



4. **Measure J Expenditure Plan Amendment - Ordinance 09-03.** This amendment was proposed to make SR4 East widening from Loveridge to Somersville eligible for funding from the "SR4 East Widening in East County" Measure J funding category. Staff recommended approval of Ordinance 09-03 following the public hearing which was held at the July 15, 2009 Authority meeting. *The Authority approved the amendment.*

AB 744 (Torrico)  
Bay Area HOT Lanes  
Report to the Contra Costa Transportation Authority  
July 15, 2009

This bill has been amended significantly since the Authority's June meeting, when the members took an 'oppose unless amended' position. Staff has reviewed the amendments contained in the draft mockup of the bill dated July 14, 2009 and considers them to adequately address the concerns communicated to the author.

Language has been added to:

- o Provide that no component can be added to the HOT lanes network plan that would not result in a 'significant net benefit' to travelers residing along a given corridor;
- o Acknowledge that if a determination is made that a component of the network is impracticable or infeasible or does not provide a significant net benefit, a gap in the network may exist
- o Preclude the conversion of general purpose lanes to HOT lanes .
- o Provide that priority for the use of net corridor revenue will be the funding of transit capital and operations in the corridor.
- o Provide that toll bridge revenues used to fund HOT lanes are to be treated as loans that will have to be repaid.
- o Require that each corridor investment plan must include a proposal for improving public transit services in the corridor.
- o Establish the goal of the network as 'higher person throughput' and to reduce delays for all travelers, especially those on transit or using ridesharing.
- o Limit MTC's authorization to increase the vehicle occupancy required to use an express lane to one passenger above the level required on January 1, 2010.

Language was removed giving BATA the option to change or add components to the plan at its sole discretion.



**SUMMARY MINUTES**

**June 3, 2009**

**Commissioners Present:** Janet Abelson, Newell Americh, Ed Balico, Susan Bonilla, Federal Glover, Michael Kee, Mike Metcalf, Julie Pierce, Bob Taylor, Maria Viramontes

**Commissioners Absent:** David Durant

**Alternates Present:**

**Ex-Officios Present:** Mike Shimansky

**Staff Present:** Bob McCleary, Paul Maxwell, Arielle Bourgart, Susan Miller, Amin AbuAmara, Randall Carlton, Erick Cheung, Matt Kelly, Stan Taylor (Authority Counsel), Danice Rosenbohm (Executive Secretary)

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**A. CONVENE MEETING:** *Chair Viramontes* convened the meeting at 6:02 p.m.

**B. PLEDGE OF ALLEGIANCE:**

**C. PUBLIC COMMENT:**

*There were no public comments on items not on the Agenda.*

- 1. Proposed 2009 Authority Bond Financing Plan.** In 2005, the Authority approved a financing plan anticipating an initial Measure J bond issue in September 2009 of \$300 million. This plan included a forward starting interest rate swap to provide a 25-year synthetic fixed borrowing rate of approximately 4%. Over the past twelve months, staff held periodic briefings for the APC, formed the financing team and analyzed various financing structures. A preferred plan has emerged. In summary, the initial bond size would be downsized from \$300 to \$200 million, with the remaining \$100 million deferred for two years. Simultaneously, \$100 million of the 2005 swap would be delayed for 2-years. The lower initial bond amount more efficiently meets the Authority's cash flow requirements in light of recent allocations from American Recovery Reinvestment Act (ARRA) for the Caldecott Tunnel project.

**ACTION:** *Commissioner Pierce* moved to approve the direction proposed by staff for the 2009 Bond Financing Plan, and that additional information be submitted for review by the Authority at its meeting of June 17<sup>th</sup>, seconded by *Commissioner Glover*. The motion passed unanimously, 10-0.

**STAFF REPORT:**

Randall Carlton, Chief Financial Officer, stated that a financing team had been assembled for the Authority's bond financing plan. He introduced Peter Shellenberger and Kyle Vinson from Public Financial Management, Inc. (PFM), Michael Gomez from Bank of America/Merrill Lynch, and John McCray-Goldsmith, Barclays Capital. Mr. Carlton stated that Kathleen Leak, Orrick, Herrington, & Sutcliffe LLP, would provide Bond Counsel.

Mr. Carlton gave a PowerPoint presentation on the Authority's approach to the 2009 bond financing plan which outlined financing plan objectives and options, current market conditions, and a proposed timeline.

Mr. Carlton highlighted changes which had occurred in the financial markets since November 2005, when the Authority entered into a complex forward interest rate swap financing agreement and authorized the issuance of \$300 million of Sales Tax Revenue Bonds.

Mr. Carlton explained that the forward interest rate swap was originally based on \$150 million from each of two counterparties (Bank of America and Merrill Lynch) to the Authority at a rate of 63.5% of LIBOR plus 29 basis points, in exchange for a fixed rate of 3.653%, plus liquidity and remarketing fees at .35% payable by the Authority. Mr. Carlton explained that "liquidity" was the term used to describe a contract with a bank for the potential purchase of a bond, if no other purchasers come forward when the bond matures.

Mr. Carlton said that Ambac was to have provided an insurance policy on the swap payments to the counterparties, but because Ambac's credit rating had been downgraded, the insurance essentially had no value, and a debt service reserve would need to be funded in cash by the Authority.

Peter Shellenberger said that the bond market, the swap, and liquidity were key elements related to the 2009 bond financing plan. He explained that short term variable rates were currently at .4% and had been below 1% over the last six months. Mr. Shellenberger said that long term rates were around 5%, and that the bond market was healthy.

Mr. Shellenberger stated that the swap had performed well and as originally intended.

Mr. Carlton stated that staff had closely examined all options related to the September 2009 swap agreement and bond issue. Because federal economic stimulus funding had enhanced the Authority's cash flow position, he said that staff recommended a partial termination of \$100 million on the swap agreement, reducing the proposed bond issue from \$300 million to \$200 million. He explained that the cost of borrowing unneeded funds over the next two years would exceed the costs of delaying \$100 million of the swap over two years.

Mr. Carlton said that staff was seeking support for a two-step approach that would allow the Authority flexibility to request bids from liquidity providers, to be able to move forward with an issuance of \$200 million of variable rate demand bonds (VRDBs). He said that if liquidity bids were significantly higher than anticipated, in July staff would review the issue with the APC, and potentially recommend that the Authority move forward with the issuance of \$100 million in VRDBs and \$100 million of an interim note that would not require bank liquidity.

*Commissioner Arnerich* stated that he believed the sole reason for the 2005 swap agreement was that the Authority thought long term interest rates would rise between 2006 and 2009. He said that he was not sure that the Authority should continue with the swap agreement, and should explore fixed-rate financing. *Commissioner Arnerich* requested information about the risk assumptions and total swap-related costs to date.

*Commissioner Balico and Chair Viramontes* both agreed that a sensitivity analysis would be helpful. *Commissioner Balico* said that he was interested in the overall costs of borrowing. Bob McCleary responded that at staff's request, PFM had run numerous scenarios which could be reviewed with the Authority at a workshop.

*Commissioner Metcalf* said that the Authority should review a detailed risk analysis and focus on making a good decision going forward.

*Commissioner Taylor* suggested that another Authority workshop be scheduled before documents were finalized. Bob McCleary responded that a workshop could be held at the June Authority meeting, and that the financing plan could again be reviewed by the Authority at its July meeting.

*Commissioner Pierce* thanked staff and the financing team for their presentation, and said that an appropriate level of detail had been provided to the Authority for the purpose of the June 3<sup>rd</sup> Special Authority Meeting.

**URGENCY ITEM: AB 744: Discussion of Bill Language Revised by MTC:** *Chair Viramontes* stated that a request had been made to add an urgency item to the agenda, and that action by the Authority was required to add the item to the agenda.

**ACTION:** *Commissioner Pierce* moved to add discussion of AB 744 as an urgency item, seconded by *Commissioner Glover*. The motion passed unanimously, 10-0.

**ACTION:** *Commissioner Pierce* moved to authorize the Authority's Executive Committee to change the Authority's position of AB 744 to "oppose unless amended" in the Senate Transportation Committee, and make Contra Costa's legislators aware of MTC's betrayal. The motion was seconded by *Commissioner Abelson*, and passed 8-1, with the "no" vote by *Commissioner Glover*. (*Commissioner Bonilla* was not present for the vote.)

**DISCUSSION:**

*Chair Viramontes* reported that after the Authority voted to support AB 744 at its meeting of May 20<sup>th</sup>, MTC subsequently made changes to the bill language that were inconsistent with the policy framework approved by the Authority. She referenced Authority meeting handouts which included revised bill language submitted by MTC to legislative counsel, and MTC's Annual Report to the California State Legislature dated April, 2009.

Bob McCleary stated that although MTC had included the agreed-to amendments to AB 744, new language was added that contradicted the intent of revised bill language which the Authority approved. He said that the added language allowed MTC unlimited opportunity to revise elements of the Bay Area's High Occupancy Vehicle/Toll Road Network, and rendered the policy language incorporated into the bill meaningless.

*Chair Viramontes* said that she was concerned that decisions about the network would be based on financial considerations only.

*Commissioner Glover* stated that his understanding was that MTC's Chief Financial Officer had added the language to strengthen the legislation and the network's bonding capacity. He said that AB 744 was on the Assembly floor for a vote, and that the opportunity to make changes would not occur until the bill reached the Senate. *Commissioner Glover* said that MTC's Executive Director had indicated that he would review the matter with his staff and provide an update. *Commissioner Glover* said that the Authority should consider a change to its position on AB 744, if satisfactory changes to the bill are not made.

*Commissioner Balico* stated that at the League of California Cities meeting, he and *Commissioner Abelson* had discussed the bill with its author, Assembly Member Alberto Torrico. *Commissioner Balico* said that Assembly Member Torrico was under the impression that the Authority supported the bill's amendments, and that the bill had passed in the Assembly with a vote of 30-17. *Commissioner Balico* said that Senator Torlakson's staff indicated that the bill could possibly be seen again in two weeks, and that the Authority needed to intercept it on the Senate floor.

*Chair Viramontes* stated that WCCTAC had taken a "support with amendments" position, and that two of three proposed amendments had been accepted. Based on commitments and an agreement made related to funding for transit in Senator Torlakson's office, *Chair Viramontes* said that she agreed not to testify at the Assembly Transportation Committee. She said that expected amendments were not incorporated, and that she was extremely disappointed in the process.

*Commissioner Balico* said that he supported the motion, but wanted an opportunity to discuss the bill again. *Chair Viramontes* said that the Authority needed to be prepared to testify no matter what the outcome of a face-to-face meeting.

*Commissioner Taylor* stated that MTC's Executive Director would be attending the Mayors' Conference on June 4<sup>th</sup>, and asked if it would be appropriate to address the issue at that time. *Chair Viramontes* responded that it would be best to work with MTC's commissioners, and *Commissioner Arnerich* agreed.

**D** **ADJOURNMENT** to Wednesday, June 17<sup>th</sup>, at 6:00 p.m.

*Chair Viramontes* adjourned the meeting at 7:53 p.m. to the Authority meeting scheduled for June 17<sup>th</sup>, 2009, 6:00 p.m



EXECUTIVE COMMITTEE  
SUMMARY MINUTES  
June 17, 2009

**Members Present:** David Durant, Julie Pierce, Bob Taylor, Maria Viramontes  
**Members Absent:**  
**Alternates Present:**  
**Ex-Officios Present:** Amy Worth, MTC  
**Staff Present:** Bob McCleary, Paul Maxwell, Martin Engelmann,  
Erick Cheung, Peter Engel, Danice Rosenbohm (Executive Secretary)

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A. **CONVENE MEETING:** *Chair Viramontes* convened the meeting at 5:15 p.m.

B. **PUBLIC COMMENT:**  
*There were no public comments on items not on the Agenda.*

C. **MAJOR DISCUSSION ITEM:**

1. **Authority Position on AB 744 (Torrico), Bay Area HOT Lanes Network.** Pursuant to its authority to act as specified in the Authority's Administrative Code, the Executive Committee will consider whether to change the Authority's position on AB 744 to "Support", based on the attached changes to the bill in Section 30914.7(d) of the Streets and Highways Code, as prepared by MTC staff in response to Authority concerns: such support to be conditioned on inclusion of the language in a revised version of the bill prior to consideration by the Senate Transportation Committee.

**ACTION:** *Commissioner Durant* moved to send a letter to the Senate Transportation Committee in support of AB 744 if specified amendments are incorporated; otherwise the Authority would oppose the legislation, second by *Commissioner Taylor*. The motion passed 3-0. *Commissioner Viramontes* abstained.

**STAFF REPORT:**

Bob McCleary stated that revised AB 744 language was consistent with the policy framework approved by the Authority, and that staff recommended that the Authority return to a position of support for the bill. He said that MTC staff had indicated that there would be further amendments to AB 744, which would be reviewed in upcoming days by Authority staff. Mr. McCleary noted that the Senate Finance Committee had suggested a "BAYPOC" proposal to include staff from all nine of the Congestion Management Agencies (CMAs) on that advisory committee, instead of using a four tiered process to determine membership.

Mr. McCleary said that AB 744 was scheduled to be heard by the Senate Transportation Committee on June 30<sup>th</sup>.

Both *Commissioners Viramontes* and *Pierce* stated that the Authority should not send a letter in support of AB744 until final bill language had been reviewed by Authority staff. *Commissioner Pierce* said that Senator DeSaulnier indicated he would not accept amended language provided at the Senate

Transportation Committee meeting.

*Commissioner Pierce* stated that the bill should be amended to require a feasibility study that would confirm the net corridor benefits of each HOT lane proposal and include a strong role for the CMAs.

*Commissioner Viramontes* stated that similar language proposed by WCCTAC had not been included in the legislation.

Christina Atienza, Executive Director of WCCTAC, stated that WCCTAC had requested language requiring that the net benefit to a corridor be demonstrated, which was rejected. She said that the Authority's letter should be clear that AB 744 is not supported unanimously by Contra Costa County.

*Commissioner Viramontes* said that WCCTAC would be opposing the bill at the Senate Transportation Committee, and would be seeking an "opt-out" option for I-80.

*Commissioner Taylor* stated that the potential for significant bill revisions at such a late date was limited.

*Commissioner Viramontes* said that AB 744 was a "leadership" bill expected to be signed by the Governor, and that the bill's authors would want to avoid controversy at the Senate Transportation Committee.

*Commissioner Durant* arrived at 5:23 p.m.

*Commissioner Durant* suggested language to the effect that the Authority would support the bill if amended to address our concerns; otherwise, we would oppose the bill.

After further discussion, the Committee agreed to send a letter to the Senate Transportation Committee stating that it does not support the bill in its current form. If the specific proposed amendments requiring a feasibility study and demonstration of net benefits to travelers in the corridor are incorporated into the bill in advance of the Senate Transportation Committee hearing, the Authority would support AB 744. Absent the proposed language amendments, the Authority would remain opposed to the bill.

Bob McCleary stated that he would craft a letter to the Senate Transportation Committee as directed by the Executive Committee, and distribute it to Committee members for review.

**D. ADJOURNMENT:** at 5:43 p.m. to the June 17<sup>th</sup> Authority meeting, which immediately followed.



**SUMMARY MINUTES**  
**June 17, 2009**

**Commissioners Present:** Janet Abelson, Newell Arnerich, Ed Balico, Susan Bonilla, David Durant, Michael Kee, Mike Metcalf, Julie Pierce, Bob Taylor, Maria Viramontes

**Commissioners Absent:** Federal Glover

**Alternates Present:** Dave Hudson for Newell Arnerich – Items E, 1.1 and 1.2

**Ex-Officios Present:** Amy Worth, Mike Shimansky

**Staff Present:** Bob McCleary, Paul Maxwell, Martin Engelmann, Amin AbuAmara, Randall Carlton, Erick Cheung, Peter Engel, Jack Hall, Matt Kelly, Stan Taylor (Authority Counsel), Danice Rosenbohm (Executive Secretary)

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**A. CONVENE MEETING:** *Chair Viramontes* convened the meeting at 6:01 p.m.

**B. PLEDGE OF ALLEGIANCE:**

**C. PUBLIC COMMENT:**

*There were no public comments on items not on the Agenda.*

**D. PUBLIC HEARING: Authority Budget for FY 2009-10 (Item 4.A.14)**

Erick Cheung, Finance Manager, gave a presentation on the FY 2009-10 Authority Budget, highlighting an update for expected sales tax revenues for FY 2009-10, a \$20 million advance for eBART work, and a change to reflect the proposed Measure J bond issue of \$200 million rather than \$300 million.

Following the presentation, *Chair Viramontes* opened the Public Hearing on the budget. Stan Taylor, Authority Counsel, recommended that because the FY 2009-10 budget depended upon other items on the agenda, the Authority should take action on the budget following approval of other related items, at the scheduled spot for agenda item 4.A.14. There were no public comments, and the public hearing was closed.

The Authority took action on the budget during Agenda Item 4.A.14.

*Commissioner Bonilla arrived at 6:11 p.m.*

**E. PUBLIC HEARING: Measure J Expenditure Plan Amendment of Programs 19 and 20 for Central and West County.**

At its May 20<sup>th</sup> meeting the Authority directed staff to release the proposed Measure J Transportation Expenditure Plan amendments to programs 19 and 20 and to schedule a public hearing regarding the amendments for its June meeting. Previous to the June public hearing staff sent the proposed ordinance amending the expenditure plan and supporting information to all City and Town Managers, the Board of Supervisors and the Mayor's Conference. **Ordinance 09-01.**

**ACTION:** *Chair Viramontes* opened the Public Hearing. There were no public comments.

*Commissioner Taylor* moved to close the Public Hearing, seconded by *Commissioner Abelson*. The motion passed unanimously, 9-0. (*Commissioner Arnerich had not yet arrived.*)

**ACTION:** *Commissioner Taylor* moved to approve Ordinance 09-01, seconded by *Commissioner Balico*. A roll call vote was taken. The motion passed unanimously, 10-0. (*Alternate Hudson voted in place of Commissioner Arnerich, who had not yet arrived.*)

**STAFF REPORT:**

Peter Engel, Program Manager, stated that the proposed Measure J Expenditure Plan Amendment would revise sub-regional Programs 19 and 20 related to bus and paratransit services in central and west counties. Mr. Engel stated that the amendment was intended to assist bus transit operators so that they would be able to limit cuts to existing services by allowing flexibility. The amendment was warranted in light of the current economic crisis.

*Alternate Hudson arrived at 6:17 p.m. Commissioner Arnerich had not yet arrived.*

Mr. Engel stated that the Expenditure Plan required Program 19 and 20 funds to be used for enhanced or supplemental services, and that the amendment would allow the two sub-regions to program the funds to sustain existing services that are in danger of being cut back.

Mr. Engel stated that following the June Authority meeting, draft Ordinance 09-01 was distributed to the jurisdictions along with supplemental information regarding the Expenditure Plan Amendment recommendation.

1. **APPROVAL OF MINUTES:**

1.1 **Approval of Authority Minutes of May 20, 2009 (Regular Authority Meeting)**

**ACTION:** *Commissioner Abelson* moved to approve the Minutes of May 20, 2009, seconded by *Commissioner Metcalf*. The motion passed unanimously, 10-0. (*Alternate Hudson voted in place of Commissioner Arnerich, who had not yet arrived.*)

1.2 **Approval of Authority Minutes of June 3, 2009 (Special Authority Meeting)**

**ACTION:** *Commissioner Abelson* moved to approve the Minutes of June 3, 2009, seconded by *Commissioner Metcalf*. The motion passed unanimously, 10-0. (*Alternate Hudson voted in place of Commissioner Arnerich, who had not yet arrived.*)

*Commissioner Arnerich arrived at 6:18 p.m.*

2. **CONSENT CALENDAR:** Consent Items recommended by the following committees:

**ACTION:** *Alternate Pierce* moved to approve the Consent Calendar, seconded by *Commissioner Arnerich*. The motion passed unanimously, 10-0.

**Item 2.B.10**

*Chair Viramontes* flagged the Authority meeting handout (green) related to Item 2.B.10.

Martin Engelmann, Deputy Executive Director, Planning, stated that Item 2.B.10 (Resolution No. 09-34-G) had been revised to include the distribution of an additional allocation of \$292,615 (2.09%) in sub-regional Measure J Local Street Maintenance and Improvement (LSM) funds for West, Central, and Southwest counties as shown in the meeting handout. Mr. Engelmann stated that Resolution No. 09-34-

G had been updated and amended to include the additional allocation, and to add language to specify that payments to local jurisdictions would be subject to adjustment based upon actual sales tax revenues as determined by the State Board of Equalization. Mr. Engelmann said that the final sales tax revenue numbers for the last quarter of FY 2008-09 should be received from the State Board of Equalization in September, and that actual allocations would be adjusted as appropriate.

*Commissioner Taylor* asked about the basis for the additional allocation. Mr. Engelmann responded that "additional" sub-regional LSM funding was included in the Measure J Expenditure Plan, under Project 23. He said that WCCTAC, TRANSPAC, and SWAT had included these additional LSM allocations. Mr. Engelmann explained that WCCTAC later decided it wanted additional LSM allocations subject to Growth Management Program compliance, and East County elected to direct its share of allocations to other things.

**2.A Administration & Projects Committee:**

**2.A.1 Monthly Project Status Report.**

**2.A.2 Monthly Expenditure Report for April 2009.** This report also includes the summary of payroll and benefits costs by organizational unit.

**2.A.3 Monthly Investment Report for April 2009.** The Authority's Investment Policy requires this report.

**2.A.4 Approval of the Authority's Investment Policy for FY 2009-10.** Authority procedures require an annual review of the agency's Investment Policy. The policy is reviewed by the Chief Financial Officer and the Authority's Investment Advisor, Public Financial Management (PFM). The review has been completed and no changes or amendments are recommended for next fiscal year. **Resolution 09-33-A.**

**2.A.5 Selection of Jurisdictions and Firms for Measure C Compliance Audits for FY 2008-09.** Each year, the three recipients of Measure C funds are selected for a Compliance Audit consistent with Authority policy. The compliance audits are performed by an independent auditor to assure that Measure C funds have been expended in accordance with specified purposes.

**2.A.6 Actuarial Report and Funding Rates for Other Post Employee Benefits (OPEB) for FY 2009-10 and FY 2010-11.** A new actuarial report is required every two years. The funding rates are projected to decrease from 7.1% to 6.5% of payroll.

**2.A.7 State Route 4(e) Widening Project Somersville Road to Route 160 (Project 1407/3001) - Utility Relocation Agreements with PG&E.** Staff seeks authorization to enter into two utility relocation agreements with PG&E: Agreement No. 266 in the amount of \$111,500 to relocate electric distribution facilities and No. 267 in the amount of \$46,500 to provide a electrical distribution temporary "shoo-fly" along L Street/Contra Loma Blvd.

**2.A.8 e-BART: Completion of Environmental Impact Report (EIR) and filing of a Notice of Determination by Authority. (Project 2001).** The Environmental Impact Report (EIR) for this project has been completed. Staff recommends that the Authority, as a responsible agency, approve the EIR and file a Notice of Determination. **Resolution 09-31-P.**

**2.A.10 State Route 4 Widening Project – Somersville Road to State Route 160 (Project 1407/3001).**

**2.A.10.1 Authorization to execute Consultant Agreement with Vali Cooper for Construction Management Services.** Staff seeks authorization to execute Consultant Agreement No. 270 with Vali Cooper & Associates, Inc. for \$43,000 to perform constructability review on Segment 1 of the project.

**2.A.10.2 Authorization to execute Consultant Agreement with Jacobs for Construction Management Services.** Staff seeks authorization to execute Consultant Agreement No. 271 with Jacobs Civil, Inc. for \$44,500 to perform constructability review on Segment 3A of the project.

**2.A.11 Caldecott Tunnel Improvement Project – Authorization to Seek Regional Measure 2 (RM2) Allocation (Project No. 1698/1001).** Staff seeks approval to apply to the Metropolitan Transportation Commission (MTC) for an allocation of Regional Measure 2 funds in the amount of \$33 million for the design and construction phases. **Resolution 09-26-P.**

**2.A.12 Amendment No. 4 to the 2007 Measure J Strategic Plan:** Amendment No. 4 advances the programming of \$20 million in Measure J funds for eBART (Project 2001). **Resolution 09-27-P.**

**2.A.13 I-680 Southbound HOV Lane Extension – Restripe (Project 8002).** Last September, the Authority entered into a Cooperative Agreement with Caltrans to fund the project, Caltrans staff provided an update on progress made to date.

**2.B Planning Committee:** *(The following items were referred directly to the Authority.)*

**2.1 NEW ITEM: Measure J Allocation for FY 2009-10 for the Sub-Regional West County Safe Transportation for Children: Low Income Student Bus Pass Program.** The Measure J Expenditure Plan establishes the sub-regional West County Safe Transportation for Children: Low Income Student Bus Pass Program (Program 21b) funding at .725% of sales tax revenues. The intent of the program is to remove the cost of transportation to school as a barrier for attending school for low income students in West County.

**2.B.6 Approval of the City of Antioch’s Calendar Year 2006 & 2007 Growth Management Program (GMP) Compliance Checklist.** The City of Antioch has submitted its Calendar Years 2006 & 2007 Growth Management Program Compliance Checklist for allocation of Measure C Local Street Maintenance and Improvement (LSM) Funds. An allocation of \$1,115,659 in FY 07-08 LSM funds will be paid out, following Authority approval of the GMP Compliance Checklist. An accelerated “off-year” stimulus payment of \$1,005,000 in FY 08-09 LSM funds will be paid out in September 2009.

**2.B.7 Approval of the City of El Cerrito’s Calendar Years 2006 & 2007 Growth Management Program (GMP) Compliance Checklist.** The City of El Cerrito has submitted its Calendar Years 2006 & 2007 Growth Management Program Compliance Checklist for allocation of Measure C Local Street Maintenance and Improvement (LSM) Funds. An allocation of \$338,369 in FY 07-08 LSM funds will be paid out, following Authority approval of the GMP Compliance Checklist. An accelerated “off-year” stimulus payment of \$309,000 in FY 08-09 LSM funds will be paid out in September 2009.

**2.B.8 Approval of the City of Martinez’s Calendar Years 2006 & 2007 Growth Management Program (GMP) Compliance Checklist.** The City of Martinez has submitted its Calendar Years 2006 & 2007 Growth Management Program Compliance Checklist for allocation of Measure C Local Street Maintenance and Improvement (LSM) Funds. An allocation of \$493,973 in FY 07-08 LSM funds will be paid out, following Authority approval of the GMP Compliance Checklist. An accelerated “off-year” stimulus payment of \$448,000 in FY 08-09 LSM funds will be paid out in September 2009.

**2.B.9 Approval of the City of Pinole’s Calendar Years 2006 & 2007 Growth Management Program (GMP) Compliance Checklist.** The City of Pinole has submitted its Calendar Years 2006 & 2007 Growth Management Program Compliance Checklist for allocation of Measure C Local Street Maintenance and Improvement (LSM) Funds. An allocation of \$272,748 in FY 07-08 LSM funds will

be paid out, following Authority approval of the GMP Compliance Checklist. An accelerated “off-year” stimulus payment of \$250,000 in FY 08-09 LSM funds will be paid out in September 2009.

- 2.B.10 Authority Approval of Resolution 09-34-G Regarding Early Payment of FY 2008-09 Local Street Maintenance and Improvement “Off-Year” Funds to Local Jurisdictions Found to be in Compliance with Measure C Growth Management Program (GMP).** At its April 15, 2009 meeting, the Authority approved an exception to existing policy, allowing early payment of FY 2008-09 Local Street Maintenance & Improvement (LSM) funds to local jurisdictions that have submitted a Calendar Year 2006 & 2007 Checklist and been found by the Authority to be in compliance with the Growth Management Program (GMP). This resolution formalizes the schedule of payments for FY 2008-09 LSM funds. **Resolution 09-34-G.**
- 2.B.11 Approval of Cooperative Agreement with BART to Receive Measure J Program Funding.** The Measure J Expenditure Plan names several bus operators, paratransit operators and other agencies that are eligible to receive Measure J funding from one or more of the measure’s program categories. BART is a partner with AC Transit in the operation of the East Bay Paratransit Consortium. Approval will authorize the Authority to enter into a Cooperative Agreement with BART for their share of Measure J funds for operating the EBPC. **Cooperative Agreement No. 60.00.01**
- 2.B.12 Approval of FY 2009-10 Measure J Allocation for the Countywide Bus Services Program (Program 14).** The Measure J Expenditure Plan establishes the Bus Service Program (Program 14) funding at 5% of sales tax revenues. The annual allocation for the countywide Bus Services Program is developed collaboratively with representatives of the affected bus transit operators in Contra Costa: AC Transit, County Connection, Tri Delta Transit, and WestCAT. Program funds are intended to continue to support services funded under Measure C. **Resolution 09-21-G.**
- 2.B.13 Approval of FY 2009-10 Measure J Allocation for the Central County Additional Bus Service Enhancements Program (Sub-Regional Program 19a).** The Measure J Expenditure Plan establishes the Central County Additional Bus Service Enhancements program (Program 19a) at 1.2% of sales tax revenues. As a sub-regional program the funds are programmed by TRANSPAC. At its March 12, 2009 meeting TRANSPAC took action on programming the funds to County Connection. **Resolution 09-22-G.**
- 2.B.14 Approval of FY 2009-10 Measure J Allocation for Countywide Transportation For Seniors and People with Disabilities (Program 15).** The Paratransit Coordinating Council (PCC) has reviewed the proposed Measure J allocation for the FY 2009-10 Measure J Countywide Transportation for Seniors and People with Disabilities Program . Based on its review of operator claims for Measure J funding and subsequent review of the attached allocation resolution, the PCC is requesting that the Authority approve the allocation. As stated in the expenditure plan, the allocation was calculated at 3.5% of total sales tax revenue. Additionally, the allocation follows the mandatory distribution of funds to specific sub-regions and Measure C recipient operators as required in the expenditure plan. **Resolution 09-23-G.**
- 2.B.15 Approval of FY 2009-10 Measure J Allocation for the Express Bus Program (Program 16).** The Measure J Expenditure Plan establishes the Express Bus Program (Program 16) funding at 4.3% of sales tax revenues. The allocation for the countywide Express Bus Program is developed collaboratively with representatives of the affected bus transit operators in Contra Costa: AC Transit, County Connection, Tri Delta Transit, and WestCAT. This allocation is primarily focused on maintaining existing eligible express bus services which the operators have identified for possible service reductions due to funding shortfalls. Future allocations will support services identified in the Contra Costa Express Bus Plan

scheduled to be updated during the fiscal year. Annual Bus Transit allocations are based on projected sales tax revenues for FY 2009-10. **Resolution 09-24-G.**

- 2.B.16 Approval of FY 2009-10 Measure J Commute Alternatives Program Allocation (Program 17).** It has been the Authority's policy to augment TFCA program funds with transportation sales tax funds through the Commute Alternatives program to the four RTPCs, to cover costs associated with the implementation of the TFCA program that are not eligible for TFCA funds. It is anticipated that this practice will continue as part of Measure J through the Measure J Commute Alternatives program (Program 17). **Resolution 09-25-G.**

**3.0 MAJOR DISCUSSION ITEMS:**

- 3.1 Continuing Workshop: Proposed 2009 Authority Bond Financing Plan:** On June 3<sup>rd</sup> the Authority tentatively approved a financing plan calling for downsizing the initial bond transaction from \$300 to \$200 million and delaying the remaining \$100 million for two years. Simultaneously, the Authority would also delay \$100 million of the 2005 swap for two years. The lower initial bond amount more efficiently matches the Authority's revised cash flow requirements due to recent allocations from American Recovery Reinvestment Act (ARRA) for the Caldecott Tunnel project.

**ACTION:** *(None taken)*

**STAFF REPORT:**

Bob McCleary stated that in 2005 the Authority entered into a forward interest rate swap to lock-in a low interest rate for bond financing four years in advance of the need to provide the funds, thus allowing the Authority to proceed with project development activities with the assurance that bonds could be sold in 2009 at a reasonable interest rate.

Mr. McCleary said that although the interest rate on the swap was not as attractive as it was in 2005, it was still a good rate (approximately 5%). He said that the issue for the Authority to consider was to what degree the remaining risk needed to be mitigated.

Randall Carlton, Chief Financial Officer, introduced Peter Miller, Public Financial Management Inc. (PFM). Mr. Carlton gave a PowerPoint presentation, which included additional information and analysis requested at the Special Authority Meeting of June 3<sup>rd</sup>. The presentation was distributed as a meeting handout.

Mr. Carlton stated that the Authority needed to make a decision during the first week of July to either move forward with the proposed bond issue, or terminate the swap agreement.

The presentation illustrated that the 20 year LIBOR rate would need to rise approximately 0.80% to reduce swap termination costs to zero.

Mr. Carlton presented a number of variable rate borrowing scenarios, including the requested sensitivity analysis relative to liquidity cost estimates. Mr. Carlton stated that staff recommended variable rate demand bonds (VRDBs) over fixed rate bonds. He said that liquidity fees were estimated at 1.20%.

Mr. Carlton stated that the actual liquidity fees would be known precisely on June 24<sup>th</sup> when the liquidity bids were due. He said that the Authority could schedule a special Authority meeting for July 1<sup>st</sup> to review the liquidity bids, or delegate final direction to the APC at its meeting of July 2<sup>nd</sup>.

*Commissioner Taylor* asked how often the swap termination cost would be updated. Mr. Carlton responded that staff would monitor swap termination costs over the next year, and update the Authority

should they near zero. He said that the Authority could consider a transition to fixed rate borrowing at that point.

Bob McCleary noted that the Authority had entered a swap agreement in 1993, and had been able to transition into a fixed rate financing at no cost when the market changed in 1995. He said that the Authority was not locked into the swap—and that staff would continue to monitor it and keep the Authority apprised of its options.

*Chair Viramontes* thanked staff for their presentation, and said that she supported moving forward with a \$200 million variable rate demand bond issue and continuing to monitor the swap.

*Commissioner Arnerich* stated that he believed liquidity costs could well increase. The Authority should not take risks and should terminate the swap. He said that he believed interest rates in the United States would continue to climb as a result of economic problems. He said that the final decision on the 2009 Authority bond financing plan should be made by the full Authority, and not be delegated to the APC.

*Commissioner Taylor* agreed that the decision about the proposed financing plan should be made by the full Authority.

Bob McCleary commented that if interest rates increased, the LIBOR curve would also go up, reducing the buy-out cost. He said that the Authority could consider setting parameters for a buy-out refinancing versus continuing with the swap.

*Chair Viramontes* asked about the tipping point between rising interest rates and opting out of the swap, if the Authority approved staff's recommendation to move forward with the \$200 million bond issue in September 2009 and the remaining \$100 million in 2011. Mr. Carlton responded that an 80 basis point increase in long term interest rates would put swap termination costs near zero.

Mr. Carlton said that the Powerpoint presentation would be updated following receipt of the liquidity bids due on June 24<sup>th</sup>, and would be reviewed with the Authority at the special meeting proposed for July 1<sup>st</sup>.

*Commissioner Metcalf* asked the Authority to consider what the global economic situation would look like if 1.25% liquidity costs were the long-term norm. He asked staff to identify circumstances where the Authority should not move forward with the swap to better understand potential risk factors.

Bob McCleary responded that the question relates to the degree of risk the Authority is willing to take, and that the anticipated greatest risk lies with liquidity costs. He said that the banking team would consult on *Commissioner Metcalf's* question and be prepared to respond on July 1<sup>st</sup>.

Peter Miller stated that the US economy seemed to be showing signs of slowly reaching bottom, and doing better than parts of Europe. He agreed that the financial team should consult further and report back to the Authority.

*Commissioner Durant* requested that staff return on July 1<sup>st</sup> with special factors the Authority should consider and reasons for the recommendation. *Commissioner Durant* said that he believed the Authority should take reasonable risks.

By consensus, it was decided that a special Authority meeting would be scheduled for July 1<sup>st</sup> at 6:30 p.m., following the Planning Committee Meeting, which would be moved to 5:30 p.m.

#### **4.0 REGULAR AGENDA ITEMS:**

#### 4.A Administration & Projects Committee:

##### 4.A.9 Legislation.

**AB 1175 (Torlakson) Bay Area Toll Bridges.** APC recommends support for this bill if amended.

**ACTION:** *Commissioner Abelson* moved to support AB 1175 if amended to include a general return of funds based on trips from or to each county, to reflect the tolls paid by residents of each county, seconded by *Commissioner Balico*. The motion passed unanimously, 10-0.

##### **STAFF REPORT:**

Bob McCleary stated that AB 1175 would add the Antioch and Dumbarton bridges to the Bay Area Toll Bridge Seismic Retrofit Program, and allow the Bay Area Toll Authority (BATA) to increase tolls for purposes of financing that program and other prior commitments. Mr. McCleary said that MTC Executive Staff had indicated its desire to increase revenues through a combination of toll increases to multi-axle vehicles, charging discounted tolls to carpools, and raising general tolls on all Bay Area bridges.

The bill would also allow future toll increases if expenditure plans are prepared, approved by BATA, and passed by voters in affected counties (those touching the bay).

Mr. McCleary stated that APC wanted the legislation to include a return to the source of trips commitment, and a strategic planning process for the allocation of the additional toll revenues.

*Chair Viramontes* said that there was value in focusing efforts on securing transit funding. *Commissioner Arnerich* agreed, and asked *Representative Worth* about MTC's position on the bill. *Representative Worth* responded that rather than a Regional Measure 3 being crafted in Sacramento, it would require regional consensus and provide a nexus to the bridge corridors. *Representative Worth* said that she supported the concept of a Regional Measure 3 which would include additional funding for eBART.

*Commissioner Pierce* stated that she was not as optimistic as *Representative Worth* on future collaboration with MTC, and that once the bill passed by a simple majority, promises made may not be delivered. *Commissioner Pierce* emphasized that Contra Costa's projects should be identified in the legislation as potential beneficiaries of the funding.

*Representative Worth* stated that the bill would allow BATA to put a proposal before the voters. *Chair Viramontes* said that she would like to see the principles of the 1988 bridge toll measure applied to AB 1175. Bob McCleary responded that it was not clear how AB 1175 would change the existing statute. He said that aggregate toll revenues would increase by approximately \$200 million annually based on MTC staff's proposal last fall.

*Chair Viramontes* said that it was important to focus on one or two priority issues, and that she supported the concept of including funding for eBART and possibly funding for ferries as a transit option.

*Commissioner Abelson* stated that she would like to see broader language that would allow funding for other future transit projects. *Commissioner Balico* said that he would like AB 1175 to include return to source language. Bob McCleary commented that a return-to-source provision that reflected the county of origin of the toll payers at the CMA level would be best.

**AB 744 (Torricco) Bay Area HOT Lane Network.** Staff will provide a status report on this bill.

**ACTION:** *Commissioner Arnerich* moved to accept the recommendation of the Executive Committee as

outlined by the Executive Director (below), seconded by *Commissioner Pierce*. The motion passed unanimously, 10-0.

**STAFF REPORT:**

Bob McCleary stated that the Executive Committee met earlier on June 17<sup>th</sup>, and decided to send a letter of support for AB 744 if the language changes requested by the Authority were included before the bill progressed to the Senate Transportation Committee, including the West County proposal that would require a feasibility study and demonstration of net benefits to travelers in the corridor before tolling could be implemented. He said that the Authority would oppose AB 744 if these items were not incorporated.

*Commissioner Durant* clarified that the letter should first state that the Authority *does not currently support the bill*, before stating that the Authority would support the bill if the specified language changes were incorporated.

*Representative Worth* thanked *Commissioner Pierce* for her work on AB 744. She said that she shared the Authority's concerns and disappointment about the way the events unfolded, but that she was pleased the Authority was able to facilitate needed changes to the legislation.

- 4.A.14 Proposed Authority Budget for FY 2009-10.** Last month, a preliminary budget was presented for review and comment. Changes suggested by the APC have been incorporated into the Final Budget. **Resolution 09-28-A.** (See Agenda Item D.)

**ACTION:** *Commissioner Taylor* moved to approve the Authority Budget for FY 2009-10 as presented by staff, seconded by *Commissioner Abelson*. The motion passed unanimously, 10-0.

**4.B Planning Committee**

- 4.B.1 Certification of the Final Environmental Impact Report (FEIR) for the 2009 Countywide Comprehensive Transportation Plan by Adoption of Resolution 09-29-G, Including Approval of Responses to Comments on the Draft Environmental Impact Report for the Countywide Comprehensive Transportation Plan.** Staff has prepared responses to comments received on the Draft EIR that was released on February 18, 2009 for a 45-day review period. The comment period closed on April 6, 2009. CEQA requires that responses to comments be transmitted to commentors on the Draft EIR ten days prior to EIR certification. In adopting Resolution 09-29-G, the Authority certifies that: 1) the Final EIR has been completed in compliance with CEQA; 2) that the Authority reviewed and considered the information provided; and 3) that the FEIR reflects the independent judgment and analysis of the Authority. **Resolution 09-29-G**

**ACTION:** *Commissioner Pierce* moved to approve Resolution 09-29-G, seconded by *Commissioner Balico*. The motion passed unanimously, 10-0.

**STAFF REPORT:**

Brad Beck, Senior Transportation Planner, stated that the Authority was being asked to approve Resolution 09-29-G, certifying the EIR on the 2009 Countywide Transportation Plan Update.

- 4.B.2 Review of Proposal for Adoption 2009 CTP, Approval of "Findings, Facts in Support of Findings, and Statement of Overriding Considerations," Adoption of the Mitigation Monitoring and Reporting Program, and Adoption of the 2009 Countywide Comprehensive Transportation Plan by Adoption of Resolution 09-30-G.** Following certification of the EIR, adoption of the Final 2009 CTP requires Authority Adoption of Resolution 09-30-G: approve revisions to the Draft 2009

Countywide Comprehensive Transportation Plan, approve Findings, Facts in Support of Findings, and Statement of Overriding Consideration, adopt Mitigation Monitoring and Reporting Program, and adopt the 2009 Countywide Comprehensive Transportation Plan. **Resolution No. 09-30-G**

**ACTION:** *Commissioner Arnerich* moved to approve Resolution No. 09-30-G with the amendments as presented by staff, seconded by *Commissioner Metcalf*. The motion passed unanimously, 10-0.

**STAFF REPORT:**

Martin Engelmann, Deputy Executive Director, Planning, stated that Authority adoption of Resolution No. 09-30-G would also include approval of: (1) revisions to the Countywide Transportation Plan (CTP) proposal for adoption; (2) additional revisions discussed by the Planning Committee on June 3<sup>rd</sup> requiring appropriate mitigations; (3) Findings, Facts in Support of Findings, and Statement of Overriding Consideration; and (4) adoption of the mitigation monitoring and reporting program.

Mr. Engelmann referenced the "salmon" meeting handout, which included an additional revision to the Proposal for Adoption of the CTP. He stated that TRANSPLAN had suggested that language be added to require a corridor study for Vasco Road and future updates to the East County Action Plan designating Bailey Road as a Route of Regional Significance. Mr. Engelmann said that the Authority would be adopting by reference the final Action Plans, which were made available for review at the dais.

Mr. Engelmann stated that the plan would be published in July. He thanked Barbara Neustadter, John Cunningham, Steve Goetz, and Christina Atienza for their assistance over the two year process.

*Commissioner Durant* thanked staff and the Planning Committee for their efforts on the 2009 CTP update.

**5.0 CORRESPONDENCE AND COMMUNICATIONS:**

**6.0 ASSOCIATED COMMITTEE REPORTS:**

6.1 Central County (TRANSPAC): *Report of May 14, 2009*

6.2 East County (TRANSPLAN): *Report of May 14, 2009*

6.3 Southwest County (SWAT): *Report of May 4, 2009*  
*(Meeting of June 1, 2009 Canceled)*

6.4 West County (WCCTAC): *Report of May 29, 2009*

6.5 Conference of Mayors (COM):

6.6 Contra Costa County (COUNTY)

6.7 CCTA Citizen Advisory Committee (CAC)

**7.0 COMMISSIONER AND STAFF COMMENTS:**

**7.1 Chair's Comments and Reports**

**7.2 Commissioners' Comments and Reports**

*Representative Shimansky, Vice Chair of CCCTA*, thanked the Authority for their interest in bus service and transit. He said that CCCTA had cut 23% of fixed route service in March, and that 37 drivers had been laid off. *Representative Shimansky* noted that CCCTA had been informed by the State that there would be no State Transit Assistance funding allocations for the next five years.

**7.3 Executive Staff Comments**

Bob McCleary referenced the State Budget Status Report received from Keith Dunn, Executive Director of the Self-Help Counties Coalition, which was distributed as a meeting handout (yellow). He said Mr. Dunn was also a lobbyist, and that he would be working to increase awareness of the Self-Help Counties Coalition, and to build an alliance with the California Transit Association in

efforts to protect funding for transit and local streets and roads.

Bob McCleary flagged the letter to MTC from Congressmen George Miller, Jerry McNerney, and Congresswoman Ellen Tauscher requesting MTC's financial support to continue the State Route 4 and eBART projects in Contra Costa County.

**8.0 CALENDAR: July/August/September 2009**

**9.0 CLOSED SESSION**

**10.0 RECONVENE IN OPEN SESSION**

**ACTION:** *Commissioner Arnerich* moved to approve Resolution No. 09-32-A, seconded by *Commissioner Metcalf*. The motion passed unanimously, 9-0. (*Commissioner Bonilla* was not present.)

*Commissioner Pierce* thanked the Executive Director for his continued excellence in public service, and said he was a great asset for the Authority. *Chair Viramontes* said that she appreciated Mr. McCleary's knowledge of transportation funding, flexibility, and proactive approach to solving complex transportation issues. *Commissioner Arnerich* also commended Mr. McCleary, noting his work ethic.

**11.0 ADJOURNMENT to Special Authority Meeting scheduled for Wednesday, July 1<sup>st</sup>, at 6:30 p.m.**

*Chair Viramontes* adjourned the meeting at 8.23 p.m. to the special Authority meeting scheduled for July 1<sup>st</sup>, 2009, 6:30 p.m.



**SUMMARY MINUTES**

**July 1, 2009**

**Commissioners Present:** Janet Abelson, Newell Arnerich, Ed Balico, Susan Bonilla, David Durant, Federal Glover, Michael Kee, Mike Metcalf, Julie Pierce, Bob Taylor, Maria Viramontes

**Commissioners Absent:** None

**Alternates Present:**

**Ex-Officios Present:** Mike Shimansky, Amy Worth

**Staff Present:** Bob McCleary, Paul Maxwell, Susan Miller, Amin AbuAmara, Brad Beck, Randall Carlton, Erick Cheung, Peter Engel, Martin Engelmann, Matt Kelly, Hisham Noeimi, Stan Taylor (Authority Counsel), Danice Rosenbohm (Executive Secretary)

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**A. CONVENE MEETING:** *Chair Viramontes* convened the meeting at 6:34 p.m.

**B. PLEDGE OF ALLEGIANCE:**

**C. PUBLIC COMMENT:**

*There were no public comments on items not on the Agenda.*

- 1. Approval of 2009 Authority Bond Financing Plan.** The Authority will be asked to make a final decision on the proposed 2009 bond financing plan. This timing is important so that the financing team can prepare bond documents, approach rating agencies, market the bonds, and complete other activities needed for the September 23<sup>rd</sup> bond closing. Direction to proceed on the proposed plan, however, will not preclude the Authority from terminating the swaps and issuing fixed rate bonds in the future when economically feasible. Bank liquidity bids have now been received which are consistent with earlier estimates. The most attractive option is the certainty offered with a 2-year liquidity contract. The Authority may however prefer a shorter 1-year commitment for less cost or more certainty/higher cost by selecting a 3-year contract. The liquidity bids will be discussed with the Authority as well as any remaining questions or concerns.

**ACTION:** *Commissioner Abelson* moved to authorize the issuance of \$200 million of Variable Rate Demand Bonds, to defer \$100 million of bonds, and to authorize staff to negotiate terms in order to select two of the top three liquidity providers, seconded by *Commissioner Metcalf*. The motion passed 10-1, with the "no" vote by *Commissioner Arnerich*.

**STAFF REPORT:**

Randall Carlton, Chief Financial Officer, stated that staff was seeking Authority direction regarding the proposed 2009 Authority bond financing plan. He introduced Peter Shellenberger, Public Financial Management, Inc., and then gave a Powerpoint presentation which reflected bank liquidity bids received on June 24<sup>th</sup>.

Mr. Carlton stated that three bids had been received from Bank of America, Barclays, and JP Morgan Chase,

and that the proposals represented a total of \$400 million in available liquidity. He said that liquidity bids were consistent with earlier projections, and could lock in the costs of proposed bonding for one to three years.

Mr. Carlton stated that a two year liquidity facility appeared to be most desirable, and would allow flexibility to monitor and potentially transition out of the swap. He said that the two year liquidity facility also coordinated well with the proposed 2011 bond issue.

Mr. Carlton said that, should the Authority approve staff's recommendation to move forward with the issuance of Variable Rate Demand Bonds, staff would continue to monitor fixed rate borrowing options.

Mr. Shellenberger stated that fixed rate borrowing was currently 5.04%, versus an effective rate of 5.37% for variable rate financing (including the cost of delaying \$100 million of the swap). Mr. Carlton and Mr. Shellenberger reviewed the costs to terminate the swap (approximately \$29 million as of June 30<sup>th</sup>), and compared the variable and fixed rate financing costs.

Mr. Shellenberger explained that it may be possible to negotiate terms with the liquidity providers to limit termination costs ("breakage fees"), should the Authority choose to cancel the liquidity facility before the two year contract expired.

*Commissioner Arnerich* thanked staff and the financial team on the thorough, comprehensive review. He asked about the advantage of pursuing a two year liquidity facility (as opposed to one year). Mr. Shellenberger responded that the two year facilities provided the optimal rates, and that the difference between the two was minimal.

*Commissioner Arnerich* asked about the advantages to partnering with multiple liquidity providers. Mr. Carlton responded that the more diversified, the more limited the risk, and that staff recommended splitting the \$200 million between two of the three banks.

*Commissioner Arnerich* asked if bonds were more difficult to market when there was a third party involved. Mr. Shellenberger responded that securing \$100 million from each of two liquidity providers would not affect sales, as each bond series would be marketed independently and investors would choose to be in either one series or the other.

*Commissioner Kee* asked whether the dollar amount of credit proposed by the liquidity providers had any relationship to the stability of the banks. Mr. Carlton responded that stability, risk tolerance, and capital investment were all factors.

*Commisisoner Metcalf* asked Mr. Shellenberger if he thought that liquidity rates might be lower in one year. Mr. Shellenberger said that the market recovery would more likely to occur over a two to three-year timeframe.

At Chairperson Viramontes' request, Mr. Carlton clarified several points on the Summary of Liquidity Provider Responses as shown on Attachment B. She suggested staff include a provision capping bank counsel and counsel fees if JP Morgan Chase Bank is utilized as a liquidity provider.

*Commissioner Arnerich* said that he was concerned about risk to the Authority, and that getting out of the swap may not be financially feasible for the Authority in the future.

Bob McCleary responded that if the swap was "underwater" but the rate of financing was comparable to other options, the Authority may not want to invest \$19 million just to eliminate all elements of risk.

Mr. Shellenberger commented that the uncertainty in the current economic environment made many people

uncomfortable. He said that staff's recommendation took into account all factors known and maintained the most flexibility for market recovery (and reduced liquidity costs).

Mr. Carlton said that staff would like the flexibility to negotiate the most cost effective terms for moving forward with the issuance of \$200 million of Variable Rate Demand Bonds, split between two of the three liquidity providers.

**D ADJOURNMENT** to Wednesday, July 15<sup>th</sup>, at 6:00 p.m.

Bob McCleary flagged two correspondence items which were distributed as meeting handouts: (1) a letter from MTC dated June 24<sup>th</sup> regarding eBART; and (2) a letter from Contra Costa County regarding AB 744.

*Chair Viramontes* adjourned the meeting at 7:12 p.m. to the Authority meeting scheduled for July 15<sup>th</sup>, 2009, 6:00 p.m



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COMMISSIONERS: *Maria Viramontes, Chair*   *Robert Taylor, Vice Chair*   *Janet Abelson*   *Newell Arnerich*   *Ed Balico*  
*Susan Bonilla*   *David Durant*   *Federal Glover*   *Michael Kee*   *Mike Metcalf*   *Julie Pierce*

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**DATE:** 28 August 2009  
**TO:** RTPCs  
**FROM:** Bob McCleary, Executive Director  
**SUBJECT:** Summary of 2009 Transportation Financing Actions, as Approved by the Authority on August 26, 2009

At its meeting of August 26, 2009, the Authority unanimously approved revisions to the financial strategy that it adopted in November 2005 when it approved a \$300 million forward interest rate swap (the "Swap"). While the underlying Swap continues to perform as designed, both the Authority's financial needs and the business parameters surrounding the Swap have changed as a result of changes in the financial market and project funding requirements.

The Authority's revised strategy is as follows:

- Reduce the \$300 million Swap to \$200 million by "buying out" \$100 million.
  - \$100 million less in bond debt is needed over the next two years because \$208 million in Federal American Recovery and Reinvestment Act (ARRA) funds were committed to the Caldecott Tunnel Fourth Bore project in April and will be expended first.
  - Interest costs of carrying the \$100 million for two years would have been \$10 million, while deferring it two years as part of the Swap was estimated to cost \$5 million.
  - Consequently, the Authority decided to improve its risk profile and reduce uncertainties by "buying out" \$100 million of the Swap at a cost estimated between \$8 and \$11 million.
- To cover the next year, sell \$200 million in fixed rate, approximately one year Bond Anticipation Notes (BANs) rather than issuing Variable Rate Demand Bonds (VRDBs).
  - The cost and business terms associated with issuing variable rate debt have changed significantly since 2005 when the Authority entered into the Swap contract: there are no AAA rated bond insurers, liquidity costs have risen by approximately one percent, thereby increasing the cost of the Swap from approximately 4 percent to 5 percent, and the cap on the potential interest rate charged if liquidity providers actually have to "buy" our bonds for a period of time increased from 12 percent to 18 percent. The Authority was therefore reluctant to enter into VRDBs at this time, and will monitor the market conditions carefully as the BANs near maturity.
  - The Authority expects to be able to sell BANs at a cost of approximately 0.8 percent or less, which will result in an interest cost on the order of a net of 4.1 percent (incorporating offsetting Swap payments) for a savings of at approximately \$1.8 million over the next year compared to using VRDBs, and with greater certainty as to the actual cost.
- Continue to plan for the conversion to the \$200 million Swap in one year, while actively monitoring the financial markets.
  - The Authority remains committed to issuing VRDBs in 2010 as the "take-out" bonds to the BANs.
  - The Authority will continue to monitor the financial markets in case opportunities arise that would lower the Authority's long-term costs and/or reduce the Authority's financial risk profile.

Subject	Measure J Strategic Plan Update
<b>Summary of Issues</b>	<p>The Authority updates the <i>Strategic Plan</i> approximately every two years committing funding to specific projects for the next 5 to 7 years. Updates to the <i>Strategic Plan</i> are necessary to revisit assumptions relative to revenue growth and inflation, and to ensure that project commitments do not exceed projected Measure J revenues. The 2009 <i>Update</i> to the first Measure J <i>Strategic Plan</i> comes during a significant downturn in the economy which is adversely affecting Measure J revenues and increasing debt service on proposed bonds.</p> <p>Staff has prepared three revised revenue scenarios for the Authority’s consideration. Under these scenarios, Measure J revenues (in 2004 dollars) would total approximately \$1.5B, \$1.55B, and \$1.58B respectively, over the life of the Measure. These scenarios represent a 22% to 25% reduction from the 2007 Strategic Plan estimate.</p> <p>The reduction in revenues, combined with the projected increase in bond debt service lessens the amount of funding available for capital projects in the first six years. Because the Measure J Expenditure Plan does not contain a contingency for economic downturns, the Authority will need to delay some projects and tighten the funding caps on <i>Capital Projects</i>.</p>
<b>Recommendations</b>	<p>Staff recommends approval of the “moderate growth” revenue scenario to carry forward in the 2009 <i>Update</i>.</p>
<b>Financial Implications</b>	<p>Measure J sales tax revenues are now estimated to total \$1.5 - \$1.58 billion (2004 dollars) over 25 years (April 1, 2009 through March 31, 2034), down from the \$2 billion estimated in 2004 when the Measure passed.</p>
<b>Options</b>	<p>The Authority could defer any action pending further deliberations</p>
<b>Attachments</b>	<p>A. PowerPoint Presentation                      B. Sales Tax Projections Scenarios</p>
<b>Changes from Committee</b>	

**Background**

Measure J, which started on April 1, 2009, will be in effect for 25 years. The first Measure J *Strategic Plan* was adopted in December 2007, covering the period FY2008 through FY2015.

Recognizing that there will be economic cycles and that project development might falter, the Authority updates the *Strategic Plan* approximately every two years committing funding to specific projects for the next 5 to 7 years. Updates to the *Strategic Plan* are necessary to revisit assumptions relative to revenue growth and inflation, and to ensure that project commitments do not exceed projected Measure J revenues. The 2009 *Update* to the first Measure J *Strategic Plan* comes during a significant downturn in the economy which is adversely affecting Measure J revenues and potentially increasing debt service on proposed bonds.

In February 2009, the Authority began the update process. However, it became clear that additional time may help validate many of the assumptions made in the *Update*. So the Authority decided to delay the adoption of the *Plan* to better assess the impact of the recession on its sales tax revenues, validate assumptions on financing costs especially for the first bond issuance, account for any bid savings from the Caldecott and SR4 East widening from Loveridge to Somersville, and complete the review of latest cost estimates on major Measure J projects.

Actual data on fiscal year 2009 revenues and inflation rate are now available, signs of an economic rebound are increasing, and the Authority's plan to issue debt on September 23, 2009 is being solidified. In addition, construction bids for the Caldecott 4<sup>th</sup> bore are due on September 16, 2009 and construction advertisement for SR4 East widening from Loveridge to Somersville is targeted in mid September. A cost review of eBART and SR4 East widening from Somersville to 160 is also underway and expected to be completed by end of September.

#### **Sales Tax Revenue Projections Update**

Given the current downturn in the economy, staff has revised the revenue projections based on actual FY2009 revenues (\$64.3 million actual v. \$67.5 million assumed in February 09) and FY2010 budget (\$64.3 million). Three scenarios were examined (Attachment B):

- Scenario 1 (conservative growth) assumes a prolonged recession with the economy continuing to deteriorate through FY2012, but flattening in FY2013. Economic recovery is assumed to start in FY2014. Average real growth over the life of the Measure would be 0.69%. Under this scenario, revenues would total approximately \$1.5 billion.
- Scenario 2 (moderate growth) assumes a shorter recession with recovery in FY2011. Average real growth rate would total 0.84% over the life of the Measure. Under this scenario, revenues would total approximately \$1.55 billion.
- Scenario 3 (aggressive growth) also assumes a shorter recession with recovery in FY2011 but with an average real growth rate of 1%. Under this scenario, revenues would total approximately \$1.58 billion over the life of Measure J.

*Staff recommends the use of the "moderate growth" scenario for the 2009 Strategic Plan as signs of an economic rebound are increasing.* Under this scenario, revenues would be down ~23% over the life of the Measure.

The average year-to-year real growth rate for the Measure C program was approximately 0.45%. However, excluding the downturn in FY2009, the average growth rate was 1.13%. A real growth rate of 1% was assumed for the 2007 Measure J *Strategic Plan*, and also in 2004 when the Measure J expenditure plan was developed.

Under the "moderate growth" scenario, Measure J would generate \$428 million (escalated) through June 30, 2015 compared to \$583 million estimated in the previous Measure J *Strategic Plan*. The 2009 *Update* must address the significant drop in projected revenues.

#### **Bond Sizing and Debt Service Update**

To expedite high priority projects throughout Contra Costa, the Authority entered into a forward interest rate swap agreement (swap) in 2005 for \$300 million in bonds to be issued starting on September 23, 2009. The swap agreement was entered into at the time to help secure low interest rates on the bonds. Due to the recent credit crunch, liquidity costs (*cost charged by a financial institution to buy Authority variable rate bonds if not sold on the market*) previously in the range of 0.25% have increased five times. Therefore the low interest rate of 3.9% hoped to be secured by the swap arrangement is now close to 5.4%.

Prompted by the credit rating downgrade of bond insurers, a portion of the bond proceeds is now required to be kept in reserve as an insurance policy, making it unavailable for projects in the short term.

At its special meeting in August 2009, the Authority approved the issuance of Bond Anticipation Notes (BANs) in the amount of \$200 million, and termination of a third of the swap amount (\$100 million) at a cost of \$7 to \$10 million. A second bond in the amount of \$100 million will be issued in 2011. This spreading of the \$300 million bond into two issues [\$200 million in Sept 23, 2009, and \$100 million in 2011] better matches cashflow needs and is expected to be more cost effective in the current financing environment.

In the *2007 Strategic Plan*, it was projected that the Authority will be able to issue two other bonds in the amount of \$150 million and \$138 million in 2012 and 2015, respectively. Proceeds from the last bond were to be dedicated solely to eBART. Given the downturn of Measure J revenues, *proceeds* from the last bond are now expected to range between \$33-42 million pending which revenue scenario is used.

#### **Policy Issues to be addressed in the 2009 Measure J Strategic Plan**

The projected reduction in sales tax revenues and increased bond debt service costs present several policy issues for the Authority:

***Tightening of Funding Caps*** – As a first step in implementing Measure J, the Authority adopted a financial framework in May 2006 that segregates Measure J annual revenues earmarked for *Capital Projects* from those dedicated to *Programs*. By committing an “off-the-top” percentage of annual revenues to each *Program*, the on-going needs of operating programs are addressed. On the other hand, for *Capital Projects* the need for Measure J funding is essentially dictated by the project delivery schedule and ability to secure other funding sources.

With this adopted framework, *Programs* will receive an annual distribution of the Measure J revenue stream based on percentages set in the Expenditure Plan of the actual annual revenues received. Fluctuations in sales tax revenues on a year to year basis will be reflected in the annual *Program* distributions. On the other hand, *Project Categories* will receive a fixed amount in 2004 dollars that will escalate based on the Bay Area Consumer Price Index (CPI).

In the absence of an unallocated contingency or a set-aside to recover the cost of bonding in Measure J Expenditure Plan, the Authority imposed a 90% “Funding Cap” on all Measure J *Capital Project Categories* in the first *Measure J Strategic Plan*. The “funding cap” allows the Authority to pay for estimated debt service and bond issuance costs, pay for Overall Program Management consultant costs (1.5%), provide a contingency against reduced revenues, and pay for staff project management costs. The BART Extension to East County (eBART) category had a reduced cap of 95% in return for that project incurring all debt service and issuance costs for the third bond issue which is slated to be dedicated exclusively to eBART.

The combined effect of diminished sales tax revenues and increased debt service reduces the amount of funding available for *Capital Projects* during the *Strategic Plan* period. In the *2009 Strategic Plan*, the Authority will need to delay some projects and tighten the funding caps on *Capital Project Categories* to approximately 69%. The Authority’s decision to infuse State Local Partnership funds over the next five years (~ \$26 million) into Measure J capital projects softened the impact of the revenue reduction.

***Measure J Commitments to Major Capital Projects*** – With the passage of Proposition 1B in November 2006, the Authority successfully applied for funding from the Corridor Mobility Improvement Account (CMIA) for three Measure J projects:

- \$175 million for the Caldecott Tunnel 4<sup>th</sup> bore.
- \$85 million for State Route 4 East Widening from Somersville to SR160.
- \$55.3 million for the I-80 Integrated Corridor Mobility (ICM) project (along with \$21.4 million in the Traffic Light Synchronization Program)

In addition, both MTC and BART agreed to contribute \$20 million each from their Proposition 1B transit funds to the eBART project.

Securing the CMIA funds is contingent upon the Authority delivering promised Measure J funds, and upon its partners' ability to deliver other local funding sources. This overriding need to secure the CMIA-funded projects limits the Authority's ability to tighten the funding "cap" on these projects. The Authority's current commitments to the CMIA projects are:

- Caldecott Tunnel: \$127 million (Measure J)
- SR4 East (Somerville to SR160): \$132 million (Measure J), \$80 million (ECCRFFA), \$15 million (Measure C)
- I-80 Integrated Mobility Corridor: \$4.9 million (Measure J)

**ECCRFFA Commitments to SR4 East Widening** - Given the downturn in the housing market, the Authority and TRANSPLAN commissioned a study to estimate the amount of east county sub-regional transportation mitigation fees (ECCRFFA) that could be generated through 2015. The study concluded that only ~\$30 million out of \$80 million commitment to SR4 East widening may be available within the project time frame, leaving a \$50 million funding shortfall on the project. The Authority, with concurrence from TRANSPLAN, will need to shift Measure J funds from other project categories in East County to fulfill the \$50 million remaining commitment from ECCRFFA.

**Measure J Commitments to eBART** – In the 2007 Measure J *Strategic Plan*, the Authority programmed ~\$175 million to eBART, fully funding the project. As part of this programming commitment, the Authority dedicated the last bond issuance in 2015 exclusively to eBART. In a related action, both MTC and BART agreed to contribute \$20 million each from their Proposition 1B transit funds to the project.

Given the most recent revenue projections, Measure J funding to eBART would be approximately ~\$80 million leaving a significant shortfall on the project. The Authority, with concurrence from TRANSPLAN, will need to consider shifting Measure J funds from other project categories, namely Major Streets and BART Parking categories, and programs (TLC and Subregional Needs) in East County to fulfill its Measure J commitment to the project.

**Sub-regional Equity** – During the development of the Measure J Expenditure Plan, different sub-regions placed different emphasis on *Programs* versus *Project Categories*. In West County, for example, greater emphasis was placed on *Programs*, while in East County the emphasis was placed on *Capital Projects*. During the development of the 2007 Measure J *Strategic Plan*, each RTPC was requested to provide its *Capital Project* priorities within a funding target. The funding target was based on each sub-region's proportional share of *Capital Project Categories* in Measure J Expenditure Plan:

Central County (TRANSPAC): 29.7%

East County (TRANSPLAN): 48.5%

West County (WCCTAC): 9.0%

Southwest County (SWAT): 12.8%

In return for dedicating the third bond issue to eBART, which skewed the above percentages in favor of East County, the Authority adopted a policy to focus programming in the next five STIPs (FY 2014 through FY 2023) primarily on Measure C and Measure J projects completion in west, central and Southwest County.

The Authority will need to decide if eBART should incur all debt service and issuance costs for the last bond issue given the size of the third bond is much smaller. The Authority may also need to revisit its policy of excluding east county from competing in the next five STIP cycles due to the reduced bond size.

**RTPCs Input**

Due to the lower revenue projections, all four sub-regions need to re-assess their priorities in the *2009 Strategic Plan*. Last March, the Authority requested the Regional Transportation Planning Committees (RTPCs) to identify capital projects in their sub-regions that can be delayed beyond fiscal year 2015. Both WCCTAC and TRANSPAC provided recommendations. SWAT and TRANSPLAN elected to delay action until more information is available in the fall on revenues, debt service on proposed bonds, bid savings and cost review of major projects.

**Proposed Schedule for the Development of the *2009 Strategic Plan***

- Feb 09: Approve overall approach and revenue projections
- Mar – Apr 09: Work with RTPCs/Sponsors to determine project priorities and cashflow needs for projects through FY2015
- June 09: Update halted pending further info on revenues, debt service costs, bid savings, etc.
- Sept 09: Update Revenue projections based on latest information and preview policy issues.
- October 09: Receive RTPCs input
- November 09: Present draft *2009 Measure J Strategic Plan*.
- December 09: Finalize *Strategic Plan*