

January 9, 2019

Andy –

As you know, we would like to continue discussions with BAIFA/MTC staff regarding an option in which San Mateo County (TA-C/CAG) retains ownership of the Managed 101 lanes project, and BAIFA serves as an operator for the facility. We would like to discuss with you what we believe should be the conditions agreed to by BAIFA in order to proceed with this arrangement.

Within the provisions of AB194, we should no longer speculate on the legal authority for MTC to transfer such authority to C/CAG and the TA, and whether the CTC will approve such a transfer. We should also establish clear definitions and responsibilities of “owner” and “operator” It is also critical to obtain the approvals necessary from the BAIFA Board which would authorize this type of partnership. Therefore, if at all possible, we recommend that MTC staff obtain BAIFA approvals, prior to the February Board Meetings of C/CAG and the TA. The approvals would authorize BAIFA staff to enter into an agreement with the TA and C/CAG within certain parameters. At that meeting, we would like BAIFA/MTC staff to recommend the following parameters for the BAIFA board’s authorization

- 1) BAIFA will operate the San Mateo County Managed lanes under a contract, to be approved by C/CAG and the TA Boards. Contract will specify that C/CAG and the TA Board make final decisions on toll policies and adopt expenditure plans.
- 2) The term of the agreement will be for 6 years, extendable on mutual agreement
- 3) Commencement of discussions for an extension of the term will begin no later than 12 months before the term expires
- 4) Within 5 years of the term of the contract, parties will review the next generation integration and technology opportunities, including the managed lanes ownership model
- 5) The existing BAIFA contracts with Caltrans and the CHP, and any other relevant parties will be modified to include the San Mateo County Managed lanes, with an apportionment of costs for the San Mateo County facility. BAIFA to clarify the basis for apportionment of costs, such as by lane miles or other metrics.
- 6) Gross toll revenues will be distributed to C/CAG and TA as owners, from which the owners will pay expenses to BAIFA for operations.

We hope you agree that it is imperative that we obtain written commitments and authorization from BAIFA as we proceed with exploring this option for operation of the managed lanes project. The uncertainty associated with important aspects of this project have made it difficult to obtain consensus on a path forward for this project. Please feel free to call us should you have any questions.

Jim Hartnett

Sandy Wong