

C/CAG

CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

*Atherton • Belmont • Brisbane • Burlingame • Colma • Daly City • East Palo Alto • Foster City • Half Moon Bay • Hillsborough • Menlo Park
Millbrae • Pacifica • Portola Valley • Redwood City • San Bruno • San Carlos • San Mateo • San Mateo County • South San Francisco • Woodside*

C/CAG BOARD MEETING NOTICE

Meeting No. 314

- DATE:** Thursday, December 13, 2018
- TIME:** **6:30 P.M.**
- PLACE:** San Mateo County Transit District Office
1250 San Carlos Avenue, Second Floor Auditorium
San Carlos, CA
- PARKING:** Available adjacent to and behind building.
Please note the underground parking garage is no longer open.
- PUBLIC TRANSIT:** SamTrans
Caltrain: San Carlos Station.
Trip Planner: <http://transit.511.org>

- 1.0 CALL TO ORDER/ ROLL CALL
- 2.0 **PLEDGE OF ALLEGIANCE**
- 3.0 PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA
Note: Public comment is limited to two minutes per speaker.
- 4.0 PRESENTATIONS/ ANNOUNCEMENTS
- 5.0 ACTION TO SET AGENDA AND APPROVE CONSENT AGENDA ITEMS

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.

- 5.1 Review and approve the Minutes of regular business meeting No. 313 dated November 8, 2018. ACTION p. 1
- 5.2 Review and approve the 2019 C/CAG Board calendar. ACTION p. 5

- 5.3 Review and approve of the Finance Committee’s recommendation of no change to the investment portfolio and accept the Quarterly Investment Report as of September 30, 2018. ACTION p. 6
- 5.4 Review and approve of Resolution 18-67 authorizing the C/CAG Chair to execute an agreement between C/CAG and the County of San Mateo to provide staff services for the San Mateo County Energy Watch Program 2019 calendar year for an amount not to exceed \$250,000. ACTION p. 12
- 5.5 Review and approve of Resolution 18-68 authorizing the C/CAG Chair to execute Amendment No.1 to an agreement between C/CAG and DNV GL Energy Services USA, Inc. adding \$89,260 for a new total amount not to exceed \$349,260. ACTION p. 19
- 5.6 Review and accept the C/CAG Financial Statements (Audit) for Fiscal Year Ended June 30, 2018 and the Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2018. ACTION p. 33
- 5.7 Review and accept the C/CAG Single Audit Report for the Year Ended June 30, 2018. ACTION p. 47
- 5.8 Review and accept the C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from August 17, 2016 through September 30, 2017. ACTION p. 48
- 5.9 Review and accept the Measure M Fund Financial Statements (Audit) for the Year Ended June 30, 2018. ACTION p. 49
- 5.10 Review and accept the Transportation Fund for Clean Air (TFCA) Program Manager Fund Projects Financial Audit for Project Period Ended June 30, 2017. ACTION p. 50
- 6.0 REGULAR AGENDA
- 6.1 Review and approve C/CAG legislative policies, priorities, positions, and legislative update (A position may be taken on any legislation, including legislation not previously identified). ACTION p. 64
- 6.2 Review and approve of the Annual C/CAG Legislative Policies for 2019. ACTION p. 69
- 6.3 Review and approve of an Owner/ Operator option for the US 101 Express Lane project. ACTION p. 88
- 7.0 COMMITTEE REPORTS
- 7.1 Committee Reports (oral reports).
- 7.2 Chairperson’s Report.
- 7.3 Board Members Report/ Communication.

8.0 EXECUTIVE DIRECTOR'S REPORT

9.0 COMMUNICATIONS - Information Only

10.0 CLOSED SESSION

10.1 Public Employee Performance Evaluation.

Title: Executive Director of C/CAG.

10.2 Conference with Labor Negotiators.

C/CAG Representatives: Maryann Moise Derwin.

Unrepresented Employee: Executive Director.

11.0 RECONVENE IN OPEN SESSION

11.1 Report out on any actions taken during the Closed Session.

12.0 Action on Compensation Adjustment for Executive Director.

ACTION

13.0 Approval of 2019 Performance Objectives for Executive Director.

ACTION

14.0 ADJOURNMENT

Next scheduled meeting January 10, 2019

PUBLIC NOTICING: All notices of C/CAG 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, and on C/CAG's website at: <http://www.ccag.ca.gov>.

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 City/County Association of Governments of San Mateo County (C/CAG), located at 555 County Center, 5th Floor, Redwood City, CA 94063, for the purpose of making public records available for inspection. Such public records are also available on C/CAG's website at: <http://www.ccag.ca.gov>.

PUBLIC PARTICIPATION: Public comment is limited to two minutes per speaker. 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 C/CAG staff:

Executive Director: Sandy Wong (650) 599-1409

Administrative Assistant: Mima Guilles (650) 599-1406

C/CAG

CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

*Atherton • Belmont • Brisbane • Burlingame • Colma • Daly City • East Palo Alto • Foster City • Half Moon Bay • Hillsborough • Menlo Park
Millbrae • Pacifica • Portola Valley • Redwood City • San Bruno • San Carlos • San Mateo • San Mateo County • South San Francisco • Woodside*

BOARD MEETING MINUTES

Meeting No. 313
November 8, 2018

1.0 CALL TO ORDER/ROLL CALL

Chair Maryann Moise Derwin called the meeting to order at 6:34 p.m. Roll call was taken.

Atherton	– Elizabeth Lewis
Belmont	– Doug Kim
Brisbane	– Cliff Lentz (arrive 6:39 p.m. / depart 7:09 p.m.)
Burlingame	– Ricardo Ortiz (arrive 6:43 p.m.)
Colma	– Diana Colvin
Daly City	– Raymond Buenaventura
Hillsborough	– Marie Chuang
Millbrae	– Gina Papan (arrive 6:36 p.m.)
Portola Valley	– Maryann Moise Derwin
Redwood City	– Alicia Aguirre
San Bruno	– Irene O’Connell
San Carlos	– Mark Olbert
San Mateo	– Diane Papan (arrive 6:43 p.m.)
San Mateo County	– David Canepa
South San Francisco	– Karyl Matsumoto – SamTrans & TA

Absent:

East Palo Alto
Foster City
Half Moon Bay
Menlo Park
Pacifica
Woodside

Others:

Sandy Wong	– C/CAG Executive Director
Mima Guilles	– C/CAG Staff
Matthew Sanders	– C/CAG Legal Counsel
John Hoang	– C/CAG Staff
Jean Higaki	– C/CAG Staff
Matt Fabry	– C/CAG Staff

Reid Bogert	– C/CAG Staff
Sara Muse	– C/CAG Staff
Susy Kalkin	– C/CAG Staff
Kim Springer	– San Mateo County
April Chan	– SMCTA
Nora De Cuir	– Kearns & West
Nancy Magee	– San Mateo County Office of Education
Theresa Vallez-Kelly	– San Mateo Safe Routes to School
Aiko Dobashi	– M.H. Tobias Elementary School
Alexander Alfajora	– M.H. Tobias Elementary School
Ian To	– M.H. Tobias Elementary School
Ravenne Sanchez	– M.H. Tobias Elementary School
Ella Reuss	– El Granada School
Preston Lorensen	– El Granada School
Delaney Leung	– Burlingame Intermediate School
Dalia Mendez-Ruiz	– Hatch Elementary School

Other members of the public attended.

3.0 PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA

Note: Public comment is limited to two minutes per speaker.

None.

4.0 PRESENTATIONS/ ANNOUNCEMENTS

4.1 The Board received a presentation on the San Mateo County Safe Routes to School FY 2017-18 Annual Report from County Superintendent of Schools Nancy Magee and her staff. The Board also presented Certifications of Appreciation to the winners of the International Walk to School Day Poster Contest.

5.0 ACTION TO SET AGENDA AND APPROVE CONSENT AGENDA ITEMS

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.

Board Member Lentz MOVED approval of Items 5.1, 5.2., 5.3, 5.4, 5.5, 5.6, 5.7 and 5.8. Board Member Aguirre SECONDED. **MOTION CARRIED 15-0-0**

5.1 Approval of the Minutes of regular business meeting No. 312 dated October 11, 2018.

APPROVED

5.2 Review and approval of Resolution 18-61 authorizing the C/CAG Chair to execute a Contract Work Authorization between C/CAG and Pacific Gas and Electric Company for the San Mateo County Energy Watch calendar year 2019 program in an amount of \$318,808. APPROVED

5.3 Review and approval of Resolution 18-62 authorizing the C/CAG Chair to execute an agreement between C/CAG and the County of San Mateo for staff services for the Regionally Integrated Climate Action Planning Suite (RICAPS) project for calendar year 2019 for an

amount not to exceed \$50,000.

APPROVED

- 5.4 Review and approval of Resolution 18-63 determining that the City of Burlingame's General Plan Update is conditionally consistent with the Comprehensive Airport Land Use Compatibility Plan for the Environs of San Francisco International Airport. APPROVED

- 5.5 Review and approval of the appointment of Richard Chiu from the City of Daly City to serve on C/CAG's Stormwater and Congestion Management Program Technical Advisory Committees. APPROVED

- 5.6 Review and approval of Resolution 18-64 authorizing the C/CAG Executive Director to respond to CPUC filings related to and in support of the San Mateo County Energy Watch, PG&E Local Government Partnership program. APPROVED

- 5.7 Review and approve Resolution 18-65 authorizing the C/CAG Chair to execute an agreement with Paradigm Environmental in an amount not to exceed \$942,221 for development of the Caltrans grant-funded Countywide Sustainable Streets Master Plan. APPROVED

- 5.8 Review and approve Resolution 18-66 authorizing the Executive Director to execute Amendment No. 1 to Task Order LWA-04 with Larry Walker Associates, revising the scope at an additional cost not to exceed \$10,825 for technical support to the Countywide Water Pollution Prevention Program. APPROVED

6.0 REGULAR AGENDA

- 6.1 Review and approval of the Follow-Up Action Plan of the San Mateo Countywide Transportation Plan 2040 (SMCTP 2040). APPROVED

The Board received a presentation from Nora De Cure of Kearns and West on the Follow-Up Action Plan of the San Mateo Countywide Transportation Plan 2040 (SMCTP 2040).

Board Member G. Papan (Millbrae) MOVED approval of Items 6.1. Board Member O'Connell SECONDED. **MOTION CARRIED 14-0-0**

- 6.2 Receive an update on the Countywide Water Coordination committee effort. INFORMATION

The Board received an update from Larry Patterson, Co-Chair of the Staff Advisory Team (SAT) to the C/CAG Countywide Water Coordination committee.

- 6.3 Receive a briefing on the managed lane information gathering field trip to LA Metro. INFORMATION

The Board received a briefing from C/CAG staff Jean Higaki on the managed lane information gathering field trip to LA Metro. Chair Derwin and Vice Chair Chuang who attended the field trip also shared what they have learned.

- 6.4 Review and approval of members serving on the Compensation Committee. APPROVED

Board member Diane Papan volunteered to serve on the Compensation Committee.

Board Member G. Papan (Millbrae) MOVED to approve Diane Papan (San Mateo) to serve on the Compensation Committee. Board Member Ortiz SECONDED. **MOTION CARRIED 14-0-0**

7.0 COMMITTEE REPORTS

7.1 Committee Reports. Board member Aguirre shared handouts on Bay Area Freeway congestion map and ranking.

7.2 Chairperson's Report

7.3 Board Members Report/ Communication

8.0 EXECUTIVE DIRECTOR'S REPORT

Sandy Wong, C/CAG Executive Director announced the November 2018 election recap report from Shaw Yoder Antwih was provided as handout at this meeting.

9.0 COMMUNICATIONS - Information Only

10.0 ADJOURNMENT – 8:18 p.m.

Next scheduled meeting December 13, 2018

Meeting was adjourned in memory of the innocent bystanders killed in the Thousand Oaks shooting on November 7, 2018.

C/CAG AGENDA REPORT

Date: December 13, 2018

TO: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and approve the 2019 C/CAG Board meeting calendar.

(For further information, contact Sandy Wong at 650-599-1409)

Recommendation:

That the C/CAG Board of Directors review and approve the 2019 C/CAG Board meeting calendar.

Fiscal Impact:

None.

Background/Discussion:

The following schedule for the 2019 Board meetings is proposed. All meetings start at 6:30 p.m. unless otherwise noted.

January 10

February 14

March 14

April 11 - Retreat

May 9

June 13

July 11 – Dining Room

August – No meeting is scheduled

September 12

October 10

November 14

December 12

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and approve the Finance Committee’s recommendation of no change to the investment portfolio and accept the Quarterly Investment Report as of September 30, 2018.

(For further information, contact Jean Higaki at 650-599-1462)

RECOMMENDATION

That the C/CAG Board review and approve the Finance Committee’s recommendation of no change to the investment portfolio and accept the Quarterly Investment Report as of September 30, 2018.

FISCAL IMPACT

Potential for higher or lower yields and risk associated with C/CAG investments.

SOURCE OF FUNDS

The Investment portfolio includes all C/CAG funds held by the C/CAG Financial Agent (City of San Carlos).

BACKGROUND

According to the C/CAG Investment Policy adopted on September 13, 2018:

“The portfolio should be analyzed not less than quarterly by the C/CAG Finance Committee, and modified as appropriate periodically as recommended by the Finance Committee and approved by the C/CAG Board, to respond to changing circumstances in order to achieve the Safety of Principal.”

The Finance Committee will seek to provide a balance between the various investments and maturities to give C/CAG the optimum combination of Safety of Principal, necessary liquidity, and optimal yield based on cash flow projections.

A summary of the July, August, and September 2018 earning rates are as follows:

	Local Agency Investment Fund (LAIF)	San Mateo County Investment Pool (COPOOL)
July	1.944%	1.905%
August	1.998%	1.925%
September	2.063%	1.962%

The investment portfolio as of September 30, 2018 is as follows:

	6/30/2018		9/30/2018	
	Amount	Percent	Amount	Percent
LAIF	\$13,988,892	60%	\$14,152,699	60%
COPOOL	\$9,350,753	40%	\$9,590,815	40%
Total	\$23,339,645	100%	\$23,743,514	100%

On November 14, 2013 the C/CAG Board approved the C/CAG investment portfolio as follows:

Local Agency Investment Fund (LAIF) 50% to 70%
 San Mateo County Investment Pool (COPOOL) 30% to 50%

At the November 20, 2015 CCAG Finance Committee meeting, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest.

On November 28, 2018, the Finance Committee reviewed the investment portfolio and removed the November 20, 2015 investment goal in consideration of LAIF outperforming the COPOOL. The committee removed the goal to respond to the yields of higher performing accounts consistent with the Board approved investment range and subject to the committee’s quarterly review and recommendations.

ATTACHMENTS

1. Quarterly Investment Report as of September 30, 2018 from San Carlos

C/CAG
CITY/COUNTY ASSOCIATION OF GOVERNMENTS
of San Mateo County

Board of Directors Agenda Report

To: Sandy Wong, Executive Director
From: Carrie Tam, Financial Services Manager
Date: November 28, 2018

SUBJECT: Quarterly Investment Report as of September 30, 2018

RECOMMENDATION:

It is recommended that the C/CAG Board review and accept the Quarterly Investment Report.

ANALYSIS:

The attached investment report indicates that on September 30, 2018, funds in the amount of \$23,743,514 were invested producing a weighted average yield of 2.07%. Of the total investment portfolio, 59.6% of funds were invested in the Local Agency Investment Fund (LAIF) and 40.4% in the San Mateo County Investment Pool (COPOOL). These percentages are within the range specified by the CCAG Board. Accrued interest earnings for this quarter totaled \$121,551. At the CCAG Finance Committee meeting on November 20, 2015, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest. The portfolio mix reflects the recommended percentage invested in the County Investment Pool.

Below is a summary of the changes from the prior quarter:

	Qtr Ended 9/30/18	Qtr Ended 6/30/18	Increase (Decrease)
Total Portfolio	\$ 23,743,514	\$ 23,339,645	\$ 403,869
Weighted Average Yield	2.07%	1.84%	0.23%
Accrued Interest Earnings	\$ 121,551	\$ 103,868	\$ 17,683

There was an increase of \$0.4M in the portfolio balance this quarter compared to the previous quarter mainly due to cash receipts offset by cash disbursements in the first quarter for Measure M and Congestion Relief and Management. The slightly higher weighted average yield resulted in slightly higher interest earnings for this quarter.

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis to ensure that C/CAG's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. As of September 30, 2018, the portfolio contains sufficient liquidity to meet the next six months of expected expenditures by C/CAG. All investments are in compliance with the Investment Policy. Attachment 2 shows a historical comparison of the portfolio for the past nine quarters.

The primary objective of the investment policy of the CCAG remains to be the SAFETY OF PRINCIPAL. The permitted investments section of the investment policy also states:

Local Agency Investment Fund (LAIF) which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when they are part of the list of authorized investments.

The Investment Advisory Committee has reviewed and approved the attached Investment Report.

Attachments

- 1 – Investment Portfolio Summary for the Quarter Ended September 30, 2018
- 2 – Historical Summary of Investment Portfolio

CITY & COUNTY ASSOCIATION OF GOVERNMENTS

SUMMARY OF ALL INVESTMENTS
For Quarter Ending September 30, 2018

Category	Weighted Average Interest Rate	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value
Liquid Investments:				
Local Agency Investment Fund (LAIF)	2.16%	14,152,699	59.6%	14,122,021
San Mateo County Investment Pool (COPOOL)	1.93%	9,590,815	40.4%	9,590,815
Agency Securities				
<i>none</i>				
Total - Investments	2.07%	23,743,514	100%	23,712,836
GRAND TOTAL OF PORTFOLIO	2.07%	\$ 23,743,514	100%	\$ 23,712,836

Total Interest Earned This Quarter	121,551
Total Interest Earned (Loss) Fiscal Year-to-Date	121,551

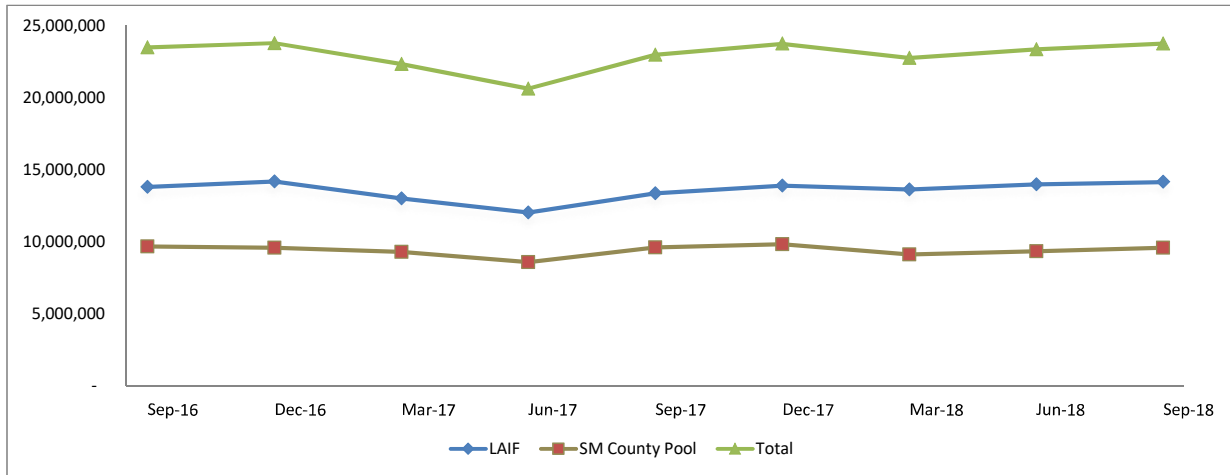
Note: CCAG Board approved the following investment portfolio mix at its November 14, 2013 meeting:

LAIF - 50% to 70%
COPOOL - 30% to 50%

At the CCAG Finance Committee meeting on November 20, 2015, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest.

*Difference in value between Historical Value and Market Value may be due to timing of purchase. Investments in the investment pools may have been purchased when interest rates were lower or higher than the end date of this report. As interest rates increase or decrease, the value of the investment pools will decrease or increase accordingly. However, interest rate fluctuations does not have any impact to CCAG's balance in the investment pools. The market values are presented as a reference only.

City and County Association of Governments Historical Summary of Investment Portfolio September 30, 2018



Note: The chart type has been changed from Column to Line after receiving feedback from CCAG's Finance Committee

City/County Association of Governments Investment Portfolio

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
LAIF	13,817,524	14,186,530	13,010,532	12,034,768	13,363,368	13,896,995	13,637,606	13,988,892	14,152,699
SM County Pool	9,672,516	9,591,037	9,313,634	8,586,974	9,611,660	9,838,593	9,117,611	9,350,753	9,590,815
Total	23,490,040	23,777,567	22,324,166	20,621,742	22,975,028	23,735,588	22,755,217	23,339,645	23,743,514

At the CCAG Finance Committee meeting in November 2015, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest.

C/CAG AGENDA REPORT

ITEM 5.4

Date: December 13, 2018

To: C/CAG Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and approve Resolution 18-67 authorizing the C/CAG Chair to execute an agreement between C/CAG and the County of San Mateo to provide staff services for the San Mateo County Energy Watch Program 2019 calendar year for an amount not to exceed \$250,000.

(For further information or response to questions, contact Sandy Wong at 650-599-1409)

RECOMMENDATION

That the C/CAG Board of Directors review and approve Resolution 18-67 authorizing the C/CAG Chair to execute an agreement between C/CAG and the County of San Mateo to provide staff services for the San Mateo County Energy Watch Program (SMCEW) 2019 calendar year for an amount not to exceed \$250,000.

FISCAL IMPACT

Funding for the San Mateo County Energy Watch program comes from the Local Government Partnership Agreement between C/CAG and PG&E.

BACKGROUND

The San Mateo County Energy Watch, Local Government Partnership (LGP) with PG&E began on January 1, 2009, under the auspices of the California Public Utilities Commission (CPUC). Since the original program cycle, which ended on December 31, 2009, PG&E has contracted with C/CAG for the SMCEW for four additional program cycles, 2010-2012, 2013-2014, 2015, and the current program cycle is for 2016-2018.

Since the SMCEW LGP began, C/CAG has contracted with the County of San Mateo, Department of Public Works for management and staffing of the program, and said County staff has since moved to the County's Office of Sustainability. The County has successfully supported the SMCEW, meeting goals and developing the program, which initially provided energy efficiency services to municipal buildings, nonprofits and lower-income residents, and has expanded into schools, farms, and small and medium businesses. In the current 2018 calendar year, the program is working to meet its savings goals, with a robust pipeline of projects approved by customers or being installed, moving into 2019.

The current staff services agreement ends on December 31, 2018. Resolution No. 18-67 and the new agreement establish County staff coordination of the program for the 2019 calendar year, and are attached to this staff report for your review.

ATTACHMENTS

1. Resolution 18-67
2. 2019 Staff Service Agreement between C/CAG and the County of San Mateo

RESOLUTION 18-67

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY AUTHORIZING THE C/CAG CHAIR TO EXECUTE AN AGREEMENT BETWEEN C/CAG AND THE COUNTY OF SAN MATEO TO PROVIDE STAFF SERVICES FOR THE SAN MATEO COUNTY ENERGY WATCH PROGRAM 2019 CALENDAR YEAR FOR AN AMOUNT NOT TO EXCEED \$250,000.

RESOLVED, by the Board of Directors of the City/County Association of Governments of San Mateo County (C/CAG); that,

WHEREAS, C/CAG and the County of San Mateo entered into Agreements for Management and Staffing of the San Mateo County Energy Watch from calendar year 2009 through 2018, and

WHEREAS, County staff have successfully managed and staffed the San Mateo County Energy Watch to the satisfaction of C/CAG, and

WHEREAS, in the current 2018 calendar year, the San Mateo County Energy Watch program has been working to meet its savings goals, with a robust pipeline of projects approved by customers or being installed, moving into 2019, and

WHEREAS, both parties and PG&E wish to continue work on energy efficiency in San Mateo County under the existing program.

NOW THEREFORE BE IT RESOLVED, by the Board of Directors of the City and County Association of Governments of San Mateo County that the Chair is authorized to execute an agreement between C/CAG and the County of San Mateo to provide staff services for the San Mateo County Energy Watch Program 2019 calendar year for an amount not to exceed \$250,000.

PASSED, APPROVED, AND ADOPTED, THIS 13TH DAY OF DECEMBER 2018.

Maryann Moise Derwin, Chair

**AGREEMENT BETWEEN
CITY/COUNTY ASSOCIATION OF GOVERNMENTS (C/CAG) AND THE
COUNTY OF SAN MATEO TO PROVIDE STAFF SERVICES FOR THE SAN
MATEO COUNTY ENERGY WATCH**

This Agreement entered this 13th Day of December 2018, by and between the CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY, a joint powers agency formed for the purpose of preparation, adoption and monitoring of a variety of county-wide state-mandated plans, hereinafter called “C/CAG” and the COUNTY OF SAN MATEO, hereinafter called “COUNTY.”

* * *

WHEREAS, C/CAG is committed to working with Pacific Gas and Electric (PG&E) and the County of San Mateo to continue the San Mateo County Energy Watch; and

WHEREAS, C/CAG desires to obtain services from the COUNTY to serve as the primary staff support function for the San Mateo County Energy Watch; and

WHEREAS, the COUNTY is committed to providing staff services for resource conservation activities including the San Mateo County Energy Watch; and

WHEREAS, C/CAG has executed a Local Government Partnership contract with PG&E to implement the San Mateo County Energy Watch for the 2019 calendar year program cycle;

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

1. **Services to be provided by COUNTY.** The COUNTY shall provide services as described in Exhibit A, attached hereto and incorporated by reference herein.
2. **Payments.** In consideration of the services rendered in accordance with all terms, conditions and specifications set forth herein and in Exhibit A, C/CAG shall reimburse COUNTY for eligible costs as set forth in Exhibit A. Payments shall be made within 60 days after receipt and approval of monthly invoices from the COUNTY. Alternatively cost reimbursement for some COUNTY costs may come directly from PG&E. The total cost reimbursement under this agreement for work completed from January 1, 2019 through December 31, 2019 will not exceed \$250,000.
3. **Relationship of the Parties.** It is understood that this is an Agreement by and between Independent Contractor(s) and 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.
4. **Non-Assignability.** COUNTY shall not assign this Agreement or any portion thereof to a third party without the prior written consent of C/CAG, and any attempted assignment without such prior written consent in violation of this Section automatically shall terminate this Agreement.
5. **Contract Term.** This Agreement shall be in effect as of January 1, 2019 and shall

terminate on December 31, 2019; provided, however, C/CAG may terminate this Agreement at any time for any reason by providing 30 days' notice to COUNTY, and COUNTY may terminate this Agreement at any time for any reason by providing 90 days' notice to C/CAG, and termination will be effective on the date specified in the notice. In the event of termination under this paragraph, COUNTY shall be paid for all services provided to the date of termination.

6. **Hold Harmless/ Indemnity.** COUNTY shall defend, indemnify and save harmless C/CAG and its member agencies and their employees, agents and officers from all claims, suits, damages or actions arising from COUNTY's performance under this Agreement.

C/CAG shall defend, indemnify and save harmless COUNTY, and its employees, agents and officers from all claims, suits, damages or actions arising from C/CAG's performance under this Agreement.

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

7. **Workers' Compensation Coverage.** Statutory Workers' Compensation Insurance and Employer's Liability Insurance will be provided by the COUNTY with limits of not less than one million dollars (\$1,000,000) for any and all persons employed directly or indirectly by COUNTY. In the alternative, COUNTY may rely on a self-insurance program to meet these requirements so long as the program of self-insurance complies fully with the provisions of the California Labor Code. In such case, excess Workers' Compensation Insurance with statutory limits shall be maintained. The insurer, if insurance is provided, and the COUNTY, if a program of self-insurance is provided, shall waive all rights of subrogation against C/CAG for loss arising from worker injuries sustained under this Agreement.

8. **Liability Insurance.** COUNTY shall take out and maintain during the life of this Agreement, in an amount not less than one million dollars (\$1,000,000), such Bodily Injury Liability and Property Damage Liability Insurance as shall protect COUNTY, 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 COUNTY or by any sub-contractor or by anyone directly or indirectly employed by either of them. In the alternative, COUNTY may rely on a self-insurance program to meet these requirements so long as the program of self-insurance complies fully with all applicable laws.

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, C/CAG, at its 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.

9. **Non-discrimination.** COUNTY and its subcontractors performing the services on behalf of the C/CAG 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.

10. **Accessibility of Services to Disabled Persons.** COUNTY, not C/CAG, shall be responsible for compliance with all applicable requirements regarding services to disabled persons, including any requirements of Section 504 of the Rehabilitation Act of 1973.
11. **Substitutions.** Particular staff are working under this Agreement. COUNTY will not assign others to work in their place without written permission from C/CAG Executive Director. Whether or not particular staff are identified in Exhibit A, any substitution in staffing shall be with a person of commensurate experience and knowledge.
12. **Joint Property.** As between C/CAG and COUNTY any system or documents developed, produced or provided under this Agreement shall become the joint property of C/CAG and the COUNTY.
13. **Access to Records.** COUNTY shall retain, for a period of no less than five years, all books, documents, papers, and records which are directly pertinent to this Agreement for the purpose of making audit, examination, excerpts, and transcriptions, and shall provide CCAG, its member agencies, and or their auditors with access to said books and records.

COUNTY shall maintain all required records for five years after C/CAG makes final payments.
14. **Merger Clause.** This Agreement constitutes the sole agreement of the parties hereto with regard to the matters covered in this Agreement. Any prior agreement, promises, negotiations or representations between the parties not expressly stated in this document are not binding.
15. **Amendments.** Any changes in the services to be performed under this Agreement shall be incorporated in written amendments, which shall specify the changes in work performed and any adjustments in compensation and schedule. All amendments shall be executed by the C/CAG Executive Director or his/her designated representative, and the County of San Mateo's Director of the Office of Sustainability or his/her designated representative. No claim for additional compensation or extension of time shall be recognized unless contained in a duly executed amendment.
16. **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.

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

COUNTY OF SAN MATEO

By _____
President, Board of Supervisors, San Mateo County

Date _____

APPROVED AS TO FORM:

ATTEST:

By: _____
County Counsel

By: _____
Clerk of Said Board

City/County Association of Governments (C/CAG)

By _____
Maryann Moise Derwin
C/CAG - Chair

Date

C/CAG Legal Counsel

By _____
Matthew Sanders
C/CAG - Counsel

Date

Exhibit A

SAN MATEO COUNTY ENERGY WATCH LOCAL GOVERNMENT PARTNERSHIP SCOPE OF WORK

- 1.0 Introduction - The City/ County Association of Governments (C/CAG) is committed to working with Pacific Gas and Electric (PG&E) and the County of San Mateo to continue the San Mateo County Energy Watch. The County of San Mateo will provide staff support functions for C/CAG.
- 2.0 C/CAG - PG&E Contract - C/CAG has executed a Master Service Agreement and Contract Work Authorization with PG&E, with a Scope of Work for the San Mateo County Energy Watch 2019 program cycle, attached hereto as Attachment A to this Scope of Work. This generally specifies the work that needs to be completed in calendar year 2019 and in many cases how it is to be completed. The requirements of Attachment A constitute the Scope of Work for County of San Mateo staff during the term of this agreement.
- 3.0 Cooperative Effort - This is a cooperative effort between the C/CAG as the Local Government Partner (LGP), the County of San Mateo, and PG&E. It is recognized that a good faith effort has been made to address the terms, conditions and scope of work. Since this is a cooperative effort it is likely there will be further changes to the terms, conditions and scope of work. C/CAG as the LGP, the County of San Mateo, agree to work in good faith with PG&E to address these issues as they develop.
- 4.0 Management Oversight – Under general guidance of the C/CAG Executive Director, County of San Mateo staff shall provide adequate reporting and information, and shall attend PG&E, C/CAG Board or other committee meetings as necessary to ensure that the San Mateo County Energy Watch is properly and effectively implemented.
- 5.0 Power of C/CAG Representation - County of San Mateo staff is granted the authority to represent C/CAG and the Local Government Partnership relative to implementation of the San Mateo Energy Watch with approval of the C/CAG Executive Director. However, any and all changes to the Scope of Work or local government partnership contracts must be approved and executed by C/CAG.
- 6.0 Payments - The referenced PG&E contract identifies the tasks and allowable associated cost reimbursement. Monthly, County staff will submit a cost reimbursement request to PG&E for consideration on behalf of C/CAG. C/CAG will reimburse the County for the full amount that is approved by PG&E, including all direct and indirect costs incurred by County of San Mateo during the performance of its contract duties to support the San Mateo County Energy Watch.
- 7.0 To retain the experience and knowledge gained by staff over the years, the parties understand and agree that those staff assigned to perform services under this Agreement shall be from the County of San Mateo, Office of Sustainability and may be reassigned by the County of San Mateo, subject to the provisions of Section 11 of this Agreement. Notwithstanding any other provision of this Agreement, if County of San Mateo changes the staff assigned to perform services under this Agreement from those staff that are assigned as of the date of execution of this Agreement, and such change is unsatisfactory to C/CAG, C/CAG may immediately terminate this Agreement.

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Government Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and approve Resolution 18-68 authorizing the C/CAG Chair to execute Amendment No.1 to an agreement between C/CAG and DNV GL Energy Services USA, Inc. adding \$89,260 for a new total amount not to exceed \$349,260

(For further information, contact Kim Springer at (650) 599-1412)

RECOMMENDATION

That the C/CAG Board of Directors review and approve Resolution 18-68 authorizing the C/CAG Chair to execute Amendment No.1 to an agreement between C/CAG and DNV GL Energy Services USA, Inc. adding \$89,260 for a new total amount not to exceed \$349,260.

FISCAL IMPACT

The additional scope of services under this amendment is funded from the San Mateo County Energy Watch Local Government Partnership calendar year 2019 program budget in an amount of \$69,260, and \$20,000 from C/CAG Congestion Relief fund under the climate action planning activities category.

BACKGROUND/DISCUSSION

C/CAG and Pacific Gas and Electric Company (PG&E) completed contracting process for the San Mateo County Energy Watch (SMCEW), a Local Government Partnership (LGP) 2016-2018 program cycle for energy efficiency in San Mateo County in December 2015. A portion of the funding provided by the LGP is designated for Strategic Energy Resources (SER); efforts on policy and long term strategic planning to reduce energy use and greenhouse gas emissions.

The SMCEW has been using SER funds to continue its Regionally Integrated Climate Action Planning Suite (RICAPS) program efforts, which includes providing climate action planning technical assistance and implementation support to San Mateo County cities and the County. Examples of the services provided through the RICAPS program are: emission inventories, climate action plan development and updates, monthly countywide working group meetings, and policy and data development.

DNV GL Energy Services USA Inc. is currently contracted to provide climate action planning technical services through June 30, 2019. DNV GL has performed the requested services to the satisfaction of C/CAG, city and County staff. Since funding comes from the PG&E Local Government Partnership, and that the original PG&E funding agreement ends on December 31, 2018, staff could not appropriate funding to the DNV GL contract beyond December 31, 2018. Since then, a new funding agreement between C/CAG and PG&E for calendar year 2019 has been approved at the November 8, 2018 C/CAG Board meeting. Staff now recommends the

C/CAG Board review and approve Amendment No.1 to the existing agreement with DNV GL to provide funding for continued technical assistance through June 30, 2019.

Attachments

1. Resolution No. 18-68
2. Amendment No.1 to existing Agreement.
3. Exhibit B Additional Services(available online at:
<http://ccag.ca.gov/committees/board-of-directors/>)

RESOLUTION NO. 18-68

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY (C/CAG) AUTHORIZING THE C/CAG CHAIR TO EXECUTE AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN C/CAG AND DNV GL ENERGY SERVICES USA, INC. ADDING \$89,260 FOR A NEW TOTAL AMOUNT NOT TO EXCEED \$349,260.

RESOLVED, by the Board of Directors of the City/County Association of Governments of San Mateo County (C/CAG), that

WHEREAS, C/CAG administers a Local Government Partnership (LGP) between C/CAG and Pacific Gas and Electric Company for the San Mateo County Energy Watch program; and

WHEREAS, the aforementioned program provides Strategic Energy Resources funding for climate action planning and other long-term planning and policy technical and implementation assistance; and

WHEREAS, the agreement between C/CAG and DNV GL Energy Services USA, Inc. for services has been executed with a contract end date of June 30, 2019 but only budgeted through December 31, 2018 due to timing of funding provided from PG&E; and

WHEREAS, a new funding agreement between C/CAG and PG&E has been approved at the November 8, 2018 C/CAG Board meeting, enabling C/CAG to expend funds in calendar year 2019; and

WHEREAS, services provided by DNV GL have been delivered to the satisfaction of C/CAG; and

WHEREAS, C/CAG desires to add an additional of \$89,260 to the DNV GL agreement to provide additional services on climate action planning and other long-term planning and policy technical and implementation assistance through June 30, 2019.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the City/County Association of Governments of San Mateo County that the Chair is authorized to execute Amendment No.1 to an Agreement between C/CAG and DNV GL Energy Services USA, Inc. adding \$89,260 for a new total amount not to exceed \$349,260, and further authorize the Executive Director to negotiate final terms prior to execution, subject to legal counsel approval as to form.

PASSED, APPROVED, AND ADOPTED THIS 13TH DAY OF DECEMBER, 2018.

Maryann Moise Derwin, Chair

**AMENDMENT NO. 1 TO THE AGREEMENT
BETWEEN
CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY
AND
DNV GL ENERGY SERVICES USA, INC.**

WHEREAS, the City/County Association of Governments of San Mateo County (hereinafter referred to as “C/CAG”) and DNV GL Energy Services USA, Inc. (hereinafter referred to as “Contractor”) are parties to an agreement originally dated February 8, 2018, for climate action planning technical assistance to cities in San Mateo County, to the County, and to C/CAG in support of the Countywide Transportation CAP (the “DNV GL Contract”); and

WHEREAS, the DNV GL Contract was effective February 8, 2018; and

WHEREAS, the parties desire to add an additional \$89,260 to the DNV GL Contract for climate action planning technical assistance to cities in San Mateo County, the County, and to C/CAG in support of the Countywide Transportation CAP; and

WHEREAS, the DNV GL Contract end date of June 30, 2019 remains unchanged; and

WHEREAS, the parties desire to amend the DNV GL Contract as set forth herein.

IT IS HEREBY AGREED by C/CAG and Contractor as follows:

1. Section 1 of the DNV GL Contract is hereby replaced in its entirety by the following:

Services to be provided by Contractor. In consideration of the payments hereinafter set forth, Contractor agrees to perform the services described in Exhibit A and Exhibit B, attached hereto (the “Services”). All Services are to be performed and completed by June 30, 2019.

2. Section 2 of the DNV GL Contract is hereby replaced in its entirety by the following:

Payments. In consideration of Contractor providing the Services, C/CAG shall reimburse Contractor on a time and materials basis, based on the cost rates set forth in Exhibit A up to maximum amount of three hundred forty-nine thousand two hundred sixty dollars (\$349,260) for Services provided during the Contract Term as set forth below. Payments shall be made monthly to Contractor based on an invoice submitted by Contractor that identifies expenditures and describes services performed, by task in the scope of work, in accordance with the Agreement. C/CAG shall have the right to receive, upon request, documentation substantiating charges billed to C/CAG.

3. Exhibit B – Additional Scope of Services, is added as an attachment to this Amendment No. 1 and to the Agreement.
4. Except as expressly amended herein, all other provisions of the DNV GL Contract shall remain in full force and effect.
5. This Amendment No. 1 shall take effect upon the date of execution by both parties.

City/County Association of Governments
(C/CAG):

DNV GL Energy Services USA, Inc.
(Contractor):

Maryann Moise Derwin, Chair

By

Title: _____

Date: _____

Date: _____

Approved as to form:

Legal Counsel for C/CAG

Exhibit B – Additional Scope of Services

January – June 2019 RICAPS Program Technical Assistance

December 5, 2018



Copyright © 2018, DNV GL Energy Services USA Inc.

This document, and the information contained herein, is the exclusive, confidential and proprietary property of DNV GL Energy Services USA Inc. and is protected under the trade secret and copyright laws of the United States and other international laws, treaties and conventions. No part of this work may be disclosed to any third party or used, reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system, without first receiving the express written permission of DNV GL Energy Services USA Inc. Except as otherwise noted, all trademarks appearing herein are proprietary to DNV GL Energy Services USA Inc.

Table of Contents

- 1. Introduction..... 2
 - 1.1 Task 1. Monthly RICAPS meetings 2
 - 1.2 Task 2. CAP Technical support for cities 2
 - 1.3 Task 3. Training of OoS staff to complete community-wide inventories for calendar years 2016 and 2017 4
 - 1.4 Task 4. Energy and Water Strategy..... 5
- 2. Budget Proposal Summary 6

1. Introduction

The purpose of this document is to outline areas of responsibility for implementation of the 2019 RICAPS program.

1.1 Task 1. Monthly RICAPS meetings

Starting in January 2019, the coordination and facilitation of monthly RICAPS meetings will primarily shift to County Office of Sustainability (OoS) staff.

Topic planning: DNV GL will continue to support the selection of speakers, and provide input to support C/CAG - OOS staff in meeting planning.

Estimated Budget

Topic planning support: 2 hours per month x 180 x 6 months = \$2,160

TOTAL = \$2,160

1.2 Task 2. CAP Technical support for cities

A number of jurisdictions across San Mateo County are updating their climate action plans out to 2030 and beyond. With DNV GL's assistance through calendar year 2018, two jurisdictions in San Mateo County –Atherton and Belmont – have already adopted climate action plans out to the longer time horizon of 2030 time horizons.

The following jurisdictions remain in progress. Below, in

Figure 1, we identify priority jurisdictions for CAP technical support in the first half of 2019, based on potential to complete the CAP document by end of June 2019.

Figure 1. Priority CAP Assistance Proposed for 2019

Jurisdiction	Anticipated Work Needed	Preliminary Budget Estimate
Brisbane	<ul style="list-style-type: none"> ▪ Update BAU forecast ▪ Complete quantification of GHG savings for measures selected ▪ Review and support draft 2030 CAP document ▪ Attend OSEC or Council meeting 	\$ 11,000
C/CAG Transportation Programs Climate Impact Report	<ul style="list-style-type: none"> ▪ Support Board presentation and edits to report 	\$ 5,000
Colma	<ul style="list-style-type: none"> ▪ Complete quantification of GHG savings for measures selected ▪ Review draft 2030 CAP 	\$ 9,000
Millbrae	<ul style="list-style-type: none"> ▪ CAP update is tied to General Plan update and has been on hold ▪ Support Shelly with questions 	\$ 1,600
Pacifica	<ul style="list-style-type: none"> ▪ Complete quantification of GHG savings for measures selected ▪ Review and support draft 2030 CAP document ▪ Potentially one or two Council meetings needed 	\$ 10,000
Redwood City	<ul style="list-style-type: none"> ▪ Complete quantification of GHG savings for measures selected ▪ Review and support draft 2030 CAP document 	\$ 9,000
San Mateo County - GOCAP	<ul style="list-style-type: none"> ▪ Support (as needed) quantification of GHG savings for measures selected 	\$ 10,000

	<ul style="list-style-type: none"> Review and support draft 2030 GOCAP document 	
San Mateo County - unincorporated	<ul style="list-style-type: none"> Do we think GHG savings quantification is needed in early 2019? 	\$ 9,000
	TOTAL	\$ 64,600

Other jurisdictions in San Mateo County have expressed some interest in updating their climate action plans, but have not been a priority for 2018. Therefore, limited assistance is currently planned for the remaining jurisdictions in the first half of 2019. Figure 2 summarizes the additional cities that have expressed low-level interest and responsiveness.

Figure 2. Jurisdictions Interested, but Lower Priority

Jurisdiction	Status
Burlingame	Has consultant (MIG) supporting General Plan update and climate action plan
Daly City	Has expressed interest, but minimal follow-up from city staff
San Carlos	Planning to release RFP in 2019
San Mateo	Has consultant on contract (Placeworks + DNV GL) for climate action plan update

The remaining cities are not believed to need assistance with CAP planning, due to lack of interest related to limited staff time or other priorities: East Palo Alto, Foster City, Half Moon Bay, Hillsborough, Menlo Park (conducting an internal redline edit to existing CAP), San Bruno, South San Francisco and Woodside.

This scope of work assumes that OoS staff will update the CAP Template, including:

- Regulatory context (e.g., state policy)
- Update language related to background and adaptation, as well as implementation and next steps

The updated CAP Template will undergo internal review by OoS staff and Energy-Water Group Programs Manager prior to review by DNV GL.

1.3 **Task 3. Training of OoS staff to complete community-wide inventories for calendar years 2016 and 2017**

DNV GL will facilitate the hand-off of completing the 2016 and 2017 community-wide GHG inventories to Office of Sustainability staff. The activities will include:

- Review and “clean-up” of master Excel template used to create 2015 community-wide GHG inventories. Clean up to include addition of detailed instructions on how to retrieve and manipulate raw data for input into Excel template. (Estimated ~40 hours)
- Updating master Excel template to accommodate the inclusion of PCE data. (Estimated ~10 hours)
- Hosting regular meetings with screen sharing to walk OOS staff through questions and challenges they are encountering. (Estimated ~25 hours)
- Provide additional one-on-one assistance via email, phone and screen sharing to walk OOS staff through questions and challenges they are encountering. (Estimated ~20 hours)

Estimated Budget

~ 95 hours of DNV GL time at \$180/hour (blended rate) = \$17,100

1.4 **Task 4. Energy and Water Strategy**

As of December 2018, the draft Energy and Water Strategy will be discussed during the December workgroup meeting, including the Implementation and Next Steps chapter. This round of content is expected to bring the Strategic Plan to public draft, hopefully.

- 12/12 – Final Workgroup meeting to discuss Implementation and Next Steps
- By Friday, 12/21 – DNV GL sends “public review draft” of SMC E&W Strategy to OoS.

Therefore, in early January 2019, DNV GL will meet with OoS to review their comments and whether further edits or changes are needed prior to public release. DNV GL will support OoS to address comments and to finalize the document.

Estimated Budget

- ~ 30 hours of DNV GL time at \$180/hour (blended rate) = \$5,400

2. Budget Proposal Summary for 2019

In this section, we summarized the proposed costs associated with the above scope of work, on a task-by-task basis, inclusive of reimbursable expenses. The DNV GL team proposes to perform work on a time-and-material (T&M) basis with a proposed not to exceed of \$89,260 for January 1, 2019 through June 30, 2019.

Table 1. Summary of Budget Proposal for 2019 RICAPS

Task 1: Monthly RICAPS	\$2,160
Task 2: CAP Assistance	\$64,600
Task 3: Community GHG trainings	\$17,100
Task 4: SMC Energy and Water Strategy	\$5,400
<hr/>	
TOTAL	\$89,260

Table 2. DNV GL Staff Hourly Rates

Classifications	DNV GL Staff	2019 Hourly Rate
Principal Consultant	Betty Seto	\$210
Senior Consultant	Sarah Isabel Moe	\$180
Senior Analyst	Ben Butterworth	\$150
Analyst	Lauren Taymor	\$140
Administrative Support		\$110

THIS IS DNV GL

Our vision is to have a Global impact for a safe and sustainable future. We provide classification and technical assurance along with software and independent expert advisory services to the maritime, oil and gas, and energy industries. We also provide certification services to customers across a wide range of industries. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping our customers make the world safer, smarter and greener. For more information on DNV GL, visit www.dnvgl.com.

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and accept the C/CAG Financial Statements (Audit) for Fiscal Year Ended June 30, 2018 and the Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2018.

(For further information, contact Sandy Wong at 650-599-1409)

RECOMMENDATION

That the C/CAG Board review and accept the C/CAG Financial Statements (Audit) for Fiscal Year Ended June 30, 2018 and the Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2018.

FISCAL IMPACT

None.

SOURCE OF FUNDS

Member assessments, parcel fee, motor vehicle fee (TFCA/ AB1546/ Measure M), grants from State/ Federal Transportation programs, and other grants.

BACKGROUND

An independent audit was performed on C/CAG's financial statements and the related notes to the financial statements for the year ended June 30, 2018. No issues were identified that required correction. The auditor expressed the opinion that the C/CAG financial statements, in all material respects, the respective financial position of the governmental activities and each major fund of C/CAG as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with auditing standards, the auditor considered C/CAG's internal control over financial reporting (internal control) as a basis for designing their audit procedures. The Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2018 is also attached. No deficiencies in internal control was identified. The C/CAG Finance Committee received the reports at their November 28, 2018 meeting.

ATTACHMENTS

- C/CAG Financial Statements (Audit) for the Year Ended June 30, 2018 (*Provided on-line at: <http://ccag.ca.gov/committees/board-of-directors/>*)
- C/CAG Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2018 – (available on-line at <http://ccag.ca.gov/committees/board-of-directors/>)

City/County Association
Of Governments
Of San Mateo County, California

FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

For Full Reports, Please visit:
<http://ccag.ca.gov/committees/board-of-directors/>

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS
OF SAN MATEO COUNTY, CALIFORNIA**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY, CALIFORNIA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Notes to the Basic Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	
General Fund	42
Congestion Management Fund	43
National Pollutant Discharge & Elimination System Fund	44
Bay Area Air Quality Management District Fund	45
AB 1546 Fund	46
Energy Watch Fund	47
Measure M	48
Miscellaneous Pension Plan	
Schedule of Proportionate Share of the Net Pension Liability	49
Schedule of Plan Contributions	50
Other Post-Employment Benefits Plan	
Schedule of Changes in Net OPEB Liability and Related Ratios	51
Notes to Required Supplementary Information	52

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of City/County Association
of Governments of San Mateo County
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City/County Association of Governments of San Mateo County (C/CAG) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the C/CAG's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the C/CAG's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the C/CAG's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of C/CAG as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 1 and Note 6.

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of the C/CAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the C/CAG's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information presented in the "Management's Discussion and Analysis" is intended to be a narrative overview of the City/County Association of Governments of San Mateo County (C/CAG) financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the basic financial statements.

FINANCIAL STATEMENT OVERVIEW

This discussion and analysis is intended to serve as an introduction to the C/CAG Annual Financial Report. The C/CAG basic financial statements are comprised of four components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, 3) Notes to the Financial Statements, and 4) Required Supplementary Information.

FINANCIAL HIGHLIGHTS

- C/CAG total net position was \$22.40 million, an increase of \$0.60 million or 2.77%.
- The combined C/CAG revenues were \$14.94 million, a decrease of \$0.29 million or 1.98%.
- The combined C/CAG expenditures were \$14.25 million, a decrease of 0.08%.

Government-wide Financial Statements: The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the C/CAG finances. These statements include *all* assets and liabilities, using the full *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All revenues and expenses related to the current fiscal year are included regardless of when the funds are received or paid.

- The *Statement of Net Position* presents all of the C/CAG assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.
- The *Statement of Activities* presents information showing how the C/CAG net position changed during the fiscal year. All changes in net position (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., uncollected revenues, and accrued but unpaid interest expenses).

The services of the Agency are considered to be governmental activities including General and special purpose Government. All Agency activities are financed with investment income, City/County fees, State/Federal/ Regional grants, Motor Vehicle Fees, and County discretionary State/Federal Transportation funds.

Fund Financial Statements: A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the C/CAG activities are reported in governmental funds. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental Fund Financial Statements provide a detailed view of the C/CAG operations. Governmental fund information helps to determine the amount of financial resources used to finance the C/CAG programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this section contains C/CAG's budgetary comparison schedules for all major governmental funds and C/CAG's obligation for the provision of pension to its employees.

FINANCIAL ANALYSIS

Net position is the excess of all the C/CAG's assets and deferred outflows of resources over liabilities and deferred inflows of resources. Net position may over time serve as a useful indicator of C/CAG financial position. The following table summarizes C/CAG's net position change from this year to last year.

Table 1
Statement of Net Position
June 30, 2018 and June 30, 2017

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Cash and investments (note 2)	\$ 24,641,463	\$ 21,976,647	\$ 2,664,816	12.13%
Accounts receivable and other assets	2,287,509	3,907,855	(1,620,346)	-41.46%
Total Assets	26,928,972	25,884,502	1,044,470	4.04%
Deferred outflows related to pension	244,492	169,403	75,089	44.33%
Total Deferred Outflow	244,492	169,403	75,089	44.33%
Current and other liabilities	4,059,753	3,736,160	323,593	8.66%
Long-term obligations	676,119	493,568	182,551	36.99%
Total Liabilities	4,735,872	4,229,728	506,144	11.97%
Deferred inflows related to pension	37,303	21,043	16,260	77.27%
Total Deferred Inflow	37,303	21,043	16,260	77.27%
Net Position:				
Restricted	\$ 22,347,933	\$ 21,761,460	\$ 586,473	2.70%
Unrestricted	52,356	34,025	18,331	53.88%
Total Net Position	\$ 22,400,289	\$ 21,795,485	\$ 604,804	2.77%

The total net position is \$22.40 million, an increase of \$0.60 million or 2.77% from the prior fiscal year. Significant changes during the fiscal year are as follows:

The Governmental Accounting Standards Board (GASB) issued Statement No.75 (Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pension (OPEB), an amendment of Statement No. 45) that requires all government entities to recognize and measure liabilities, deferred outflows of resources, deferred inflow inflows of resources and expenses. As a result, C/CAG's long-terms obligations and pension related deferred inflows and outflows have increased by \$0.12 million in the fiscal year 2017-2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets increased by \$1.04 million or 4.04%, of which \$2.66 million is an increase in cash and investment. Congestion Management Fund increased by \$1.20 million, in comparison with the prior year mainly because of the delay in Smart Corridor expansion to the North which includes South San Francisco, Daly City, Brisbane and Colma. The projects are still in the planning phase and the objective is to reduce traffic congestion in San Mateo County. Once the projects are underway the cash balance will be gradually depleted. Measure M Fund increased by \$1.59 million in comparison with the prior year. Part of the cash balance in Measure M Fund is planned to use for future maintenance and upgrade for Smart Corridor equipment. The decrease of \$1.62 million or 41.46% in accounts receivable is due to the timing of cost reimbursement submission for the Bay Area Air Quality Management and Metropolitan Transportation Commission for Safe Routes to School program and Highway Planning and Programming.

Current and other liabilities increased by \$0.32 million or 8.66%. The increase in current and other liabilities is mainly due to the timing of vendors submitting invoices. C/CAG's long-term obligations include OPEB and proportionate shares of pension liability related deferred inflows and outflows have an increase of \$0.12 million in comparison with the prior year. The change is affected by the proportionate shares of contributions and investment gains of the CalPERS retirement pool.

The majority of C/CAG's net position is subject to external restrictions, such as grantor's stipulations or enabling legislation, on how they may be used. The restricted assets were \$22.35 million of the total net position. Of this amount, \$9.65 million is restricted for Measure M, \$8.29 million is restricted for Congestion Management Program, \$2.76 million is restricted for AB1546, \$0.76 million is restricted for NPDES and \$0.58 million is restricted for Bay Area Air Quality Management Program. The remaining amount is related to other programs.

Unrestricted net position can be used to finance day-to-day operations without constraints established by other legal requirements or restrictions. Due to the requirement to report the net pension liability the unrestricted net position has a balance of \$0.05 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities and Changes in Net Position

The Statement of Activities presents program revenues and expenses, and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized in Table 2.

Table 2
Statement of Activities and Changes in Net Position
June 30, 2018 and June 30, 2017

	2018	2017	\$ Change	% Change
Revenues				
Program Revenues:				
Charges for services	\$ 11,308,820	\$ 11,816,678	\$ (507,858)	-4.30%
Operating grants and contributions	3,332,740	3,270,756	61,984	1.90%
General Revenues:				
Investment Income	295,700	137,186	158,514	115.55%
Total Revenues	\$ 14,937,260	\$ 15,224,620	\$ (287,360)	-1.89%
Expenses				
AB 1546	212,984	5,172	207,812	4018.02%
General government	402,966	374,384	28,582	7.63%
Energy Watch	509,010	501,080	7,930	1.58%
Air quality (BAAQMD)	1,581,790	771,272	810,518	105.09%
NPDES stormwater	2,012,241	1,899,319	112,922	5.95%
Congestion management	3,110,905	3,702,066	(591,161)	-15.97%
Measure M	6,420,736	6,985,356	(564,620)	-8.08%
Total Expenses	14,250,632	14,238,649	11,983	0.08%
Inc (Dec) in Net Position	\$ 686,628	\$ 985,971	\$ (299,343)	-30.36%
Beginning Net Position	21,795,485	20,809,514	985,971	4.74%
Restatement of Net Position	(81,824)			
Ending Net Position	\$ 22,400,289	\$ 21,795,485	\$ 604,804	2.77%

The overall change in net position in current fiscal year is an increase of \$0.60 million. The reasons for significant changes in the revenues and expenses are as follows:

Due to the implementation of the new GASB requirements for Other Post-Employment Benefits Other Than Pensions (OPEB), C/CAG was required to restate the beginning net position by \$0.08 million. See Note 5 to the financial statements for further detail.

The combined amount of charges for services decreased by \$0.51 million or 4.3% compared to the prior year. The decreases are associated with final billing submission to Department of Transportation for Smart Corridor Segment 2 projects in prior year and received less funding from Metropolitan Transportation Commission for Safe Route to School Program.

The combined amount of operating grants & contributions received in fiscal year 2017-2018 is \$3.33 million, an increase of \$0.06 million or 1.9%. The increase in revenue is relatively flat compared to the prior year. Annual member fees remain the same as fiscal year 2017 and National Pollutant Discharge and Elimination System (NPDES) assessments increased by 1.6%, the assessments are based on total parcels in each jurisdiction.

Investment income increased by \$0.16 million or 115.55%. The increase is a result of higher interest earnings and increasing investment balance in County Pool Investment to earn higher investment return.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Program expenses totaled \$14.25 million in the fiscal year 2017-2018, approximately the same level as the prior year's expenses of \$14.24 million. Significant changes in the expenses of C/CAG's programs from the prior year are as follows:

- AB1546 program expenses increased by \$0.21 million, due to increase in technical support services to develop sustainable streets guidelines and perform visual assessment of street trash loads.
- General Government expenses increased by \$0.03 million or 7.63%, to \$0.40 million. The increase is mainly associated with the prefunding of OPEB to California Employers' Retiree Benefit Trust Program (CERBT). Due to a higher amount of actuarially determined contribution than the past years, C/CAG was required to prefund a higher amount in the fiscal year 2017-18.
- Energy Watch Program expenses remain approximately the same level as prior year. \$0.25 million were paid to the County of San Mateo Office of Sustainability to monitor the program. The remaining expenditures were payments for the consultant and administrative services.
- The Bay Area Air Quality program expenses increased by \$0.81 million or 105.09% mainly because of new funding allocated to Countywide Carpooling Incentives Pilot Program. The program is to encourage commuters and workers of San Mateo County to use of carpools and rideshares during peak commute periods. The primary objectives of the program are to reduce air pollution, greenhouse gas emissions and traffic congestion within the County
- NPDES program expenses increased by \$0.11 million or 5.95%. The increase of consulting costs are associated with helping member agencies to comply with Municipal Regional Stormwater Permit and developing a countywide Stormwater Resource Plan.
- The decrease of expenses in Congestion Management Program is primarily result of one-time claim settlement paid in prior year. The claim was made by the contractor against County of San Mateo for Smart Corridor project additional construction costs.
- Measure M expenses decreased by \$0.56 million or 8.08% is mainly due to decrease expenses in Safe Routes to School program. The project is placed on-hold for a new funding agreement with Metropolitan Transportation Commission.

For a description of each of the Agency's programs see Note 1 to financial statements.

CONTACTING THE C/CAG FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the C/CAG finances. Questions about this report or additional information can be obtained by contacting the Executive Director of the City/County Association of Governments of San Mateo County at 555 County Center Fifth Floor, Redwood City, CA 94063, or the C/CAG Financial Agent which is the Finance Division at the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position reports the difference between C/CAG's total assets and deferred outflows of resources and C/CAG's total liabilities and deferred inflows of resources. The Statement of Net Position presents information similar to the traditional balance sheet format, but presents it in a way that focuses the reader on the composition of C/CAG's Net Position, by subtracting total liabilities from total assets.

The Statement of Activities reports increases and decreases in C/CAG's Net Position. It is also prepared on the full accrual basis, which means it includes all C/CAG's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents C/CAG's expenses first, listed by program. Program revenues - that is, revenues which are generated directly by these programs - are then deducted from program expenses to arrive at the net expense of each governmental program. C/CAG's general revenues are then listed and the Change in Net Position is computed and reconciled with the Statement of Net Position.

These financial statements along with the Fund Financial Statements and footnotes are called Basic Financial Statements.

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

Assets		
Cash and investments (Note 2)		\$ 24,641,463
Accounts receivable		<u>2,287,509</u>
Total Assets		<u>26,928,972</u>
Deferred Outflows of Resources		
Deferred pension related items (Note 5)		183,311
Deferred OPEB related items (Note 6)		<u>61,181</u>
Total Deferred Outflows of Resources		<u>244,492</u>
Liabilities		
Accounts payable		3,252,836
Accrued liabilities		806,917
Net pension liability (Note 5)		511,510
Net OPEB Liability (Note 6)		<u>164,609</u>
Total Liabilities		<u>4,735,872</u>
Deferred Inflows of Resources		
Deferred pension related items (Note 5)		29,912
Deferred OPEB related items (Note 6)		<u>7,391</u>
Total Deferred Inflows of Resources		<u>37,303</u>
Net Position		
Restricted for:		
Energy watch		305,530
BAAQMD		585,955
NPDES		761,799
AB 1546		2,759,499
Congestion Management		8,290,049
Measure M		9,645,101
Unrestricted		<u>52,356</u>
Total Net Position		<u>\$ 22,400,289</u>

See accompanying notes to financial statements

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs:	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
General government	\$ 402,966	\$ -	\$ 278,407	\$ (124,559)
Special programs:				
Congestion management	3,110,905	2,333,049	1,192,309	414,453
National Pollutant Discharge & Elimination System	2,012,241	129,520	1,417,753	(464,968)
Bay Area Air Quality Management District	1,581,790	1,142,764	-	(439,026)
AB 1546	212,984	2,110	-	(210,874)
Energy watch	509,010	-	444,271	(64,739)
Measure M	6,420,736	7,701,377	-	1,280,641
Total Governmental Activities	<u>\$14,250,632</u>	<u>\$ 11,308,820</u>	<u>\$ 3,332,740</u>	<u>390,928</u>
General Revenues:				
Investment income				<u>295,700</u>
Total General Revenues				<u>295,700</u>
Change in Net Position				686,628
Net Position - Beginning, as restated (Note 1)				<u>21,713,661</u>
Net Position - Ending				<u>\$ 22,400,289</u>

See accompanying notes to financial statements

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and accept the C/CAG Single Audit Report for the Year Ended June 30, 2018.

(For further information, contact Sandy Wong at 650-599-1409)

RECOMMENDATION

That the C/CAG Board review and accept the C/CAG Single Audit Report for the Year Ended June 30, 2018.

FISCAL IMPACT

None.

SOURCE OF FUNDS

Federal transportation funds.

BACKGROUND

An independent Single Audit Report was performed on C/CAG for the year ended June 30, 2018. The Single Audit is specifically for Federal funds received. A Single Audit is required when an agency received \$750,000 or more in federal awards. During that fiscal year, C/CAG had a total of \$1,137,342 in expenditures of federal funds.

The audit did not identify any deficiencies in internal control, or any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. The audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance. The auditor expressed their opinion that the C/CAG complied, in all material respects, with the types of compliance requirements as specified that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The C/CAG Finance Committee received this report at their November 28, 2018 meeting.

ATTACHMENT

- Single Audit Report for Year Ended June 30, 2018, provided at: <http://ccag.ca.gov/committees/board-of-directors/>

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and accept the C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from August 17, 2016 through September 30, 2017.

(For further information, contact Sandy Wong at 650-599-1409)

RECOMMENDATION

That the C/CAG Board review and accept the C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from August 17, 2016 through September 30, 2017.

FISCAL IMPACT

None.

SOURCE OF FUNDS

State Transportation Improvement Program (STIP) Planning, Programming & Monitoring (PPM) funds come from State transportation grant.

BACKGROUND

C/CAG received a State grant for Planning, Programming & Monitoring (PPM) fund from the State Transportation Improvement Program (STIP), in an amount of \$462,000 for fiscal year 2016/17. This grant was expended during the period from August 17, 2016 through September 30, 2017.

To comply with grantor's requirement, an independent audit was performed on this state grant. Final Project Expenditure Audit Report is shown in the attachment. No issues were identified that required correction.

The auditor expressed their opinion that the financial statements present fairly, in all material respects, the Final Project Expenditure Report as of September 30, 2017, and the respective changes in financial position for the period of August 17, 2016 through September 30, 2017, then ended in conformity with accounting principles generally accepted in the United States of America. The C/CAG Finance Committee received the report at their November 28, 2018 meeting.

ATTACHMENT

- C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from August 17, 2016 through September 30, 2017, provided at: <http://ccag.ca.gov/committees/board-of-directors/>

C/CAG AGENDA REPORT

Date: December 13, 2018
To: City/County Association of Governments of San Mateo County Board of Directors
From: Sandy Wong, Executive Director
Subject: Review and accept the Measure M Fund Financial Statements (Audit) for the Year Ended June 30, 2018.

(For further information, contact Sandy Wong at 650-599-1409)

RECOMMENDATION

That the C/CAG Board review and accept the Measure M Fund Financial Statements (Audit) for the Year Ended June 30, 2018.

FISCAL IMPACT

None.

SOURCE OF FUNDS

Dedicated motor vehicle fee.

BACKGROUND

On an annual basis, C/CAG conducts a separate independent audit on the Measure M Fund (\$10 vehicle registration fee). An audit report (Financial Statements) for the Measure M Funds for the year ended June 30, 2018 has been prepared. No issue was identified that require correction.

The auditor expressed their opinion that the Measure M financial statements present fairly, in all material respects, the respective financial position of the Measure M Fund, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The C/CAG Finance Committee received the report at their November 28, 2018 meeting.

ATTACHMENT

- Measure M Fund Financial Statements (audit report) for Fiscal Year Ended June 30, 2018, provided at: <http://ccag.ca.gov/committees/board-of-directors/>

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and accept the Transportation Fund for Clean Air (TFCA) Program Manager Fund Projects Financial Audit for Project Period Ended June 30, 2017

(For further information, contact John Hoang at 650-363-4105)

RECOMMENDATION

Review and accept the Transportation Fund for Clean Air (TFCA) Program Manager Fund Projects Financial Audit for Project Period Ended June 30, 2017.

FISCAL IMPACT

None

SOURCE OF FUNDS

Transportation Fund for Clean Air (TFCA)

BACKGROUND

The Bay Area Air Quality Management District (BAAQMD) is authorized under Health and Safety Code Section 44223 and 44225 to levy a fee on motor vehicles. Funds generated by the fee are referred to as the Transportation Fund for Clean Air (TFCA) funds and are used to implement projects to reduce air pollution from motor vehicles. Health and Safety Code Section 44241(d) stipulates that forty percent (40%) of funds generated within a county where the fee is in effect shall be allocated by the Air District to one or more public agencies designated to receive the funds, and for San Mateo County, C/CAG has been designated as the overall Program Manager to receive the funds.

C/CAG, as the Program Manager for the TFCA Program in San Mateo County, receives TFCA funds from the Bay Area Air Quality Management District (BAAQMD) annually and distributes these funds to qualifying projects that reduce air pollution, greenhouse gas emissions, and traffic congestion by improving transportation options.

During Fiscal Years 2015/16 and 2016/17, C/CAG funded the following projects:

- 16SM01 – Commute.org Voluntary Trip Reduction Program
- 16SM02 – SamTrans Shuttle Program
- 17SM01 – Commute.org Voluntary Trip Reduction Program
- 17SM02 – SamTrans Shuttle Program

A separate independent audit was performed by the BAAQMD on the TFCA Program Manager Fund Projects for the project period ended June 30, 2017, encompassing Fiscal Years 2015/16 and 2016/17. C/CAG complied with all compliance requirements with the exception of one instance of timeliness of reporting requirement, which C/CAG responded to in the report (See page 10 of the Attachment).

ATTACHMENTS

1. Independent Auditor's Reports and Schedule of Expenditures of TFCA Program Manager Fund Projects Period Ended June 30, 2017.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**SCHEDULE OF EXPENDITURES OF
TRANSPORTATION FUND
FOR CLEAN AIR PROGRAM
MANAGER FUND PROJECTS
WITH INDEPENDENT AUDITOR'S REPORTS**

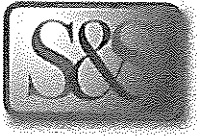
JUNE 30, 2017



**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM MANAGER FUND
June 30, 2017**

Table of Contents

	Page
Financial Section:	
Independent Auditor's Report.....	1
Schedule of Expenditures of Projects	3
Notes to Schedule of Expenditures of Projects.....	5
Independent Auditor's Report on Compliance and Internal Control Over Compliance in Accordance with the Requirements of Section 44241 of the California Health and Safety Code.....	7
Schedule of Finding and Recommendation.....	10



U.S. BANK TOWER
 633 WEST 5TH STREET, SUITE 3320
 LOS ANGELES, CA 90071
 (213) 736-6664 TELEPHONE
 (213) 736-6692 FAX
 www.simpsonllp.com

SIMPSON & SIMPSON
 CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
 BRAUNARD C. SIMPSON, CPA
 MELBA W. SIMPSON, CPA

Independent Auditor's Report

Board of Directors
 City/County Association of Governments of San Mateo County
 Redwood City, California

Board of Directors
 Bay Area Air Quality Management District
 San Francisco, California

We have audited the accompanying Schedule of Expenditures of Projects (Schedule) of the City/County Association of Governments of San Mateo County's (C/CAG) **Transportation Fund for Clean Air (TFCA) Program Manager Fund Projects** for the project period ended June 30, 2017, and the related notes to the Schedule, as listed in the table of contents.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to C/CAG's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of C/CAG's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the respective financial position of C/CAG's TFCA Program Manager Fund Projects for the project period ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the Schedule presents the financial activity and balances of C/CAG's TFCA funding, and do not purport to, and do not, present fairly the financial position of C/CAG's as of June 30, 2017 in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 16, 2018

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM MANAGER FUND
Schedule of Expenditures of Projects
For the Project Period Ended June 30, 2017**

<u>Project Description</u>	<u>TFCA Project Number</u>	<u>Original TFCA Project Allocation</u>	<u>Final TFCA Project Allocation</u>	<u>Final Project Expenditures through 6/30/2017</u>
City/County Association of Governments				
Program Administration	16SM00	\$ 39,564	\$ 39,564	\$ 39,564
Program Administration	17SM00	53,040	53,040	32,610
Peninsula Traffic Congestion Relief Alliance				
Countywide Voluntary Trip Reduction Program	16SM01	472,300	472,300	472,300
Countywide Voluntary Trip Reduction Program	17SM01	525,000	525,000	525,000
SamTrans				
SamTrans Shuttle Program	17SM02	109,000	109,000	109,000
San Mateo County Transit District				
SamTrans Shuttle Program	16SM02	601,000	154,500	154,500
Total		<u>\$ 1,799,904</u>	<u>\$ 1,353,404</u>	<u>\$ 1,332,974</u>

See accompanying notes to schedule of expenditures of projects.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM MANAGER FUND
Notes to Schedule of Expenditures of Projects
For the Project Period Ended June 30, 2017**

NOTE 1 – TRANSPORTATION FUND FOR CLEAN AIR ACT PROGRAM BACKGROUND

Health and Safety Code Section 44223 and 44225 authorize a surcharge on the motor vehicle registration fee (surcharge) to be used by the Bay Area Air Quality Management District (Air District) and local governments specifically for programs to reduce air pollution from motor vehicles. The Department of Motor Vehicles collects the surcharge and allocates the amounts to the Air District. The Air District administers these funds through the Transportation Fund for Clean Air (TFCA) Program. Under the TFCA Program, money is allocated to two funds: (1) 60% is placed in the Regional Fund and allocated to agencies on a competitive basis by the Air District and (2) 40% is placed in the Program Manager Fund and allocated to designated agencies. Allowable projects under Health and Safety Code Section 44241 include the following:

- The implementation of ridesharing programs.
- The purchase or lease of clean fuel buses for school districts and transit operators.
- The provision of local feeder bus or shuttle service to rail and ferry stations and to airports.
- Implementation and maintenance of local arterial traffic management, including, but not limited to, signal timing, transit signal preemption, bus stop relocation and “smart streets.”
- Implementation of rail-bus integration and regional transit information systems.
- Implementation of demonstration projects in telecommuting and in congestion pricing of highways, bridges, and public transit.
- Implementation of vehicle-based projects to reduce mobile source emissions, including, but not limited to, engine repowers, engine retrofits, fleet modernization, alternative fuels, and advanced technology demonstrations.
- Implementation of a smoking vehicles program.
- Implementation of an automobile buy-back scrappage program operated by a governmental agency.
- Implementation of bicycle facility improvement projects that are included in an adopted countywide bicycle plan or congestion management program.
- The design and construction by local public agencies of physical improvements that support development projects that achieve motor vehicle emission reductions. The projects and the physical improvements shall be identified in an approved area-specific plan, redevelopment plan, general plan, or other similar plan.

NOTE 2 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Projects (Schedule) has been prepared in conformity with U.S. generally accepted accounting principles. The Schedule reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures as noted in the Schedule represent only the amount funded by the Air District. Expenditures of matching and other funding sources are not reported on the Schedule.

Financial Reporting Entity: The audited Schedule represents only the TFCA Program Manager Funds allocated to the City/County Association of Governments of San Mateo County (C/CAG) for certain projects and is not intended to present fairly the financial position and results of operations of C/CAG as a whole.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM MANAGER FUND
Notes to Schedule of Expenditures of Projects
For the Project Period Ended June 30, 2017**

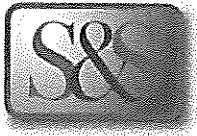
NOTE 2 – BASIS OF PRESENTATION (continued)

Projects: The projects included in the accompanying Schedule are funded through the Program Manager Fund and were completed between July 1, 2016 and June 30, 2017. Projects may have started several years earlier and may continue to operate after audit.

Original and Final Project Allocations: The Program Manager prepares and submits to the Air District a project information form in which stipulates the total Original TFCA Funds to be allocated to the project. Adjustments to the budget, if any, is approved by the Air District and reflected as such in the Final Project Allocation.

Final Project Expenditures: The amounts included within the accompanying Schedule represent actual expenditures paid by C/CAG for the year ended June 30, 2017.

INDEPENDENT AUDITOR'S REPORT



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

**Report on Compliance and Internal Control Over Compliance in
Accordance with the Requirements of Section 44241 of the
California Health and Safety Code**

Board of Directors
City/County Association of Governments of San Mateo County
Redwood City, California

Board of Directors
Bay Area Air Quality Management District
San Francisco, California

Report on Compliance with Section 44241 of the California Health and Safety Code

We have audited the City/County Association of Governments of San Mateo County's (C/CAG) compliance with the requirements of Section 44241 of the California Health and Safety Code (HSC) for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 44241 of the HSC that are applicable to C/CAG's **Transportation Fund for Clean Air (TFCA) Program Manager Fund** projects reported in the Schedule of Expenditures of Projects (Schedule).

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for C/CAG's compliance with the requirements of Section 44241 of the HSC based on our audits.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Section 44241 of the HSC. Those standards and Section 44241 of the HSC require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the projects reported in the Schedule occurred. An audit includes examining, on a test basis, evidence about C/CAG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with those requirements. However, our audits do not provide a legal determination on C/CAG's compliance with those requirements.





Opinion

In our opinion, C/CAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its projects reported on the Schedule for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported and which is described in the accompanying Schedule of Finding and Recommendation as item 2017-1. Our opinion on C/CAG's projects reported on the Schedule is not modified with respect to this matter.

C/CAG's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Finding and Recommendation. C/CAG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of C/CAG is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit of compliance, we considered C/CAG's internal control over compliance with requirements that could have a direct and material effect on the project(s) reported on the Schedule to determine the auditing procedures that are appropriate in circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Section 44241 of the HSC, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of C/CAG's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control and internal control over compliance was for the limited purpose described in the first paragraphs of this section and was not designed to identify all deficiencies in internal control and internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control or internal control over compliance that we consider to be material weaknesses. However, a material weakness may exist that has not been identified.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over compliance, compliance and the results of that testing based on the requirements of Section 44241 of the HSC. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
November 16, 2018

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
TRANSPORTATION FUND FOR CLEAN AIR PROGRAM MANAGER FUND
Schedule of Finding and Recommendation
For the Project Period Ended June 30, 2017**

Finding No. 2017-1 – Final Report Form Reporting

TFCA Projects Affected

- Project Number, Sponsor, Description:
 - 16SM01 - Peninsula Traffic Congestion Relief Alliance, Countrywide Voluntary Trip Reduction Program.
 - 16SM02 - San Mateo County Transit District, SamTrans Shuttle Program.

Criteria

A Final Report Form (Form) is required to be submitted by the City/County Association of Governments of San Mateo County (C/CAG) to the Bay Area Air Quality Management District (Air District) upon completion of the program project. The Form is to be submitted each May 31 and October 31, whichever date falls subsequent to the Project Completion Date.

Condition, Cause and Effect

We reviewed the Forms submitted for TFCA projects 16SM01 and 16SM02. The Project Completion Date for both projects was June 30, 2016. Accordingly, the Form should have been submitted to the Air District by the October 31, 2016 deadline.

We noted that the Forms were submitted untimely on November 18, 2016.

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue.

Recommendation

We recommend that C/CAG strengthen its controls to ensure timely submission of the Form to the Air District.

C/CAG's Response

C/CAG completes the Funding Status Report, while, accompanying Interim reports, Final reports and Cost-effectiveness worksheets comes from individual project sponsors.

C/CAG made the effort to submit the Funding Status Report Form to the Air District by the deadline on October 31, 2016 and informed the Air District that submission of the remaining accompanying reports would be delayed. Forms were subsequently submitted on November 18, 2016, as noted.

C/CAG will develop procedures to ensure timely submission of the Final Report Form to the Air District in the future. Procedures to be implemented includes providing more advanced notice to project sponsors with regards to reporting deadlines and allocating sufficient time to collate and confirm project information for reporting purposes.

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and approve the C/CAG legislative policies, priorities, positions, and legislative update (A position may be taken on any legislation, including legislation not previously identified).

(For further information, contact Jean Higaki at 650-599-1462)

RECOMMENDATION

Review and approve the C/CAG legislative policies, priorities, positions, and legislative update (A position may be taken on any legislation, including legislation not previously identified).

FISCAL IMPACT

Unknown.

SOURCE OF FUNDS

N/A

BACKGROUND

The C/CAG Legislative Committee receives monthly written reports and oral briefings from the C/CAG's State legislative advocates. Important or interesting issues that arise out of that meeting are reported to the Board.

The legislature is still in recess will reconvene on January 7, 2019. This month's report from our legislative advocate is a recap of the November 6, 2018 elections.

ATTACHMENTS

1. December 2018 Legislative update from Shaw/ Yoder/ Antwih, Inc.
2. Full Legislative information is available for specific bills at <http://leginfo.legislature.ca.gov/>



SHAW / YODER / ANTWIH, *inc.*

LEGISLATIVE ADVOCACY • ASSOCIATION MANAGEMENT

November 27, 2018

To: Board Members, City/County Association of Governments of San Mateo County

From: Shaw / Yoder / Antwih, Inc.

Re: California's 2018 General Election Recap - Updated

The country's midterm elections were held yesterday, November 6. The results of these elections, which are detailed below, are hugely significant to the transportation sector in California, as they determined the fate of Proposition 6 and determined which party will control the Office of the Governor, the California State Legislature, and numerous other statewide offices. The Secretary of State has until mid-December to certify the election results.

Proposition 6

With most of the votes counted, it appears that California voters have overwhelmingly rejected Proposition 6. We will continue to monitor the vote count and will provide you with the final vote count in our next board report.

Proposition 6 would have repealed \$5.2 billion in new transportation funding, enacted by Senate Bill 1 (Beall & Frazier) [Chapter 5, Statutes of 2017], designed to repair and maintain our state highways and local roads, improve our trade corridors, and support public transit & active transportation projects.

Additionally, Proposition 6 would have amended the State Constitution to require the Legislature to get voter approval for new or increased taxes on the sale, storage, use, or consumption of gasoline or diesel fuel, as well as for taxes paid for the privilege of operating a vehicle on public highways.

Gubernatorial Race

The race to succeed Governor Brown resulted in Lieutenant Governor Gavin Newsom and Republican businessman John Cox advancing from the June primary to the November General Election. As expected, Gavin Newsom defeated John Cox by a significant margin. Democrat Eleni Kounalakis will serve as Lieutenant Governor.

US Senate

In what ultimately became a tighter race than anticipated, California voters selected current US Senator Diane Feinstein to continue to represent the state over State Senator Kevin De Leon.

California State Legislative Races

All California Assembly seats and half of California Senate seats were up for election or reelection this year. While Democrats were expected to keep their strong majority in both houses, their ability to regain a two-thirds supermajority in both houses was uncertain. However, based on last night's results, it looks as though Democrats will obtain the coveted supermajority in both the Senate and the Assembly. If things hold, the Senate would move to 29 Democrats and 11 Republicans and the Assembly would shift to 60 Democrats and 20 Republicans. However, if Senator Ricardo Lara wins the statewide race for Insurance Commissioner, the Senate will need to call a special election to fill his seat and the Senate will drop to 28 Democrats, still enough for a supermajority.

California Ballot Propositions

Originally, 12 statewide propositions were put on the November 2018 ballot. However, Proposition 9 was removed by order of the California Supreme Court. Below is a complete list of the 11 statewide propositions that remained on the November 2018 ballot.

Proposition 1. Authorizes Bonds to Fund Specified Housing Assistance Programs. Legislative Statute.

Authorizes \$4 billion in general obligation bonds for existing affordable housing programs for low-income residents, veterans, farmworkers, manufactured and mobile homes, infill, and transit-oriented housing. Fiscal Impact: Increased state costs to repay bonds averaging about \$170 million annually over the next 35 years.

YES LEADS 55.5-44.5

Proposition 2. Authorizes Bonds to Fund Existing Housing Program for Individuals with Mental Illness. Legislative Statute.

Amends Mental Health Services Act to fund No Place Like Home Program, which finances housing for individuals with mental illness. Ratifies existing law establishing the No Place Like Home Program. Fiscal Impact: Allows the state to use up to \$140 million per year of county mental health funds to repay up to \$2 billion in bonds. These bonds would fund housing for those with mental illness who are homeless.

PASSED 62.8-37.2

Proposition 3. Authorizes Bonds to Fund Projects for Water Supply And Quality, Watershed, Fish, Wildlife, Water Conveyance, And Groundwater Sustainability And Storage. Initiative Statute.

Authorizes \$8.877 billion in state general obligation bonds for various infrastructure projects. Fiscal Impact: Increased state costs to repay bonds averaging \$430 million per year over 40 years. Local government savings for water-related projects, likely averaging a couple hundred million dollars annually over the next few decades.

NO LEADS 48.5-51.5

Proposition 4. Providing Children's Health Care. Initiative Statute

Authorizes \$1.5 billion in bonds, to be repaid from state's General Fund, to fund grants for construction, expansion, renovation, and equipping of qualifying children's hospitals. Fiscal Impact: Increased state costs to repay bonds averaging about \$80 million annually over the next 35 years.

PASSED 62-38

Proposition 5. Changes Requirements for Certain Property Owners to Transfer Their Property Tax Base to Replacement Property. Initiative Constitutional Amendment and Statute.

Removes certain transfer requirements for homeowners over 55, severely disabled homeowners, and contaminated or disaster-destroyed property. Fiscal Impact: Schools and local governments each would lose over \$100 million in annual property taxes early on, growing to about \$1 billion per year. Similar increase in state costs to backfill school property tax losses.

FAILED 40.5-59.5

Proposition 6. Eliminates Certain Road Repair And Transportation Funding. Requires Certain Fuel Taxes And Vehicle Fees Be Approved By The Electorate. Initiative Constitutional Amendment.

Repeals a 2017 transportation law's taxes and fees designated for road repairs and public transportation. Fiscal Impact: Reduced ongoing revenues of \$5.2 billion from state fuel and vehicle taxes that mainly would have paid for highway and road maintenance and repairs, as well as transit programs.

NO LEADS 43.2-56.8

Proposition 7. Conforms California Daylight Saving Time to Federal Law. Allows Legislature to Change Daylight Saving Time Period. Legislative Statute.

Gives Legislature ability to change daylight saving time period by two-thirds vote, if changes are consistent with federal law. Fiscal Impact: This measure has no direct fiscal effect because changes to daylight saving time would depend on future actions by the Legislature and potentially the federal government.

PASSED 60-40

Proposition 8. Regulates Amounts Outpatient Kidney Dialysis Clinics Charge For Dialysis Treatment. Initiative Statute.

Requires rebates and penalties if charges exceed limit. Requires annual reporting to the state. Prohibits clinics from refusing to treat patients based on payment source. Fiscal Impact: Overall annual effect on state and local governments ranging from net positive impact in the low tens of millions of dollars to net negative impact in the tens of millions of dollars.

FAILED 39.6-60.4

Proposition 10. Expands Local Governments' Authority to Enact Rent Control On Residential Property. Initiative Statute.

Repeals state law that currently restricts the scope of rent control policies that cities and other local jurisdictions may impose on residential property. Fiscal Impact: Potential net reduction in state and local revenues of tens of millions of dollars per year in the long term. Depending on actions by local communities, revenue losses could be less or considerably more.

FAILED 39.9-60.1

Proposition 11. Requires Private-Sector Emergency Ambulance Employees to Remain On-Call During Work Breaks. Eliminates Certain Employer Liability. Initiative Statute.

Law entitling hourly employees to breaks without being on-call would not apply to private-sector ambulance employees. Fiscal Impact: Likely fiscal benefit to local governments (in the form of lower costs and higher revenues), potentially in the tens of millions of dollars each year.

PASSED 60-40

Proposition 12. Establishes New Standards For Confinement Of Specified Farm Animals; Bans Sale Of Noncomplying Products. Initiative Statute.

Establishes minimum requirements for confining certain farm animals. Prohibits sales of meat and egg products from animals confined in noncomplying manner. Fiscal Impact: Potential decrease in state income tax revenues from farm businesses, likely not more than several million dollars annually. State costs up to \$10 million annually to enforce the measure.

PASSED 62.2-37.8

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and approval of the Annual C/CAG Legislative Policies for 2019.

(For further information, contact Jean Higaki at 650-599-1462)

RECOMMENDATION

Review and approval of the Annual C/CAG Legislative Policies for 2019.

FISCAL IMPACT

Many of the policies listed in the attached document have the potential to increase or decrease the fiscal resources available to C/CAG member agencies.

SOURCE OF FUNDS

New legislation

BACKGROUND

Each year, the C/CAG Board adopts a set of legislative policies to provide direction to its Legislative Committee, staff, and legislative advocates. In the past, the C/CAG Board established policies that:

- Clearly defined a policy framework at the beginning of the Legislative Session.
- Identified specific policies to be accomplished during this session by C/CAG's legislative advocates.
- Limited the activities of C/CAG to areas where we can have the greatest impact.

The adoption of a list of policies will maximize the impact of having legislative advocates represent C/CAG in Sacramento and will also significantly reduce the amount of C/CAG staff time needed to support the program.

Recommendations from the Legislative Committee on December 13, 2018 will be presented verbally to the Board. If substantial modifications are requested from the committee a subsequent draft will be presented again at the next committee and corresponding Board meeting.

ATTACHMENTS

1. Draft C/CAG Legislative Policies for 2019

C/CAG LEGISLATIVE POLICIES FOR ~~2018~~2019

Policy #1 -

Protect against the diversion of local revenues and promote equitable distribution of state/regional resources and revenues.

- 1.1 Support League, CSAC, and other initiatives to protect local revenues.
- 1.2 Provide incentives and tools to local government to promote economic vitality ~~and to alleviate blighted conditions.~~
- 1.3 Support appropriate new funding or the reinstatement of state funding for economic development and affordable housing, including the use of tax-increment financing or “Redevelopment 2.0.”
- 1.4 Pursue and support efforts that direct state and regional funds equitably to ensure a return to source.

Policy #2 -

Protect against increased local costs resulting from State action without 100% State reimbursement for the resulting costs.

- 2.1 Support State actions that take into consideration the fiscal impact to local jurisdictions, by ensuring that adequate funding is made available by the State, for delegated re-alignment responsibilities and by ensuring that all State mandates are 100% reimbursed.
- 2.2 Oppose State actions that delegate responsibilities to local jurisdictions without full reimbursement for resulting costs.

Policy #3 -

Support actions that help to meet municipal stormwater permit requirements and secure stable funding to pay for current and future regulatory mandates.

- 3.1 Primary focus on securing additional revenue sources for both C/CAG and its member agencies for funding state- and federally mandated stormwater compliance efforts.
 - a. Advocate for funding for implementing the San Mateo County Stormwater Resource Plan and local Green Infrastructure Plans to support long-term reductions in bacteria, trash, mercury, ~~and PCBs~~, and other pollutants discharging to the Bay and Ocean and to reduce flooding, recharge groundwater, adapt to a changing climate, and enhance communities.
 - b. Advocate for inclusion of water quality and stormwater management as a priority for funding in new sources of revenues (e.g. water bonds) and protect against a geographically unbalanced North-South allocation of resources.
 - c. Track and advocate for resources for stormwater management in State and Federal grant and loan programs.

- d. Support efforts to identify regulatory requirements that are unfunded state mandates and ensure provision of state funding for such requirements.
 - e. Pursue and support efforts that address stormwater issues at statewide or regional levels and thereby reduce the cost share for C/CAG and its member agencies and limit the need to implement such efforts locally.
 - e.f. Advocate for better integration between parallel statewide efforts to manage stormwater for water quality improvement, long-term climate change adaptation, and groundwater recharge.
- 3.2 Support efforts to secure statewide legislation mandating abatement of polychlorinated biphenyls (PCBs) in building materials prior to demolition of relevant structures, in accordance with requirements in the San Francisco Bay Regional Water Quality Control Board's Municipal Regional Permit.
 - 3.3 Pursue and support efforts that control pollutants at the source and extend producer responsibility, especially in regard to trash and litter control.
 - 3.4 Support efforts to place the burden/ accountability of reporting, managing, and meeting municipal stormwater requirements on the responsible source rather than the cities or county, such as properties that are known pollutant hot spots and third party utility purveyors.
 - 3.5 Advocate for integrated, prioritized, and achievable stormwater regulations that protect water quality and beneficial uses and account for limitations on municipal funding.
 - 3.6 Pursue and support pesticide regulations that protect water quality and reduce pesticide toxicity.
 - 3.7 Support legislative efforts to provide additional funding for stormwater projects into San Mateo County.

Policy #4 -

Advocate and support an integrated approach to funding.

- 4.1 Advocate for ~~an appropriate and effective~~ integrated approaches to both funding and project types for statewide and regional infrastructure efforts including stormwater management, transportation, and affordable housing.
- 4.2 Advocate for efforts that ~~breakdown funding silos and~~ provide flexibility in funding sources to enable a holistic approach to fund programs and projects.

Policy #5 -

Support lowering the 2/3rd super majority vote for local special purpose taxes and fees.

- 5.1 Support constitutional amendments that reduce the vote requirements for special taxes and fees.

5.2 Oppose bills that impose restrictions on the expenditures, thereby reducing flexibility, for special tax category.

~~5.3 Support modification or elimination of the Proposition 26 two-thirds requirements.~~

***Policy #6-
Protect and support transportation funding.***

6.1 Support ~~ACA 5 and other~~ efforts that protect transportation revenues from being pledged, transferred, or used for non-transportation purposes.

6.2 ~~Oppose the repeal of SB 1 (The Road Repair and Accountability Act of 2017) and s~~Support the implementation of SB 1 programs.

6.3 Monitor and engage in the implementation of the SB 1077 “Road User Charge.”

6.4 Support revisions in the Peninsula Joint Powers Agreement that provide equitable funding among the Caltrain partners.

6.5 Support a dedicated funding source for the operation of Caltrain and monitor the implementation of High Speed Rail.

6.6 Support efforts to secure the appropriation and allocation of “cap and trade” revenues to support San Mateo County needs.

6.7 Support or sponsor efforts that finance and/ or facilitate operational improvements on the US 101 corridor.

6.8 Support alternative contracting methods, such as Public Private Partnerships, that could result in project cost savings.

~~6.8 Support the development of an expenditure plan for a potential countywide sales tax measure to fund transportation in San Mateo County.~~

~~6.9 Support the development of a new bridge toll program (Regional Measure 3) and ensure an appropriate share of new revenues is available for projects in San Mateo County.~~

***Policy #7 -
Advocate for revenue solutions to address State budget issues that are also beneficial to Cities/
Counties***

7.1 Support measures to ensure that local governments receive appropriate revenues to service local communities.

7.2 Support measures and policies that encourage and facilitate public private partnerships.

Policy #8 -

Support reasonable climate protection action, Greenhouse Gas reduction, and energy conservation legislation

- 8.1 Support incentive approaches toward implementing AB 32, SB 32 and AB 398.
- 8.2 Oppose climate legislation that would conflict with or override projects approved by the voters.
- 8.3 Support funding for both transportation and housing investments, which support the implementation of SB 375, so that housing funds are not competing with transportation funds.
- 8.4 Monitor the regulatory process for implementing SB 743 and impacts the new regulations may have on congestion management plans.
- 8.5 Alert the Board on legislation that would require recording of vehicle miles of travel (VMT) as part of vehicle registration.
- 8.6 Support local government partnerships to foster energy conservation, as well as the generation and use of renewable and/ or clean energy sources (wind, solar, etc.).
- 8.7 Support efforts to improve the disadvantage community screening tools used by the state on the allocation of “cap and trade” and other state funding programs to ensure that San Mateo county needs are reflected.

Policy #9 -

Protection of water user rights

- 9.1 Support the Bay Area Water Supply and Conservation Association (BAWSCA) efforts in the protection of water user rights for San Mateo County users.

Policy #10 –

Other

- 10.1 Support/sponsor legislation that identifies revenue to fund airport/land use compatibility plans.

10.2 Monitor legislation that impacts local housing and land use authority.

- 10.23 Support efforts that will engage the business community in mitigating industry impacts associated with stormwater, transportation congestion, affordable housing, greenhouse gas emissions, and energy consumption.

10.4 Support legislative efforts to create a unified voice in San Mateo County and to manage integrated water issues including sea level rise, flooding, coastal erosion, and stormwater vulnerabilities.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY &
CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY
1250 SAN CARLOS AVENUE, SAN CARLOS, CA 94070
MINUTES OF NOVEMBER 16, 2018 JOINT SPECIAL MEETING**

TA MEMBERS PRESENT: D. Horsley (Chair), E. Beach, M. Freschet, C. Groom,
K. Matsumoto

TA MEMBERS ABSENT: C. Johnson (Vice Chair), R. Medina

TA STAFF PRESENT: J. Hartnett, C. Mau, A. Chan, J. Cassman, J. Slavitt, J. Brook

C/CAG MEMBERS PRESENT: M. Moise Derwin (Chair), M. Chuang (Vice Chair), A. Aguirre,
D. Canepa, D. Colvin, S. Hindi (Alternate), J. Keener, D. Kim,
C. Lentz, I. O'Connell, M. Olbert, R. Ortiz, D. Papan, D.
Rutherford (Alternate)

C/CAG MEMBERS ABSENT: C. Carlton, L. Gauthier, D. Gordon, E. Lewis, J. Manalo, G.
Papan, H. Perez, D. Ruddock

C/CAG STAFF PRESENT: S. Wong, J. Higaki, M. Sanders, S. Muse, M. Guilles

CALL TO ORDER/PLEDGE OF ALLEGIANCE

TA Chair Don Horsley called the meeting to order at 1:07 pm and led the Pledge of Allegiance.

ROLL CALL FOR SAN MATEO COUNTY TRANSPORTATION AUTHORITY

Assistant Authority Secretary Jean Brook called the roll. A quorum was present.

ROLL CALL FOR CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

Clerk of the Board Mima Guilles called the roll. A quorum was present.

OVERVIEW OF WORKSHOP

TA Chair Horsley outlined the workshop schedule.

C/CAG Chair Maryann Moise Derwin reviewed the purpose and goals of the workshop.

PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

Drew, San Mateo, expressed his concern that the 101/Ralston loop on-ramp had been miscategorized as a low-volume loop ramp in the project's environmental document.

WORKSHOP ON HIGHWAY 101 MANAGED LANES, INCLUDING OPTIONS FOR FACILITY OWNERSHIP/OPERATION

Introduction

Sandy Wong, C/CAG Director, talked about the history of managed lanes studies on Highway 101.

April Chan, TA Chief Officer, introduced guests at the workshop, including MTC [BAIFA], VTA and SFCTA staff. She said that the managed lane facility's owner and operator need to be determined now as the project moves into the final design phase. She said they would discuss the two options at the workshop. She noted that the handouts included a project fact sheet, information on the SamTrans Express Bus Feasibility Study, and a matrix on the pros and cons of the various owner/operator options.

Presentation – Project Outline

Leo Scott of Gray-Bowen-Scott, TA project manager consultant for 101 Managed Lanes, presented a detailed PowerPoint presentation on the San Mateo 101 Managed Lanes Project.

C/CAG Representative Sam Hindi asked how carpooling is being encouraged when single-occupancy vehicles (SOVs) with drivers who are willing to pay a toll can be in a carpool lane. Mr. Scott directed him to Slides 8-10 of the presentation.

C/CAG Representative Mark Olbert noted that high-occupancy vehicles (HOVs) that choose not to pay to be in the managed lane would no longer have an advantage being an HOV and would split into multiple vehicles as a result. Mr. Scott said a two-person HOV (HOV-2) would likely be deterred from paying to be in a carpool lane. He said managed lanes operators in Los Angeles County (LA) give a discount to HOV-2s and clean air vehicles who use carpool lanes. He added that the goal is to make connections to three-person HOVs (HOV-3s) and buses easier so that people use these options more. C/CAG Representative Olbert asked where the \$53 million of private sector money was coming from. Mr. Scott said it comes from SAMCEDA.

C/CAG Representative David Canepa stated that based on the Mr. Scott's presentation, the managed lanes project made more sense and was becoming clearer to him. He added that it had moved his position greatly in terms of supporting the project. He asked if Caltrans was the ultimate project decision-maker. Mr. Scott confirmed that Caltrans was the lead on the environmental documents.

TA Director Emily Beach restated what she understood from Mr. Scott's presentation regarding LA's express lane operation, which makes an assumption for the proposed project that HOV-3 and HOV-2 get a guaranteed 45-miles-per-hour ride, and that HOV-1 could get the same guaranteed ride by paying a premium.

C/CAG Representative Cliff Lentz asked about enforcement and the length of the road the customer gets when they pay to use the carpool lane, which Mr. Scott outlined later in his presentation.

C/CAG Representative Diane Papan asked what happens if the 45-miles-per-hour flow rate isn't met. Mr. Scott said that the toll component of the lane would close for a time and the lane would become an HOV-only lane until the speeds pick up again.

C/CAG Vice Chair Marie Chuang said that in Los Angeles County's program, the transponders are very clear regarding HOV-2 and HOV-3.

Presentation – Owner/Operator

Ms. Chan presented slides on determining the owner/operator of the 101 managed lanes, the selection of which would be considered for adoption by both the TA and C/CAG boards at their respective December meetings. She added that it was crucial to choose an owner/operator as the project enters its design phase.

C/CAG Representative Papan noted that if the project were under the direction of the Metropolitan Transportation Commission (MTC) [Bay Area Infrastructure Financing Authority (BAIFA)], San Mateo County would have one representative on a seven-member board. She asked if the County would have just a single vote on that board, even though it would generate the vast majority of revenue for the project. Ms. Chan confirmed that this would be the case. C/CAG Representative Papan asked about Santa Clara Valley Transportation Authority's (VTA) bonding capacity. Ms. Chan said San Mateo does not expect VTA's bonding capacity to fund San Mateo County's projects. She said that the County, should it choose to be owner, can potentially bond against future toll revenues.

TA Director Karyl Matsumoto asked about managed lanes north of San Mateo County. Ms. Chan said that feasibility studies were being conducted on an express lane extending north of Highway 380 into downtown San Francisco. She said San Mateo County's revenues could possibly provide a funding source for this segment of the express lane in the future.

TA Director Maureen Freschet asked if the decisions of the Metropolitan Transportation Commission (MTC) [Bay Area Infrastructure Financing Authority (BAIFA)], as the prospective owner, would impact the County's revenues. Ms. Chan said that as the owner, MTC [BAIFA] could control the toll rates in relation to whatever algorithm is used to maintain the 45-mile-per-hour flow rate, enforce violations, and facilitate equity programs. She said that the County could still make decisions about how to use the revenue.

C/CAG Representative Lentz asked how long a contract with VTA might last. Ms. Chan said that the TA and C/CAG would need to determine the terms of the relationship with VTA.

C/CAG Representative Olbert asked if any discussions had taken place about an ownership structure focused on the corridor as opposed to another controlling entity. Ms. Chan said that managed lanes are being viewed from the perspective of the user, and that different portions of the corridor could have different owner/operator configurations.

Presentation – Equity Policy & Program

Ms. Wong presented slides on equity policy. She said that LA's equity program had conducted surveys to see the income distribution of managed lanes users. She outlined LA's low-income assistance plan.

C/CAG Representative Canepa asked about LA's \$25 credit program. Ms. Wong said it was an annual one-time credit. He asked if an equity program in San Mateo County's project would require enabling legislation. Jim Hartnett, TA Executive Director, said that he didn't believe the County would need new legislation.

C/CAG Representative Olbert asked if surveys had been conducted on LA's equity program users to see how they rated the program. Ms. Wong said that LA conducts annual user surveys that are not limited to equity program users.

Facilitated Discussion

Tony Harris, Managing Partner, Point C, LLC, led a question-and-answer session for Board members and the public.

C/CAG Representative Papan asked about LA County's program structure. Mr. Harris said they own and operate their program under a single board made up of County supervisors and elected representatives from other County agencies.

C/CAG Representative Irene O'Connell asked how accurate other managed lanes operators have been about revenue projections. Mr. Harris said the available information is based on forecasts and may change based on a number of factors such as the economy, traffic, and policy changes.

C/CAG Representative Doug Kim said that a key question is which owner/operator arrangement would be most favorable to providing express lanes into downtown San Francisco.

TA Director Beach said that, based on her observations of LA County's program, the County will have the opportunity to advance equity based on good policy decisions. She said this would include providing subsidized service and reinvesting revenues in the community. She stated that policy decisions could also positively affect greenhouse gas emissions.

C/CAG Representative John Keener asked if LA's tolls are capped and asked about the percentage of time that the 45-miles-per-hour flow rate is maintained. Mr. Harris said that he believed that LA's tolls are not capped. He said he would provide LA's most recent performance report that contains flow rate statistics.

C/CAG Representative O'Connell asked about the presentation's reference to slow set-up with regard to the proposed option of San Mateo County being the owner and VTA being the operator of the Project. Ms. Chan said it could take some time to form a joint powers authority (JPA). She said it was possible to make some more limited decisions relatively quickly by going to the respective boards just to seek an agreement with VTA so that VTA could help the County proceed with the project. She added that JPA terms could be negotiated as a next step.

TA Chair Horsley stated that he thought it would be advantageous to have MTC [BAIFA] manage the project for the sake of consistency throughout the Bay Area and MTC's [BAIFA's] ability to bond for current and future projects.

TA Director Carole Groom said she favored local control, which she felt would be lost if MTC [BAIFA] were the owner.

C/CAG Representative Papan said she favored local control since policy affects revenue. She said that as the owner, the County could seek support from a number of agencies.

C/CAG Representative Ricardo Ortiz said he favored local control with an emphasis on getting things moving over raising revenue.

C/CAG Representative Hindi said he had a better understanding of the equity policy after learning of LA County's program. He said he supported local control with the County as the owner.

C/CAG Representative Lentz said there would be new HOV lanes constructed to serve the Redwood City to South San Francisco corridor. He said he favored forming a JPA with the TA and C/CAG to locally control the project.

TA Director Freschet said she favored local control because of the County's unique needs, which she feared would not be addressed as well if MTC [BAIFA] were the operator. She stated that it would be advantageous for the County to have better control over revenues and the equity program.

C/CAG Representative Alicia Aguirre said she felt that local control wouldn't be lost by going with MTC [BAIFA]. She emphasized that "local control" needs to be more clearly defined.

C/CAG Vice Chair Chuang said that equity includes both finances and geography.

C/CAG Representative Olbert said he had changed his mind toward supporting a more regional approach (not San Mateo County) to management of the project.

C/CAG Representative Canepa asked if the potential vendors such as VTA and MTC [BAIFA] could provide their tolling and other options at a future meeting. Mr. Harris said that both agencies would be willing to make a presentation.

TA Director Beach said she advocated for local control so that the County could respond more quickly to policy and revenue changes.

C/CAG Representative Keener said that financial liabilities would become more significant with local control, prompting him to support MTC [BAIFA] as the owner.

C/CAG Representative Kim said he was still undecided about who should manage the project. He said he wanted to explore what kind of local control other BAIFA member counties have.

Mr. Hartnett thanked the TA and C/CAG teams for their efforts in preparing the workshop. He said the TA would be assuming significant risk as project sponsor on the construction side. He said revenue forecasts look positive, but policies could change, affecting the owner agency. He recommended that if a JPA is established, that the

majority of its members be from the TA. He acknowledged that running a JPA would increase administrative costs.

Director Freschet left the meeting at 3:26 pm.

TA Director Matsumoto said she didn't think the County would lose much local control if MTC [BAIFA] were the owner. She stated that it would be preferable to go with MTC [BAIFA] as a protection against financial risk.

TA Chair Horsley thanked Ms. Chan, Ms. Wong, Mr. Scott, Mr. Harris, and C/CAG Chair Moise Derwin.

ADJOURN

The meeting adjourned at 3:28 pm.

An audio/video recording of this meeting is available online at www.smcta.com. Questions may be referred to the TA Board Secretary's office by phone at 650.508.6279 or by email to board@smcta.com; or to the C/CAG Clerk of the Board's office by phone at 650.599.1406 or by email to mguilles@smcgov.org.

From: [Chan, April](#)
To: [COUNCIL-Emily Beach \(ebeach@burlingame.org\)](mailto:ebeach@burlingame.org)
Subject: FW: VTA questions for SMCTA Meeting
Date: Tuesday, December 4, 2018 4:26:00 PM

Emily, please see below. April

1. What, if any, VTA managed lane pricing and or policies differ from BAIFAs? What is your reasoning for customizing policies in your corridor?

In short, VTA and BAIFA operating policies are similar. The existing express lanes operators have worked for consistency on items such as hours of operation, requirement for transponder, use of violation enforcement system, coordination with Bay Area Toll Authority (for transponders, back office and customer service center), enforcement by California Highway Patrol (CHP), and roadway maintenance by Caltrans. The toll system maintenance is provided by a private system integrator. Currently, VTA and BAIFA have the same system integrator – TransCore.

2. Confirming VTA uses the same roadway signage and user interface as BAIFA?

Yes. Roadway signage are reviewed and approved by Caltrans per state standards.

3. What was VTA's net revenue during their 1st year of operation, and more recent years? What year did VTA first earn a net profit?

VTA has operated in the black since opening of SR 237 Express Lanes in March 2012 with net revenues ranging from \$300,000 to \$500,000 annually. The initial SR 237 implementation is a small project restricted to peak period operations with no violation enforcement system. It was initially a pilot for VTA to test our ability to own, operate and manage express lanes. The implementation has been a success from all points of view.

4. What is VTA's reserve policy?

VTA has set designated reserves for replacement of toll system equipment, equity programs, transit operations and debt service. The express lanes revenues also contributed funds towards the extension SR 237 Express Lanes (Phase 2) project. These aren't large sums yet but the plan is to keep placing money into these funds from our express lanes revenues. Equity program funds were used to fund the study that we recently completed. The use of these funds is through approval of our Board.

5. If we partnered with VTA, will any of our gross revenues help fund their O&M reserve?

No. The gross revenues from the US 101 San Mateo Express Lanes will be under full control of San Mateo county agencies.

6. How did VTA finance the initial and subsequent build-out of their managed lanes? Did they use their net revenue, or grants -- from whom?

VTA is currently building out the Silicon Valley Express Lanes Program in phases.

SR 237 Express Lanes (Phase 1) was completed in 2012 and was funded with local VTA funds and federal grant funds including the Value Pricing Pilot Program and American Reinvestment Recovery Act (ARRA). VTA is currently constructing the SR 237 Express Lanes (Phase 2) primarily through private loan financing and minor contributions through voluntary mitigation fees from local agencies, SR 237 Express Lanes (Phase 1) operation revenues and Santa Clara County Vehicle Registration Fees.

*VTA has environmentally cleared express lanes implementation for the entirety of US 101 and SR 85 in the county where there are existing carpool lanes including the addition of a second lane for express lanes operations in certain stretches. Ongoing projects for the US 101/SR 85 corridor includes the US 101/SR 85 (Phase 3) project which will start its construction phase in January 2019 to convert existing carpool lanes on US 101 from the San Mateo/Santa Clara county line to near SR 237 and the carpool lane-to-carpool lane direct connector in Mountain View to express lanes operations. **The Phase 3 project is funded with a combination of local funds, STIP, and SB1 SCC funding.***

*The SR-85/US 101 (Phase 4) express lanes project is in design and would convert the existing express lane on SR 85 from SR 87 to the SR 85/US 101 direct connectors and the SR 85/US 101 direct connectors that would convert existing carpool lanes on SR 85 from SR 87 to US 101 and the carpool lane-to-carpool lane direct connector in south San Jose to express lanes operations. **The Phase 4 project is partially funded with local funds. VTA has applied for a federal BUILD grant and the project is also programmed for STIP funds in Fiscal Year 2020.***

*The US 101 Express Lanes (Phase 5) project expected to be in design in 2019 would convert the existing carpool lane on US 101 and add a second lane between near SR 237 to near I-880 to express lanes operations. **The Phase 5 project recently received repurposed Federal earmarks to start the design phase. It is also programmed for STIP funds in Fiscal Year 2020 for design. The construction phase is not funded but funding options include federal grants, future SB1, RM3, and financing.***

7. BAIFA suggests partnering with them because policy consistency throughout the greater Bay Area is a benefit. What is your response to this? Will policy consistency will benefit lane users, or are differences invisible to users?

Similar to Question 1, by the time US 101 San Mateo Express Lanes starts operation, the Bay Area will have similar express lanes operating policies and it would be seamless to a driver traveling between the various express lanes. VTA, BAIFA and the Alameda County Transportation Commission (ACTC), the three existing express lanes operators, already communicate regularly to remain consistent on our policies. Currently, Caltrans and other agencies are working towards a HOV 3+ requirement on Express Lanes “ringing” the Bay namely US 101, SR 237 and I-880.

8. Does VTA have plans to join BAIFA and give up their ownership? Why or why not?

VTA does not have plans to join BAIFA. The main concerns are having only one vote on a multi-agency Board, lack of full ability to control operational topics and the inability to fully control the use of generated revenues.

9. Does VTA have plans to coordinate future back-end technology upgrades and integration with BAIFA? Why or why not?

Perhaps the question is related to the Bay Area Toll Authority (BATA). BATA has jurisdiction over back-end matters for Bay Area tolling including for most bridges and express lanes. BATA is currently in the early process of updating their Backoffice and Regional Customer Service Center. The current vendor for both backoffice and customer service for BATA is Conduent.

10. Is VTA's managed lane a separate enterprise from VTA (in the same way BAIFA is a subcommittee of MTC, with separate finances)? Or is the fiscal health of VTA directly intertwined with managed lane operations?

The Silicon Valley Express Lanes Program is one of the eight funds within VTA. The fiscal health of VTA's other areas such as transit is not linked to VTA's Express Lanes Program.



December 4, 2018

Mr. Jim Hartnett
General Manager and CEO
San Mateo County Transit District
1250 San Carlos Avenue
San Carlos, CA 94070

Ms. Sandy Wong, Executive Director
City/County Association of Governments of San Mateo County
555 County Center, 5th Floor
Redwood City, CA 94063

RE: Additional Background on VTA and Express Lanes

Dear Mr. Hartnett and Ms. Wong:

Thanks for inviting Carolyn Gonot and Casey Emoto from my team to your Joint Board Workshop on November 16, 2018, to hear information on options for your agencies to own, operate and maintain express lanes in San Mateo County. Their participation in the dialogue and information sharing on the important step you are considering, confirms and validates the decision VTA made years ago to be the pioneer operator of Express Lanes in the Bay Area.

I am writing this letter to also share with you all of the considerations that went into our thinking and final decision to remain an independent owner, operator and maintainer of express lanes in Santa Clara County. Similar to your situation, we were invited to be part of the Bay Area Infrastructure Financing Authority (BAIFA.) However, a significant issue for us was being limited to a single vote on a multi-member Board. This, coupled with the expectation of the VTA Board of full control over policy decisions and access to all gross revenues from the express lanes in our County, factored significantly into VTA's final decision to retain control of ownership and operations.

The purpose of our managed express lanes program is to provide long-term mobility benefits and generate a stream of sustainable funding to make infrastructure and service improvements necessary to improve mobility throughout our region. Specifically, the VTA Board adopted these primary objectives for the program: (1) provide congestion relief through more effective use of existing roadways; (2) provide commuters with a new mobility option; and (3) provide a new funding source for mobility and transportation improvements, including public transit. As you may know, paragraph (g)(3)(A) of the

California Streets and Highways Code (Section 149.6) grants VTA express lanes authority and specifically states that generated revenues are available to be used for “the improvement of transit service, including, but not limited to, support for transit operations.” There is a mirror statement in the San Mateo County Agency’s Express Lanes program stating that revenues are available for “the benefit of the improvement of transit service, including, but not limited to, support for transit operations pursuant to an expenditure plan adopted by the City/County Association of Governments of San Mateo County and the San Mateo County Transportation Authority.”

It is our intent to continue to own, operate and maintain express lanes in Santa Clara County. We have garnered the experience through a history of meticulous and deliberate actions that have allowed us to deliver the program and manage its operations with optimal efficiency. Our approach has been to continuously improve operating efficiency throughout our express lane routes, significantly influencing commuter travel time savings. We have held several productive discussions on a similar approach to US 101 Express Lanes and are members of the collaborative US 101 Mobility Action Plan. To ensure a successful outcome on the US 101 corridor, San Francisco, San Mateo and Santa Clara counties should have a single, unified vision on how the program should be deployed, the infrastructure built/maintained and the GROSS revenues collected and distributed among the partners. This is how we ensure long-term, sustainable income and a transportation network that serves the spine of Silicon Valley. My team is prepared to present actual operating performance and financial data and additional information on our Express Lanes Program at your respective board meetings. Over the years, our three counties have enjoyed great partnership and collaboration on rail transportation along the 80-mile corridor that connects us. I can guarantee that is a strong and reliable foundation on which to continue building an inter-county, multi-modal transportation network.

Sincerely,



Nuria I. Fernandez
General Manager/CEO

cc: Carolyn Gonot, Chief Engineering and Program Delivery Officer

JAKE MACKENZIE, CHAIR
Chair of MTC and BATA

December 3, 2018

AMY REIN WORTH, VICE CHAIR
BATA Oversight Committee Chair

FEDERAL GLOVER
MTC Commissioner,
Contra Costa County

SCOTT HAGGERTY
MTC Commissioner,
Alameda County

TONY TAVARES
MTC Commissioner,
California State
Transportation Agency

JIM SPERING
MTC Commissioner,
Solano County and Cities

The Honorable Don Horsley, Chair
San Mateo County Transportation Authority
P.O. Box 3006
San Carlos, CA 94070-1306

The Honorable MaryAnn Moise Derwin, Chair
City/County Association of Governments of San Mateo County
555 County Center, 5th Floor
Redwood City, CA 94063

RE: San Mateo 101 Express Lanes

STEVE HEMINGER
Executive Director

Dear Chair Horsley and Chair Derwin:

ALIX BOCKELMAN
Deputy Executive Director, Policy

ANDREW B. PREMIER
Deputy Executive Director, Operations

BRAD PAUL
Deputy Executive Director,
Local Government Services

Let me begin by acknowledging the incredible work the TA and C/CAG have done to advance the San Mateo 101 Express Lanes project. Project development has proceeded expeditiously. In just a short time, the agencies' leadership and staff have successfully cultivated both strong support for the project and a broad understanding of the associated policy considerations and opportunities to improve mobility and person throughput.

At your joint workshop on November 16, 2018, your staff presented options for the operation of the San Mateo 101 Express Lane. One of those options is for San Mateo to join the Bay Area Infrastructure Financing Authority (BAIFA). I am writing to provide you with further clarification and details on how this partnership would work.

BAIFA is a joint powers authority between MTC and BATA formed originally to finance the state's contribution to the Toll Bridge Seismic program. In 2011, BAIFA was repositioned to undertake the implementation and operation of MTC's planned express lane network in Alameda, Contra Costa and Solano counties. At that time, MTC fully delegated express lanes policy and operational decisions to BAIFA's six-member board, which is composed of the MTC commissioner from each of the three counties, the chair of MTC, the chair of the BATA Oversight Committee and the CalSTA representative (non-voting).

BAIFA works closely with the member county agencies and other Bay Area express lane operators with the unified goal of responsible and equitable policies that allow seamless travel. Today, BAIFA operates 23 miles of express lanes on I-680 in Contra Costa County. BAIFA is building a 50-mile facility on I-880 and a 12-mile extension on I-680. These are scheduled for completion in 2020 and 2021, respectively. These projects have been capitalized with \$350 million of toll revenue funding from BATA.

BAIFA is a joint exercise of powers authority formed to plan, develop and fund express lanes and other transportation projects.

I would like to address directly several matters raised in the discussion at your joint workshop.

1. **BAIFA's top priority is corridor mobility.** From the beginning, BAIFA's interest in express lanes has been to improve mobility by increasing person throughput. BAIFA supports a well-connected 101-corridor network from San Francisco to San Jose as well as finding creative ways to fund it. MTC's pledge to the current San Mateo 101 project of \$95 million in Bridge Toll funding, contributed by a wide range of Bay Area residents and visitors, is strong evidence of this commitment. BAIFA would work with San Mateo and San Francisco counties to advance extension north of I-380 and seek to secure funding to construct it. BAIFA also supports implementation of strategies that work hand in hand with express lanes to improve mobility and equity in the 101 corridor. BAIFA supports the use of net revenue to expand express bus service, provide carpooling programs and improve first and last mile connections, including in communities of concern.
2. **San Mateo will retain control over net revenue and can use it for an equity program.** BAIFA has no interest in redirecting net revenue outside the 101 corridor. Statute defines net revenue as that remaining after debt service, operations and maintenance expenses, including state of good repair capital reserves. BAIFA proposes to return net revenues to the corridors in which they are generated. The counties can chose to invest in supportive operations projects, extension of express lanes in the corridor, other transportation improvements, or equity measures as are being discussed in the 101 corridor. MTC has a strong commitment to equitable outcomes in our transportation investment decisions, evidenced most recently by its partnership with transit operators on the means-based transit fare program. If desired, we can operationalize an equity program for the San Mateo 101 Express Lanes funded with net revenue and in partnership with San Mateo County. We can work with San Mateo and other regional express lanes operators on how to approach such a program in the context of the regional network.
3. **San Mateo will have a strong voice in policy.** BAIFA's member counties joined voluntarily, recognizing the benefit of partnership and strength in numbers. Members have a direct vote in all policy, funding and contracting decisions directly affecting operations, performance and cost. If San Mateo were to decide to join BAIFA, BAIFA's membership would expand to include the San Mateo County MTC representative in addition to those from Alameda, Contra Costa and Solano counties, and would reflect the U.S. 101, I-880, I-680 and I-80 current and potential express lane corridors.

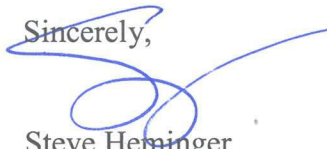
Chair Horsley and Chair Derwin

December 3, 2018

Page 3 of 3

If you wish to explore these or other matters further, I would be happy to help you connect with representatives from the other BAIFA counties. Please do not hesitate to contact me (415-778- 5210 or sheminger@bayareametro.gov) or Andrew Fremier, Deputy Executive Director for Operations (415-778-5240 or afremier@bayareametro.gov) should you have any questions about BAIFA or MTC.

Sincerely,



Steve Heminger
Executive Director

SH:lk

CC: Jim Hartnett, SMTA

April Chan, SMTA

Sandy Wong, C/CAG

C/CAG AGENDA REPORT

Date: December 13, 2018

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sandy Wong, Executive Director

Subject: Review and approve of an Owner/Operator option for the US 101 Express Lane project.

(For further information, contact Jean Higaki at 650-599-1462)

RECOMMENDATION

That the C/CAG Board of Directors review and approve of one of the following Owner/Operator options for the US 101 Express Lane project, subject to the San Mateo County Transportation Authority (TA) Board of Directors approving the same.

Option 1: Authorize Bay Area Infrastructure Financing Authority (BAIFA) to own and operate the US101 Managed Lanes facility in San Mateo county, subject to the following:

- BAIFA agrees to take on the responsibility for funding current Project construction costs that are anticipated to be provided by future toll revenues (~\$50 Million);
- BAIFA agrees to cover the cost of any Project cost overrun that may materialize;
- BAIFA commits to how it would prioritize the construction of US 101 express lanes north of I-380, into San Francisco, relative to other express lane projects in the region; and
- BAIFA agrees to implement the TA and C/CAG's decisions on the investment of toll revenues generated in San Mateo County, as set forth in a Corridor Investment Plan as is.

The above-listed conditions would need to be met no later than the February 2019 TA and C/CAG Board meetings for this Option 1 to take effect.

OR:

Option 2: Authorize the Executive Director or his designee to retain ownership of the US101 Managed Lanes facility, and to enter into an agreement with Santa Clara Valley Transportation Authority (VTA) to operate the facility, subject to the TA and C/CAG reaching agreement on the structure of the two agencies' joint governance of the facilities, no later than the February 2019 TA and C/CAG Board meetings.

FISCAL IMPACT

Unknown. Projected revenues and expenses associated with Express Lane operation are estimated but uncertain at this time.

SOURCE OF FUNDS

Funding for operation and ownership of express lanes will come from toll revenues resulting from the express lanes.

BACKGROUND

Project History:

In response to a TA Measure A Highway Program call for projects, in May 2012, C/CAG applied to sponsor and develop a Project Initiation Document (PID) to extend High-Occupancy Vehicle lanes (HOV) Study on US 101 from Whipple to the I-380 interchange. On October 4, 2012, TA programmed \$2,000,000 for this effort. TA served as the implementing agency.

On May 4, 2015, the California State Department of Transportation (Caltrans) approved a Project Initiation Document (PID) for a project that proposed to extend existing High Occupancy Vehicle (HOV) lanes on the Highway 101 Corridor in San Mateo County 14.5 miles from Whipple Road to the Interstate 380 interchange.

Further, in response to the May 2015 TA Measure A Highway Program call for projects, C/CAG applied to sponsor and develop the Project Approval/Environmental Document (PA/ED) phase of a US 101 HOV Lane project. On October 1, 2015, TA Board authorized the allocation of \$8.5 million of Measure A funding for the PA/ED phase.

Based on stakeholder input, the project has been altered from an HOV lane project to a Managed Lane project and alternatives have been added to also include express lanes. The supplemental PID for this expanded scope was approved by Caltrans on June 3, 2016.

In June 2016, work began on the environmental phase of the 101Corridor Managed Lanes Project which proposed to modify US101 resulting in 22.5 miles of managed lanes in each direction from Santa Clara County to I-380. An integrated project delivery team including staff from Caltrans, TA, C/CAG, and consultants was formed to implement the project.

Given the complexity, large size, and regional nature of the project, partnership and collaboration between C/CAG and the SMCTA is required to ensure success. It was recommended that C/CAG and the SMCTA serve as co-sponsors of the project.

On November 10, 2016 the C/CAG Board approved a resolution to co-sponsor the environmental phase of the US 101 Managed Lane Project with the TA.

C/CAG has since programmed a total of \$33.5 million in STIP funds and \$9.5 million in Federal earmark repurposed funds for the project, which is matched by various funding sources, including SB 1, regional bridge tolls, local, and private sector funding.

After extensive outreach and public review, the environmental document, which reports the benefits and impacts that are anticipated to be realized with the implementation of the project, was finalized and certified by Caltrans in November 2018.

Owner and Operator of Express Lanes:

On November 16, 2018, a joint C/CAG and TA workshop was held to provide information regarding options on ownership and operation for the US101 Managed Lanes facility once the construction of the project is completed.

While the construction of the project is not anticipated to be complete until 2022, a decision on ownership and operation for the US101 Express Lanes project is needed now as the project moves into the final design phase. The selection of the owner will provide the necessary input to the project design team on the technical requirements of the tolling equipment.

The November 16, 2018 workshop covered several topics, including owner and operator roles and responsibilities, owner and operator options available to TA and CCAG, and pros and cons of each of these options. The covered topics can be accessed via the powerpoint link, and are briefly summarized: <http://ccag.ca.gov/wp-content/uploads/2018/11/SM-101-MLP-Owner-Operator-Joint-Board-Workshop-2018-11-16.pdf>

Owner and Operator Roles & Responsibilities:

The owner of the facility will be responsible for:

- Owning tolling equipment and related highway improvements (but not the underlying roadway itself);
- Setting tolling policy and rates and issuing toll violations;
- Adopting equity and other incentive programs;
- Budgeting and paying for the operation and maintenance of the facility;
- Assuming liabilities, including tort liability and responsibility any debt or budgetary shortfalls;
- Adopting an Expenditure Plan for investment of toll revenue, and directing investments of the net revenues; and
- Establishing the State of Good Repair capital reserve.

The Operator of the facility will be responsible for:

- Managing the day-to-day operation of the facility on behalf of the owner;
- Defining toll system communication, equipment and data security requirements; and
- Ensuring that the toll system is implemented, managed and maintained.

Owner and Operator Options:

Available owner and operator options include: (1) Authorizing the Bay Area Infrastructure Financing Authority (BAIFA) to own and operate the San Mateo 101 express lanes. BAIFA is a joint powers authority between MTC and the Bay Area Toll Authority (BATA). Or (2) TA and CCAG jointly serve as owner of the facilities, and then enter into an agreement to have VTA serve as the express lane operator. If the TA and CCAG decide to hold joint ownership, they will need to establish a structure for exercise of the partnership.

Pros and cons of the available options:

Staff provided pros and cons of each of these options, and reviewed areas for comparison, including:

- Experience of the owner/operator
- Revenue control
- Operating policy control
- Equipment maintenance responsibility
- Public relation/exposure
- Financial risks and opportunities

The TA and C/CAG Board members' questions and feedback at the November 16, 2018 Joint Workshop revolved around three central areas:

- 1) local control;
- 2) joint ownership governance; and
- 3) equity programs.

Each area is further clarified and discussed below.

1. Local Control: Defining what can be “controlled” or “decided” by the express lane owner and what policy decisions the owner will have the authority to make.

- a) **Ability to cap the maximum toll rate.** In the revenue model staff presented to the Boards, it was assumed that toll rates fluctuate in accordance with an algorithm established to ensure flow of traffic in the express lane does not go below 45 mph. As part of the initial revenue analysis, it was also assumed that the toll rate would not exceed \$3 per mile, which is a decision that can be acted on by the owner. Besides capping tolls per mile, tolls may also be capped for the entire corridor.

In general, express lanes operators in the Bay Area do not cap the toll per mile or for the entire corridor as it can artificially hinder effective traffic management. Tolls are instead dynamically adjusted to assist with traffic management.

- b) **Ability to provide a 2-person carpool a discount.** The revenue model staff presented to the Boards for the Project assumed vehicles carrying three or more passengers will be able to use the express lanes without paying any toll, and that 2-person carpools will receive a toll discount. Currently few limitations are imposed by either state or federal laws on such discounts. State law does require that qualifying clean air vehicles get a discount if carpools get a discount, but it is up to the owner to set the amount of discount. If the owner decides to offer discounts to a 2-person carpool, clean air vehicles with solo drivers will also receive discounts.
- c) **Ability to set toll violation business rules.** The owner can set its own business rules, including setting the amount of fines, on toll violators, e.g. a vehicle's use of the express lane when it does not meet the requirements.

Currently, all other express lanes in the Bay Area work through the Bay Area Toll Authority (BATA). With BATA, it is a requirement that express lanes users pre-register and hold a FasTrak account. When the users are violating the rules of the express lanes, e.g. does not

have a 3+ carpool, or driving in the express lanes as a 3+ carpool but has less than 3 people in the vehicle, BATA issues the violation on the owner's behalf. As a result, regardless which agency hold ownership of the managed lanes in San Mateo, there likely will be little variation from other express lanes' handling of toll violations.

- d) **Administration of equity programs.** Owner can decide whether to provide relief to potential low-income users by administering appropriate programs.
- e) **Ability to decide on the use of net revenues.** By state statute, the owner can use toll lane revenues, net of operating and maintenance costs and capital reserve contributions, to invest in projects in the corridor in accordance with a Corridor Investment Plan.

2. San Mateo County Joint Ownership Governance

A partnership between the TA and C/CAG can take several forms. Options include each agency appointing board members to a joint policy committee or the formation of a joint powers authority between the two agencies. Either would require the two Boards to agree on which structure and how many members from each Board to appoint to the new committee or board, and what powers to delegate to the new partnership entity.

The time required to establish the partnership structure would depend on how quickly the Boards can reach consensus on these decision points.

3. Equity Programs

As discussed at the joint workshop, successful equity policies can benefit all income levels. Disadvantaged groups may benefit from policies that help them drive but can benefit more from policies that increase mobility options. Staff recommends that a Toll Equity Study be completed to inform policy decisions regarding equity options.

Additional Discussion of Board Options

As outlined above, the TA and C/CAG Boards must choose between two options. Option 1 is to authorize BAIFA to own and operate the US 101 Managed Lanes facility in San Mateo county, and Option 2 is to retain ownership by the TA and C/CAG and enter into a contract with VTA to operate the express lanes on the County's behalf. Outlined below are additional considerations for each option:

Option 1 – BAIFA as Owner and Operator

If ownership and operation responsibilities are with BAIFA, not all "local control" would be lost.

Use of Revenues: As indicated in the attached letter from the Executive Director of BAIFA, "*BAIFA has no interest in redirecting net revenue outside the 101 corridor. Statute defines net revenue as the remaining after debt service, operations and maintenance expenses, including state of good repair capital reserves. BAIFA proposes to return net revenues to the corridors in which they are generated.*" This arrangement would require BAIFA Board approval.

- Return to Source: Net revenue shall benefit the corridor in which it was generated.
- Corridor Investment Plan: Counties in the corridor develop an expenditure plan, in consultation with other agencies. In the US-101 corridor, for the portion that is in San Mateo County, currently the plan would only be developed by San Mateo County. If San Francisco County joins BAIFA when it completes its managed lanes project, the two counties would jointly develop a plan to determine the uses of net revenues.
- Approval of Corridor Investment Plan: The Counties retain authority to approve the Corridor Investment Plan and then recommend the Plan to BAIFA for adoption.

Equity: With regard to a managed lanes equity program, should the TA and C/CAG decide to implement an equity policy following the completion of an equity study, BAIFA staff has indicated that BAIFA can operationalize an equity program for the San Mateo 101 Express Lanes funded with net revenue and in partnership with San Mateo County.

Toll Rates and Penalties: If the ownership and operational responsibilities fall under BAIFA, the TA and C/CAG would relinquish the ability to set toll rates and toll violation penalties. However, as discussed above, toll rates should be and are determined by an algorithm established to manage traffic flow in the express lanes so travel speeds in the lanes do not go below 45 m.p.h. Capping the toll rate may artificially hinder effective traffic management.

Consistent with TA staff recommendation to the TA Board, to better safeguard and protect San Mateo County's interests, staff recommends that the Board require the following conditions be met for BAIFA to own and operate the facility:

1. **Funds to complete current construction:** The Project's current funding plan of \$513 million assumes the use of about \$50 million of future toll revenues. If ownership is transferred to BAIFA, BAIFA will take responsibility for funding the \$50 million contribution in advance of receiving the future toll revenues.
2. **Cost overruns:** The current funding plan calls for the Project partners to work together to seek funds aside from the State's SB 1 Solutions for Congested Corridor program should additional funding be necessary. If there is a cost overrun, BAIFA will be responsible for covering San Mateo County's proportional share of such additional funds needed for cost overruns.
3. **Completing express lanes in the 101 corridor:** The northern terminus of the current Project is at I-380. San Mateo and San Francisco counties are currently completing a Project Initiation Document (PID) to determine the alternatives for extending the express lanes north of I-380. It is of critical importance to complete the managed lanes project north on I-380. BAIFA will need to provide information on how the managed lanes project north of I-380 will be prioritized relative to other express lanes projects in the region.
4. **Net revenues:** In accordance with state statutes, revenues generated from express lanes can be used for direct expenses including debt issuance, operations, maintenance, and reserves. Any revenues net of the above must be used in the corridor as established in the Corridor Investment Plan. BAIFA staff has provided assurances to the TA and C/CAG in writing that decisions on how to invest the net revenues of a managed lanes project is vested in the County or Counties in which the corridor is located. If ownership is transferred to BAIFA, the TA and

C/CAG need further assurance that the expenditure plan developed for San Mateo county will be accepted and implemented "as is" when submitted to BAIFA for approval.

Option 2 – TA and C/CAG as Owner, VTA as Operator

If the TA and C/CAG retain ownership, the County agencies would retain authority over the areas of local control outlined above, subject to the stated caveats and limitations. The two major areas of concern associated with retaining local ownership, as set forth above, are:

1. **Joint governance with CCAG:** As discussed at the joint workshop and above, creating a joint governance structure with CCAG can take several forms; however, the creation could be cumbersome and time-consuming.

Staff recommends that should the Boards vote to retain ownership, the two Boards pursue an agreement on the structure of the two agencies' joint governance of the facilities.

2. **Financial risks:** As part of the preliminary engineering and environmental assessment phase of the project, the project team engaged an economic consultant firm to complete revenue projections for the completed project, based primarily on forecasted traffic and travel behavior. The results of the revenue forecast, along with estimated operating and maintenance costs, were presented at the workshop, and the facility is projected to operate in positive cash flow overall. However, with all financial forecasts, the numbers are estimated based on the best information available at the time. There is no guarantee that the facility will have no financial risks.

If revenues are not sufficient to cover operating and maintenance expenses, and future capital replacement costs, the TA and C/CAG would bear the related financial exposure.

CMEQ Committee and CMP TAC Committee Input

A condensed version of the Joint Board Workshop presentation covering the owner and operator options was presented to the Congestion Management Program Technical Advisory Committee (TAC) on November 15, 2018 and the CMEQ Committee on November 26, 2018 for input.

From the November 15, 2018 CMP TAC:

- Regardless of which operator is chosen, San Mateo County (local jurisdictions) still has the responsibility to respond to our business and residents.
- Local control of revenues and policies are top priorities.
- There is lack of information regarding the cost of setting up a San Mateo County Joint Powers Authority and the associated risk factors of assuming ownership, if VTA is selected.
- Lack of specific commitment from BAIFA regarding financial backing for the extension of the express lane to SF.
- There will be one seat for each county joining BAIFA. It is not commensurate with the amount of revenues generated from each county.
- BAIFA Board members might be influenced by MTC Commission's regional policy priorities when it comes to express lane revenues.

From the November 26, 2018 CMEQ committee:

- There was a concern that the definition of corridor would stop at the current project limits I-380.
- Revenues should stay within San Mateo County. Local control is important.
- BAIFA proposal was at staff level only.
- It was expressed that this is a regional facility and therefore should ensure as much seamlessness in the regional system as possible. Varying tolls or other operational factors between county lines might occur with multiple operators.
- Consider the local ability to craft equity programs to meet our County's specific needs.
- Having a seat on the Board of the toll authority is important, as opposed to not having a seat.
- One member expressed more comfort and support in operating the facility on a corridor level like the way Caltrain is run by keeping it somewhat localized to the three counties (San Francisco, San Mateo, Santa Clara). There was concern about losing control if absorbed into a larger regional entity. It was expressed that VTA is already operating the south end of the corridor, so it would make sense for them to operate the north end of the corridor as well.
- An outstanding question remained about how MTC/ BAIFA would define net revenue, especially since they may have different policy goals than San Mateo County when it comes to expenditures.
- It was requested that staff investigate how to streamline a governance structure between C/CAG and the TA.
- A concern was raised that it would be hard to get back ownership once it is given up and that a possible scenario may be that we have VTA operate for a period and transfer it the MTC/BAIFA at some point in the future.

The TA board is scheduled to take an action on this topic at their December 6, 2018 meeting. Staff will provide a verbal update to the C/CAG board regarding the TA Board meeting outcome.

ATTACHMENTS

1. Letter from BAIFA Executive Director Steve Heminger to the Honorable Don Horsley, Chair of TA, and the Honorable Maryann Moise Derwin, Chair of C/CAG, dated December 3, 2018.
2. Letter from VTA General Manager Nuria I. Fernandez to Jim Harnett, General Manager and CEO of SamTrans, and Sandy Wong, Executive Director of C/CAG, dated December 4, 2018.
3. Questions & Answers related to VTA (correspondence between April Chan and TA Board member Emily Beach).
4. Draft notes from the November 16, 2018 joint C/CAG and TA workshop

Note: 6.3 Attachments are on pages 74 thru 87