this loan structure is not a troubling factor, bur rather reflects the limitations that many transportation authorities have in their ability to deviate from very specific, voter approved expenditure plans that are passed with the voter-approved sales tax programs.

The Bonds will be sized in the approximate amount of $100,000,000. This amount will fund SMCEL-JPA's Project costs, capitalized interest for three years, and issuance costs. Capitalized interest is essentially borrowing to pay interest on the Bonds while the Project is being constructed and prior to Project net revenues being available to make payment.

The TA expects to issue the Bonds as long-term, variable rate bonds. They will be sold as public securities, purchased by municipal bond investors (Vanguard, Blackrock, etc.). The final principal repayment (i.e., final maturity) of the Bonds will likely be 30-years from the issuance date (i.e., 2050). Principal on the Bonds may be prepaid early without penalty. The interest rate will be a variable rate, which will be reset each week or each day (depending on the final interest rate mode selected). The interest rate will be based upon investor demand for the bonds. As a proxy, we expect the interest rate on the bonds to set close to the SIFMA (Securities Industry and Financial Markets Association) Index. The SIFMA Index is a weekly index tracking the average reset rate for 7-day, high-grade tax-exempt variable rate bonds that are reported to the Municipal Securities Rule Making Board's (MSRB's) each week.

In a normally functioning financial market, there is consistency with the weekly or daily resets, without many surprises. In times of financial market stress, variable bond rates can spike as investors sell their short-term securities when seeking immediate liquidity. One such spike in short-term municipal variable bond rates is occurring now, during the COVID -19 crisis. Over the last 27 years, the SIFMA index has averaged 1.86%. The highest rate during that time was a weekly reset of 7.96% (9/24/2008) during the 2008 financial crisis. With the use of federal financial market tools (e.g., lowering the federal funds rate and pumping liquidity/cash into the financial markets) that weekly rate decreased to 1.12% by November 12, 2008. Recently, SIFMA peaked at 5.2% on March 18, and decreased to 4.71% on March 25th, and reset most recently to 1.83%. While variable rates are typically stable, they are subject to market volatility, as seen in recent weeks. As a worst case-scenario, State law restricts the interest rate on publicly sold securities to 12%.

The reason the TA is proposing a variable rate bond structure is because of the flexible principal repayment terms that are common to variable rate bonds. While the final maturity of the bonds will be 30-years, the bonds may be repaid on any interest payment date (i.e., monthly) as funds become available. This provides the flexibility to keep the bonds outstanding as long as necessary – i.e., until sufficient net excess revenues are realized from the managed lane toll revenue – and to call or repay the long-term bonds at the option of the TA and JPA. The repayment flexibility associated with the Bonds, will be passed through to the JPA as similar repayment flexibility on the Loan. A long-term fixed rate transaction typically allows the issuer to repay outstanding bonds only after 10-years following the date of issuance. Purchasing shorter call options to achieve that repayment flexibility is expensive in the fixed rate bond market.

In summary, the variable rate structure accepts some uncertainty and potential volatility with weekly interest rate resets, in return for principal repayment flexibility.

VARIABLE RATE BOND COST COMPONENTS

Certain fees are common to all publicly sold variable rate bonds. Those include:

- Interest rate on the bonds – re-set weekly
- Letter of credit (LOC) fee paid to a commercial bank that directly supports the bonds
- Underwriter takedown compensates the investment bank for initially placing the bonds with investors

- Remarketing agent (i.e., underwriter) who sells the bonds to investors at the lowest rate each week
- Paying agent fees (i.e., trustee managing the flow of funds between investors, the LOC bank and the TA)
- Rating agency fees (upfront fee and an annual surveillance fee)
- Issuance costs required to pay the legal, financial and other consultants to execute the transaction
- Separate credit premium is specific to this structure and is usually reflected in higher LOC fees or interest rates

A full list of transaction costs and fees will be prepared as the costs become defined and will be presented for the Board's review. The issuance costs, together with the rating agency fees will be paid from bond proceeds, as is typical for each municipal bond issuance.

An important cost to a variable rate transaction is the letter of credit. Variable rate bonds provide the investor the ability to sell back or "put" their bonds back to the issuer on each interest reset date (weekly or daily). This put option is an attractive aspect to variable rate bonds for investors because it provides them with quick liquidity and is common to all publicly sold, municipal variable rate bonds. To satisfy the investor's put option, an issuer will select a commercial bank (e.g., Wells Fargo, BofA, etc.,) to provide a letter of credit (LOC). The LOC will guarantee the timely payment of principal and interest on the bonds and can be drawn on if the investor puts back their bonds on a given week, and a new investor cannot be found. The LOC provides a ready source of cash in place of a public agency maintaining its own significant cash reserves to satisfy the investor put.

The credit spread, proposed by the TA, is somewhat related to the cost of a LOC and is worth discussing in that context here. The TA is proposing that the JPA pay a "credit spread" of 0.60%. The credit spread is an annualized rate, paid monthly from the JPA to the TA. The credit spread is designed to compensate the TA for taking on "credit risk," or the risk that the JPA may have delays or even the inability to repay the loan from toll revenues.

The proposed 0.60% is based upon the difference in LOC fees (required to support the variable rate bonds) that the TA would receive as a AAA or AA rated issuer vs what the cost would be for a BBB issuer (i.e., the JPA). The difference in the LOC cost between these two credit ratings is the credit spread (at least in the LOC market). The TA took bids on LOC fees which included downgrade price provisions – i.e., the increase in LOC cost if the TA were downgraded from AAA/AA to BBB. The average difference between the TA cost and the BBB cost in the bids received was 1.12%. That is viewed as the cost that a bank lender would charge the JPA if they entered into the transaction directly with a bank, and did not issue via the TA. The TA also expects to be compensated for accepting similar repayment risk from the JPA. They are reducing that credit spread to 0.60% in their proposal. This is a reasonable rate, from a market context.

We can also look to the fixed rate market to estimate credit spreads. We compare the average difference between the cost of borrowing for a AAA credit (proxy for the TA), and a "BBB" credit (the JPA assumed credit). Since 2010, the average difference in a 10-year spot rate (i.e., 10-year bond yield) between these two credits is 1.22%. The difference between AA and BBB is approximately 1.02%. This is the cost that the JPA would directly pay lenders if they sold fixed rate bonds, on their own, based upon a BBB rating. A new managed lane, toll revenue bond would likely be at the low end of the BBB rating category and the credit spread could likely be higher. The credit spread should reflect the risk of default under the bond documents for different credits. In this case, the TA is the lender. They are accepting the same risk of default or delayed payment that bond holders otherwise would. Their proposal is to provide a discount on that “credit spread” and charge an ongoing spread of 0.60% annually through the life of the loan

THE POTENTIAL FOR AN INTERIM LOAN

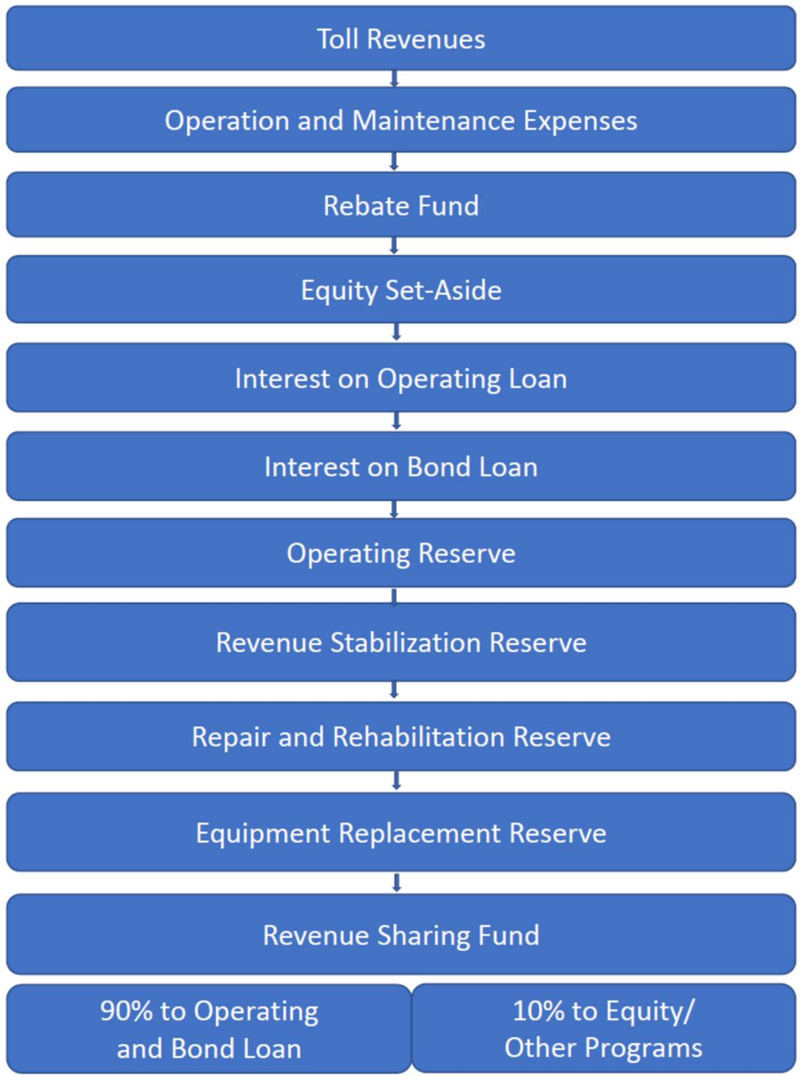
With the impact of the COVID-19 pandemic, financial markets have experienced significant turmoil. The municipal bond market was generally non-functional for two weeks and is slowly returning to a level of functionality. As noted, short-term rates spiked and are slowly recovering. The TA will need to complete their preparation of disclosure documents, meet with rating agencies and access the market to sell the bonds at a time in which some normalcy has returned. This could take time. In the meantime, Project costs need to be paid to continue progress on the Project. If capital funds are needed prior to the sale of the TA Bonds, the TA has indicated that it is willing to provide an “interim loan” to the JPA to fund Project costs from accrued sales tax dollars. The TA would then reimburse itself from the proceeds of the sales tax Bond sale. During initial discussion, the TA indicated that it would lend the sales tax dollars to the JPA at a rate equal to the foregone interest earnings that it would have earned in the San Mateo County investment pool, plus the 0.60% credit spread. Upon repaying this interim loan with sales tax bond proceeds, the interest rate would then convert to the Bond Loan interest rate. The form of documentation regarding how the terms and conditions of the proposed interim loan is still under discussion. This is a preliminary proposal and requires additional discussion between the JPA and the TA.

FLOW OF FUNDS AND THE EQUITY DISTRIBUTION

The draft term sheet includes a flow of funds, directing how toll revenues need to be applied and spent according to a specific priority. It is important to remember that the deal structure, along with the flow of funds is attempting to mirror a “capital markets structure.” As discussed, the credit premium proposed by the TA is a cost that investors or commercial banks would charge the JPA if they were to sell toll revenue bonds directly in the market. The concept is borrowed from the capital markets, and provided at a discount from the TA to the JPA.

Similarly, the flow of funds is generally developed to protect the lender and ensure they receive their loan repaid prior to spending toll revenues on other uses. Presented below is the proposed flow of funds included in the draft term sheet.

Flow of Funds



This is a fairly common flow of funds where gross toll revenues are first applied to toll operations and maintenance costs to ensure that the source of revenue (i.e., the managed lanes) remains operational for customers. Revenues then flow to the rebate fund to satisfy IRS tax law. The next “bucket” is the equity set-aside. Specific amounts have yet to be determined. An equity distribution is paid before interest on the Loans. The flow of funds notes two loans: an Operating Loan and the Bond Loan. The operating loan is a loan made by the TA to the JPA for FY 2020 operating expenses – away from project operations. The Operating will need to be repaid by toll revenues and is repaid prior to the Bond Loan. The Bond Loan represents the bond proceeds sold by the TA and passed through to the JPA for Project capital costs. Interest on both loans is paid first. Then a series of reserves are funded up to provide liquidity to the managed lane business enterprise. The bottom bucket is where “net excess revenues” flow. Net excess revenues are divided, according to the initial proposal, between the principal repayment on the loans (Operating and Bond) and to the managed lane program, including the equity program. The Operating Loan will be repaid first in the priority of principal repayment (including any amounts due to the TA and the C/CAG), and the principal on the Bond Loan will be repaid second.

There are two observations here. First, toll revenue for the equity program is flowing back to the JPA as the third bucket in the flow of funds, and also in the bottom bucket. The amount and timing of payments to the equity program are, in part, policy decisions. There will likely be a discussion and a negotiation with the TA regarding how much of an equity distribution will be paid early in the flow of funds versus at the bottom bucket when principal on the loans are paid. Second, the TA is not receiving any principal repayment on the loan – through which the sales tax bonds are repaid – until the bottom bucket. In this respect they are a "patient lender," more patient than a capital markets or commercial bank lender.

PRELIMINARY OBSERVATIONS AND FINDINGS

Both agencies – the TA and the JPA – are working in good faith to support Project funding and delivery. The TA is providing their sales tax credit to access the financial markets at advantageous terms and rates that a "AA" or "AAA" sales tax issuer can receive. It would be much more expensive for the JPA to directly access the financial markets with a toll revenue bond credit that would be rated in the "BBB" category. Any market access, under the currently stressed conditions, would be difficult. Rating agencies and investors are focused on risk and the possibility that traffic and toll revenues may not be realized and repayment of bond proceeds could be jeopardized.

As part of their proposed terms, the TA is taking a similar "capital markets" view in assessing the risk premium. They are lending their credit and sales tax dollars to the JPA and are looking to be compensated for some portion of the toll revenue credit risk. From a capital markets perspective, this is reasonable and the 0.60% credit spread is below market. That said, there may be the open policy question as to whether the capital market structure is the right structure for the inter-agency loan. As policy makers discuss that topic, it is important to understand where the TA proposal is coming from.

PFM appreciates the opportunity to offer our initial analysis and input. We look forward to working with the JPA through further negotiation and the implementation of the loan.

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MEMORANDUM

To: Derek Hansel and Connie Mobley-Ritter

From: Peter Ross and Anna Sarabian

Date: April 3, 2020

Re: San Mateo County Transportation Authority – Sales Tax Revenue Bonds, Series 2020 – Proposed Financing Structure/Project Loan Repayment Agreement

The plan to finance certain costs associated with U.S. 101 managed lane project (the "Project") involves two basic but interrelated elements:

- The issuance of sales tax revenue bonds (the "Bonds") by San Mateo County Transportation Authority (the "TA") to fund a loan (the "Project Loan") to San Mateo County Express Lanes Joint Powers Authority (the "JPA") with which to pay Project costs, and
- Repayment of the Project Loan from revenues generated by the managed lanes – thereby enabling the TA to repay the Bonds.

The rationale for this basic approach rests in the TA's stronger access to the bond market at significantly lower costs and its ability to command more favorable financing terms. Its sales tax bonds, backed by the ½ cent Measure A sales tax and its ¼ cent portion of the Measure W sales tax, should qualify for high investment grade ratings – in the "AA" category or higher. By contrast, the JPA's credit would likely qualify for no higher than low investment grade ratings – "BBB" category– given implementation risk, ramp-up risk and certain other credit factors unique to managed lanes.

The TA's agreement to front the financing for the Project was premised on two considerations. First, as it is obligated to fund the various transportation and transportation-related projects in Measure A and Measure W expenditure plans, it wants to minimize the effect of the financing on the availability of its sales tax revenues for such projects. This leads it to have the following objectives: (a) achieve the lowest borrowing cost commensurate with risk; and (b) maximize its flexibility to prepay its Bonds from repayments under the Project Loan (i.e., from toll revenues.)

The second consideration for the TA to issue sales tax bonds is to receive a modest fee for lending its sales tax credit to the financing. Such fee would partially compensate the TA for taking the credit risk associated with toll generation and collection (including the timing and availability of such revenue) – a risk for which outside, unaffiliated investors would charge considerably more.

The resulting financing structure was developed at the end of last year, after consultation with the JPA Finance Subcommittee in November 2019 as to their comfort with the issuance of variable rate debt. The structure currently being implemented involves:

- The issuance of variable rate demand bonds backed by a letter of credit bank (Bank of America was selected after a request for proposal process), and
- A Project Loan Repayment Agreement that includes:
  - A proposed annual fee to the TA equal to 0.60% times the outstanding loan balance
  - A monthly toll revenue allocation that utilizes one-twelfth of the annual set-aside of $500,000 from Net Revenues for equity projects before flowing revenues to fund required reserves and interest payments on the JPA's obligations under the Project Loan (as well as the Operating Loan)
  - An annual revenue split of 90%/10% of excess Net Revenues in which 90% of the excess Net Revenues would be used to pay down principal on the operating and capital loans, and the remaining 10% would be retained by the JPA for additional equity programs.

The Project Loan Repayment Agreement also will include a provision for the TA to make an interim loan of sales tax revenues to the JPA for immediate Project needs in advance of the Bond issuance. Interest on the interim loan will accrue at the County Investment Pool rate plus the proposed credit enhancement fee. The interim loan and accrued interest will be repaid in full from Bond proceeds.

We have prepared this memorandum at the request of the JPA to review the rationale behind the elements of the proposed Bond structure and Project Loan repayment arrangement.

ISSUANCE OF VARIABLE RATE DEMAND BONDS

The decision to issue variable rate demand bonds followed initially from a prior analysis of fixed rate alternatives and was refined based on feedback from underwriting firms in response to a request for proposal that was issued in late December.

Fixed Rate Alternatives. The standard fixed rate structure involves the issuance of bonds that mature in 30 years, subject to prior redemption after 10 years at the option of the issuer. This traditional approach does not accommodate a faster repayment of bonds if toll revenues materialize as projected. As a faster repayment of bonds was a likely scenario, the TA's municipal advisors canvassed underwriters in November 2019 about an alternative fixed rate approach with laddered maturities, each with shorter fixed rate maturities and earlier redemptions:

- 5-year maturity with 3 year call
- 10-year maturity with 4 year call
- 15-year maturity with 5 year call

The feedback from underwriting desks yielded the following information: these structures were marketable at the time; the most marketable coupon was 5%, although 4% and 3% coupons were likely achievable but at a higher yield. Such bonds are considered premium bonds, with yields priced to the first call. On their face, such yields were very attractive (e.g., 0.98% for a 5 year maturity with a 5% coupon). However, the yield to maturity would increase dramatically if the toll revenues did not enable the TA to prepay early. For example, the same 5 year bond that yielded 0.98% to first call would yield 2.411% if held to maturity. Therefore, the revenue generation risk could make the desired prepayment flexibility relatively expensive.

Variable Rate Structures. In November 2019, variable rate obligations in California were trading at 0.70%, while averaging less than 0.75% over the previous 5 years and less than 0.50% over the previous 10 years. With Fed Fund rates then at 1.50% and little inflationary pressure in the economy, it was reasonable to assume that rates would not increase dramatically in the foreseeable future. While the issuance of variable rate instruments would require support from a letter of credit or liquidity bank and the services of a remarketing agent, the additional fees still are expected to result in a lower rate than the fixed rate options. Perhaps the most attractive feature of variable rate obligations is the flexibility to prepay them at par at any time with notice. Thus, the combination of low interest costs and maximum flexibility addresses two of the TA's primary financing objectives (in general these are objectives that should be shared by the JPA, as a low cost of capital and quickly deleveraging will also be to the JPA's benefit).

With the concurrence of the variable rate approach by the JPA Finance Subcommittee, the TA's municipal advisors proceeded to distribute an RFP to the investment banking firms seeking their feedback on the most viable variable rate options, including variable rate demand bonds and tax-exempt commercial paper. Responses were received in early January, with near unanimous support for variable rate demand bonds.

On a parallel track, the TA's municipal advisors solicited commercial banks for their willingness to provide a letter of credit or liquidity support for either variable rate demand bonds or tax-exempt commercial paper. The RFP garnered seven responses from highly rated banks, with Bank of America providing the best all-in bid in terms of pricing, terms and credit quality.

TA COMPENSATION FOR LENDING ITS CREDIT

As noted, an important consideration for the TA in its willingness to lend its credit in financing the JPA's capital contribution to the Project is to receive appropriate compensation for such credit support as it, rather than outside, unaffiliated investors, will be assuming the risk of managed lane receipts and the risk to the other TA-supported projects that rely on sales tax revenues were such revenues needed instead to pay the debt service on the Bonds.

Quantifying that risk is not an exact science, but the TA received strong indications as to the value of its credit from the bank proposals submitted earlier this year. Those bids included downgrade cost provisions – i.e., the additional annual costs to be charged to the TA were its credit to be downgraded to certain lower rating levels. The tables below compare the fees that would be charged based on a senior lien pledge of sales tax revenues and a junior lien pledge:

3 Year DPLOC Pricing - Senior Lien							
	BANA	BOTW	Barclays	JPM	Sumitomo	US Bank	Wells
Aaa/AAA	28	35	27	47	28	35	34
Aa1/AA+	28	35	27	47	28	35	34
Aa2/AA	28	35	29	47	28	35	34
Aa3/AA-	28	35	31	47	28	35	41.5
A1/A+	33	50	42	47	58	45	56.5
A2/A	38	65	57	52	88	60	71.5
A3/A-/A-	48	80	72	57	135	80	86.5
Baa1/BBB+	63	95	87	62	300	130	111.5
Baa2/BBB	83	215	102	67	300	230	146.5
Baa3/BBB-	Def	215	117	72	300	230	196.5
Aa1/AA+ vs. Baa2/BBB	55	180	75	20	272	195	112.5

3 Year DPLOC Pricing - Junior Lien							
	BANA	BOTW	Barclays	JPM	Sumitomo	US Bank	Wells
Aaa/AAA	29	40	27	54	38	N/A	34
Aa1/AA+	29	40	29	54	38	N/A	34
Aa2/AA	29	40	31	54	38	N/A	34
Aa3/AA-	29	40	33	54	38	N/A	41.5
A1/A+	34	55	44	54	68	N/A	56.5
A2/A	39	70	59	59	98	N/A	71.5
A3/A-/A-	49	85	74	64	135	N/A	86.5
Baa1/BBB+	64	100	89	69	300	N/A	111.5
Baa2/BBB	84	220	104	75	300	N/A	146.5
Baa3/BBB-	Def	220	119	80	300	N/A	196.5
Aa1/AA+ vs. Baa2/BBB	55	180	75	21	262	N/A	112.5

Assuming that the JPA's obligations would be rated as high as Baa2/BBB – which is a generous rating for a start-up managed lane credit (especially under the newly released Fitch rating criteria in response to COVID-19) – the spreads between the TA's and the JPA's ratings produce a range of 20 basis points (0.20%)[1] to 272 basis points (2.72%) for a senior lien pledge and a range of 21 basis points (0.21%) to 262 basis points (2.62%) for a junior lien pledge. The average of all bids is 130 basis points (1.30%) for a senior lien pledge and 118 basis points (1.18%) for a junior lien pledge. The mean is 112 basis points (1.12%) for each pledge. The TA's proposed fee of 0.60% seems modest based on an analysis of these bids – and even more so if a lower rating is ascribed to the JPA's credit. It is also important to note that, rating aside, we anticipate that the TA credit would be received more positively than a single asset revenue credit with construction risk.

These bank bids occurred at a time when the bond and credit markets were at their all-time most favorable to issuers. Given the current meltdown in market conditions, credit spreads have widened substantially. The spreads shown on the tables above would no longer be achievable. There is a likelihood that the JPA, as a standalone credit, would have no market access at all.

Both Moody's and Standard & Poor's have developed negative outlooks on the managed lane and toll revenue sector given the anticipated effect of the economic slowdown on traffic. In its March

[1] The JPMorgan downgrade pricing was unusually aggressive. It arguably reflects (a) confidence that a San Mateo County sales tax credit likely will not be downgraded below an "A" category rating given the County's demographics, a conservative additional bonds test and projected high coverage and (b) the Bank's strong relationship with the Agencies.

20th report, Moody's writes: "Because managed lanes represent the epitome of the "commuter road," we anticipate all commuter toll roads, particularly those urban crossings, to be more negatively affected from the coronavirus." On March 24th, Fitch published new rating criteria and developed more stringent stress case analyses for managed lane and toll revenue credits and will be bringing those credits back to rating committee over the next two weeks for review and potential rating adjustment.

The JPA Finance Subcommittee has asked about how other public agencies have proceeded in similar situations when fronting a credit for a lesser-rated agency. We are unaware of a directly comparable situation. The typical situation has entailed a city using its general fund to front a weaker redevelopment credit in financing a project. Discussed below are two examples which have surface similarities to the proposed TA/JPA arrangement, but on closer analysis, are not directly comparable:

- San Diego Association of Governments ("SANDAG")/San Diego County Regional Transportation Commission ("RTC") – In 2011, the RTC loaned $252.7 million of sales tax bond proceeds to SANDAG to acquire the SR-125 toll road, with the loan repayable from toll revenues at an interest rate of 4.25%. That rate was based on RTC's recent borrowing history – and was a significantly lower rate than SANDAG could have achieved for a standalone project-based financing. While SANDAG and RTC are two separate legal entities, they share a common Board.
- San Francisco International Airports (SFO) – In 2018, SFO issued $276.3 million of variable rate general airport revenue bonds ("GARBs"), rated Aa2/AA+/AA and supported by two strong letter of credit banks, to purchase Hotel Special Facility Bonds (the "Hotel Bonds") that funded the cost of constructing an airport hotel. The Hotel Bonds, also issued by SFO, carried a 3% fixed interest rate – approximately twice the all-in variable rate on the GARBs – and were payable from revenues generated by the hotel. In effect, SFO used its highly rated general airport credit to finance the project and assumed the credit risk associated with the hotel rather than passing on that risk to an unaffiliated, outside investor. While the motivation for this arrangement – to lower borrowing costs - is similar to the proposed TA/JPA arrangement, the difference is that the arrangement only involved SFO and no other public agency.

FLOW OF FUNDS IN PROJECT LOAN REPAYMENT AGREEMENT

As noted, the TA's proposed term sheet to the JPA included a flow of funds relating to the application of managed lane revenues. In essence, each year, Net Revenues (after payment of operating and maintenance costs) first are used to pay $500,000 to the JPA for equity programs prior to other purposes (including funding different reserves and debt service). After a series of required deposits, excess Net Revenues are proposed to be split 90%/10%, in which 90% of the excess Net Revenues would be used to pay down principal on the operating and capital loans, and the remaining 10% would be retained by the JPA for additional equity programs.

The JPA Finance Subcommittee asked about the credit implications of this arrangement, including the impacts of increasing the initial equity payment and adjusting the excess Net Revenue split.

From a rating agency and bond investor standpoint, the underlying arrangement between the TA and JPA will not create any concern. Their sole focus will be on the sales tax revenues that support the TA's bonds.

However, the TA should have a concern with the initial equity payment and excess Net Revenue split as it affects the JPA's ability to repay the Project Loan, which will reimburse the TA and allow it to prepay the Bonds. In effect, (a) increasing the equity payment decreases the amount of toll revenues available to pay current debt service on the Bonds and (b) decreasing the percentage of excess Net Revenues to be received by the TA will reduce the funding available to it to prepay the Bonds. The TA's concern is only heightened by the potential adverse impacts of the coronavirus epidemic on the economy and traffic on US 101.

In tandem, the two adjustments would undermine one of the major considerations for the TA in issuing Bonds and making the corresponding loan to the JPA – i.e., to exit from the financing as quickly as possible. In short, any decision as to the timing of equity payments and excess Net Revenue splits is largely one of policy.

* * * * *

We note the municipal market's extraordinary volatility over the past two weeks. Near the end of last week, the national short-term index (SIFMA) increased from 1.28% to 5.20%, with many dealers setting weekly rates in excess of 6% and daily rates in excess of 10%. Fixed rate financings had difficulty attracting investors at any price and MMD, the index off which municipal bonds are typically priced, increased by 200 basis points across the curve. The root cause was an absence of liquidity. The expansion of the Federal Reserve Board's new Money Market Liquidity Fund to include municipal bonds tax-exempt variable rate demand bonds greatly alleviated the liquidity pressures in the municipal market. This week, in the variable rate markets, dealers generally reset California weekly variable rate demand bonds in the range of 1.50% and daily rates have declined to below 0.50%. In the fixed rate market, MMD yields remain highly volatile - declining by approximately 150 basis points across the curve last week followed by increases that range from 12 to 60 basis points this week.

The variable rate approach still makes sense for this financing. The Bonds still can be placed, rates have begun to normalize and the TA will maintain its flexibility to prepay the Bonds at any time, based on the flow of excess Net Revenue.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
$100,000,000*

PRELIMINARY TERM SHEET

The San Mateo County Transportation Authority (the "TA") intends to issue variable rate sales tax bonds (the "Bonds") secured by a pledge of the TA's Measure A sales tax and its portion of the Measure W sales tax. The TA will loan most of the proceeds of such Bonds (the "Bond Loan") to the San Mateo County Express Lanes Joint Powers Authority (the "SMCELJPA") to fund a portion of the cost of equipping and installing approximately 22 miles of managed lanes in both directions on US 101 from the San Mateo/Santa Clara County line to Interstate 380 (the "Project"). The remainder of the bond proceeds will be used to repay in full an interim loan (the "Interim Loan"), including the accrued interest on such loan, made by the TA to the SMCELJPA from sales tax revenues for immediate Project needs in advance of the issuance of the Bonds. Interest on the interim loan will accrue at the County Investment Pool rate plus the proposed credit enhancement fee discussed later in this Term Sheet.

Once the Project becomes operational, the JPA is to repay the Bond Loan as soon as possible from toll revenues generated from the Project net of operation and maintenance expenses and a small set aside for equity projects, which would allow the TA to repay the sales tax bonds issued. The purpose of this term sheet is to memorialize the key terms of the contemplated Bond Loan between the TA as lender and the SMCELJPA as the borrower.

The Bonds will be sized in the approximate amount of [$100,000,000*]. This amount will fund SMCELJPA's Project costs, capitalized interest for three years (the "Capitalized Interest Period"), and issuance costs.

Borrower (Toll Repayment Provider):	San Mateo County Express Lanes Joint Powers Authority (the "Borrower" or "SMCELJPA")
Lender:	San Mateo County Transportation Authority (the "Lender" or the "TA")
Initial Bond Loan Balance:	[$100,000,000*]. The Bond Loan will be paid after the payment of the principal amount of an operating loan into which the Borrower will be entering (the "Operating Loan"). In the event of acceleration, principal on both loans shall be repaid based on the availability of Excess Net Revenues, with any such revenues being applied first to the repayment of the principal on the Operating Loan and thereafter on the Bond Loan.
Outstanding Bond Loan Balance:	The Bond Loan Balance will increase on each date on which interest on the Bond Loan is due but remains unpaid, by the amount of such unpaid interest, with such interest compounding and being added to the Bond Loan Balance; and decrease upon each payment or prepayment of the Outstanding Bond Loan Balance, by the amount of principal so paid.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
$100,000,000*

Effective Date:	[May ___, 2020]
Term:	The term of the Bond Loan will extend from the Effective Date to June 1, 2049 or to such earlier date as all amounts due or to become due to the Lender have been paid.
Security for the Bond Loan:	Net Revenues generated from the operation of the managed lanes as defined, and pursuant to the flow of funds described, in the Toll Repayment Agreement, less an amount to be utilized for the development and operation of the equity program, up to but not exceeding a total of $0.5 million in any fiscal year.
Net Revenues:	For any fiscal year, Toll Revenues less Operation and Maintenance Expenses for that fiscal year.
Interest Payment Commencement Date:	Required interest payments on the Bond Loan will commence following the end of the Capitalized Interest Period, anticipated to be _______1, [2023]. Thereafter, interest on the Bond Loan will be paid monthly on the first day of each month ("Payment Date"). If Net Revenues are available prior to the end of the Capitalized Interest Period, the Borrower will apply such Net Revenues, pursuant to the flow of funds, with any surplus revenues being applied first to the early prepayment of the principal on the Operating Loan and thereafter on the Bond Loan.
Interest Rate:	The interest rate on the Bond Loan will equal the variable rate of interest on the Bonds + letter of credit fees, draw fees, remarketing agent fees, trustee fees and all other direct administrative fees and charges borne by the TA with respect to the Bonds + TA credit enhancement fee of 0.60%. The Lender will inform the Borrower not later than three days prior to each monthly payment date of the all-in interest rate and the interest amount due on such monthly payment date. If the interest rate on the Bonds has not been reset yet prior to the date on which the Lender is to provide such information to the Borrower, the last available interest rate will be utilized and any true-up will be accounted for in the subsequent monthly payment period.
Prepayment Provisions:	The Bond Loan will be subject to mandatory prepayment, in part or in full, from any amounts on deposit in the Prepayment Fund, following the occurrence of a Revenue Sharing Trigger

	Event, on each business day immediately following such occurrence of a Revenue Sharing Trigger Event on which the Bonds can be prepaid, at a price equal to the Outstanding Balance of the Bond Loan, together with accrued interest to the date fixed for prepayment, without premium.
Flow of Funds and Security for the Bond Loan:	All Toll Revenues received by the Borrower are to be deposited by the Borrower, when received, on a monthly basis in the Toll Revenue Fund to be established and held by the Fiscal Agent. Amounts on deposit in the Toll Revenue Fund shall be set aside and applied in the following order of priority, at the times and in the amounts set forth below: <u>First</u>, on each Payment Date, to the Operation and Maintenance Fund, the amount necessary to increase the balance of the Operation and Maintenance Fund to an amount equal to the Operation and Maintenance Expenses then due and payable; <u>Second</u>, on each Payment Date, to the Rebate Fund or any similar rebate fund established with respect to any future tax-exempt obligations, the amount required to satisfy any applicable rebate requirements payable to the United States Treasury; <u>Third</u>, on each Payment Date, to the Equity Program Fund to be held by the Fiscal Agent on behalf of the Borrower, one-twelfth of the amount to be utilized for the development and operation of the equity program, such amount limited to no more than a total of $0.5 million in any fiscal year; <u>Fourth,</u> on each Payment Date, to the Interest Account within the Operating Loan Obligations Fund, the amount of interest due on the Operating Loan Outstanding on such date; <u>Fifth,</u> on each Payment Date, to the Interest Account within the Bond Loan Obligations Fund, the amount of interest due on the Bond Loan Outstanding on such date;

Sixth, on each May 1, to the extent sufficient funds are then available after application of funds for the purposes specified in the prior clauses First through Fifth, to the Operating Reserve, the amount necessary so that the balance therein equals the Operating Reserve Requirement.

Seventh, on each May 1, to the extent sufficient funds are then available after application of funds for the purposes specified in the prior clauses First through Sixth, to the Revenue Stabilization Reserve, the amount necessary so that the balance therein equals the Revenue Stabilization Reserve Requirement.

Eighth, on each May 1, to the extent sufficient funds are then available after application of funds for the purposes specified in the prior clauses First through Seventh, to the Repair and Rehabilitation Fund, the amount necessary so that the balance therein equals the Repair and Rehabilitation Fund Requirement;

Ninth, on each May 1, to the extent sufficient funds are then available after application of funds for the purposes specified in the prior clauses First through Eighth, to the Equipment Replacement Reserve, the amount necessary so that the balance therein equals the Equipment Replacement Reserve Requirement.

Tenth, on each May 1, to the extent sufficient funds are available after application of funds for the purposes specified in the prior clauses First through Ninth, to the Revenue Sharing Fund the amount available to be used to prepay the Operating Loan and the Bond Loan and to fund any additional Equity/Other Programs ("Excess Net Revenues"). The fiscal agent will transfer from the Revenue Sharing Fund and deposit in the Prepayment Fund [90%] of such Excess Net Revenues to be used first to prepay the Operating Loan and thereafter the Bond Loan in whole or in part, without penalty or premium, on the first available prepayment date. The

	remaining [10%] of the Excess Net Revenues will be transferred by the fiscal agent and deposited in the Equity Program Fund.
Operating Reserve Requirement:	The balance in the Operating Reserve each fiscal year should equal one-sixth of the budgeted Operation and Maintenance Expenses for that fiscal year.
Repair and Rehabilitation Fund Requirement:	The balance in the Fund for the prior fiscal year, plus 100% of budgeted capital expenditures for the Project for the next fiscal year, as set forth in the annual operating budget required to be prepared and approved each year.
Revenue Stabilization Reserve Requirement:	The balance in the Revenue Stabilization Reserve each fiscal year should equal 25% of the budgeted Operation and Maintenance Expenses for that fiscal year.
Equipment Replacement Reserve Requirement:	100% of budgeted equipment replacement costs for the fiscal year, as set forth in the annual operating budget required to be prepared and approved each year.
Fees Due at Closing:	The Borrower shall be obligated to pay the legal fees of Borrower's Counsel and any fees and charges of any consultants engaged by the Borrower.
Representations / Warranties:	Lender's Counsel will be responsible for preparing all legal documentation, including, but not limited to, the Toll Repayment Agreement, which will contain customary affirmative and negative covenants as well as usual representations and warranties.
Legal Opinion(s):	A legal opinion shall be provided by either General Counsel or Borrower's Counsel regarding (i) due organization and valid existence, (ii) power and authority, (iii) due authorization, execution and delivery, (iv) enforceability, and (v) validity of pledge.