



**BOARD OF DIRECTORS  
JANUARY 27, 2012**

**AGENDA ITEM NO. 12-01-1A  
ACTION REQUESTED - APPROVE**

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## **BOARD OF DIRECTORS DISCUSSION AND ACTIONS**

**DECEMBER 2, 2011**

Chair Jerome Stocks (Encinitas) called the meeting of the SANDAG Board of Directors to order at 9:00 a.m. The attendance sheet for the meeting is attached.

1. **PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS**

Mayor Art Madrid (La Mesa) thanked staff for their efforts on the Grossmont Trolley Station Improvements project.

### **REPORTS (2)**

2. **ACQUISITION OF SOUTH BAY EXPRESSWAY ASSETS: REVIEW OF DRAFT DOCUMENTS, MODELING RESULTS, TOLL ALTERNATIVES, AND AUTHORIZATION FOR DAY ONE OPERATIONS SERVICE PROVIDER (APPROVE)**

First Vice Jack Dale (Santee) introduced this item.

Marney Cox, Chief Economist, reported that on November 18, 2011, the Board of Directors reviewed the due diligence efforts completed to date and the financing options related to the acquisition of the State Route 125 (SR 125) toll road. He provided additional information on the project evaluation goals for the region, the *TransNet* loan/swap, and the traffic impact analysis.

Julie Wiley, General Counsel, reviewed the legal due diligence process and various related topics.

Irina Mazor, with Lindborg and Mazor, reviewed the Asset Purchase Agreement, including acquired assets. She noted that the target date for the closing is December 21, 2011.

Mayor Mary Sessom (Lemon Grove) requested that in the future the asset purchase and financing documents be made as easy to read and understand as possible and be provided as early as possible in advance of Board meetings. She also asked about the definition of "malfunction of IT software." She asked who would defend the cities if there is litigation in this matter. Ms. Mazor responded to these questions.

Councilmember Carrie Downey (Coronado) asked if there were monies set aside to complete the regional aerial disposition study required by the San Diego Regional Water Quality Board, if necessary. Ms. Wiley responded that monies would be included in the budget to cover that possibility.

Supervisor Horn asked if the dispute between South Bay Expressway (SBX) and the County of San Diego relates to property taxes and the amount in dispute. Ms. Wiley replied that she didn't know the amount under dispute. Supervisor Horn said he would investigate the matter himself.

Supervisor Horn expressed concern about having sufficient financial resources to complete current *TransNet* projects. Gary Gallegos, Executive Director, stated his belief that there is enough cash flow to keep all projects going with the understanding that we would go to the bond market next year.

Peter Lindborg, Lindborg and Mazor, reviewed the financing documents including the Master Trust Agreement, and its four primary elements: flow of funds, rate covenant, toll covenant, and a nonrecourse provision. He explained how these elements relate to the federal TIFIA (Transportation Infrastructure Finance and Innovation Act) Loan Agreement, the *TransNet* Loan Agreement, and the Series D Agreement. He also discussed open issues that are continuing to be negotiated.

Mayor Jim Desmond (San Marcos) asked about the interest rate. Mr. Lindborg responded to this question.

Mr. Lindborg then reviewed the primary elements and open issues of the TIFIA Loan Agreement.

Supervisor Ron Roberts (County of San Diego) asked for an explanation of the prepayment penalty provisions for TIFIA. Mr. Lindborg replied to the question.

Ms. Wiley reviewed the *TransNet* Ordinance requirements, and repayment of the *TransNet* loan.

Mayor Desmond asked what happens if the debt is not covered by tolls. Ms. Wiley explained the options available in that instance.

Mr. Lindborg explained the provisions of the Series D Agreement.

Mayor Cheryl Cox (Chula Vista) asked about a level of profit to Caltrans. She also asked if it would be better to create a fund to provide for related projects such as overpasses rather than make a profit. Mr. Cox responded to this comment that provisions for profit are not expected to be included in the revised Development Franchise Agreement.

Ms. Wiley presented information on the Development Franchise Agreement and its obligations, and the Caltrans Term Sheet. She noted that Caltrans asked that this Development Franchise Agreement be modified after the sale closes. In the interim, a Letter of Intent has been developed.

Mr. Cox reviewed next steps.

Councilmember Downey questioned why we would defer finalizing the Development Franchise Agreement. She asked if we are close enough in concept and theory to be comfortable. Ms. Wiley responded that we are close in concept and that Caltrans and SANDAG would be signing the Term Sheet in advance of finalizing the Development Franchise Agreement.

Laurie Berman, Caltrans District 11 Director, stated that Caltrans does not think it is appropriate to amend an agreement with an entity that does not yet own the facility.

Chair Stocks noted that there were several requests to speak on this item.

Cindy Gompper-Graves, South County Economic Development Corporation, expressed support for this action as it offers more mobility for the region.

Supervisor Greg Cox, County of San Diego, spoke in support of the recommended action. He noted that SBX is planning to drop its property tax issue with the County. It was his understanding that this action by the SANDAG Board would not affect other *TransNet* projects currently being planned or constructed.

Lisa Cohen, Chula Vista Chamber of Commerce, expressed support for the action to purchase the SR 125 toll facility.

Jim Schmidt, a member of the public, supported this purchase. He noted that the SR 125 road was taken out of the original 1987 *TransNet* measure, resulting in this freeway becoming a toll road.

Mayor Ron Morrison (National City) said that goals of this purchase are to eventually make this toll road into a public road, reduce the amount of tolls, and divert traffic from other roads, thereby reducing traffic congestion. He thought there should be an all-encompassing marketing plan. Mr. Gallegos stated that staff expects to conduct a market research effort over the next several months.

Supervisor Horn didn't feel that we should act on this matter today. There were several pieces of information that he needed in order to support it. He specifically asked for information on the funding needs of current, ongoing *TransNet* projects; the amount of money needed to complete those projects over the next five years; and the amount of borrowing needed over the same period.

Action: Upon a motion by Mayor Cox and second by Mayor Jim Wood (Oceanside), the Board of Directors authorized the Executive Director to execute an agreement with South Bay Expressway to provide transitional operations services of SR 125 for six months following the purchase closing on terms deemed favorable to SANDAG. Yes – 18 (weighted vote, 99%). No – Lemon Grove (weighted vote, 1%). Abstain – 0 (weighted vote, 0%). Absent - None.

3. CONTINUED PUBLIC COMMENTS

Debbie Schmidt, a member of the public, provided comments related to family owned property in Orange County that was taken by Caltrans.

4. UPCOMING MEETINGS

Chair Stocks noted that there will be two additional Board Business meetings in December: The next meetings are scheduled for Friday, December 9, 2011, at 9 a.m. and Friday, December 16, 2011, at 9 a.m.

5. ADJOURNMENT

The meeting was adjourned at 11:16 a.m.

DGunn/M/DGU

Attachment: Attendance Sheet

**ATTENDANCE**  
**SANDAG BOARD OF DIRECTORS MEETING**  
**DECEMBER 2, 2011**

JURISDICTION/ ORGANIZATION	NAME	ATTENDING
City of Carlsbad	Matt Hall (Primary)	Yes
City of Chula Vista	Cheryl Cox (Primary)	Yes
City of Coronado	Carrie Downey (Primary)	Yes
City of Del Mar	Carl Hilliard (Primary)	Yes
City of El Cajon	Mark Lewis (Primary)	Yes
City of Encinitas	Jerome Stocks, Chair (Primary)	Yes
City of Escondido	Sam Abed (Primary)	Yes
City of Imperial Beach	Jim Janney, 2nd Vice Chair (Primary)	Yes
City of La Mesa	Art Madrid (Primary)	Yes
City of Lemon Grove	Mary Sessom (Primary)	Yes
City of National City	Ron Morrison (Primary)	Yes
City of Oceanside	James Wood (Primary)	Yes
City of Poway	Don Higginson (Primary)	Yes
City of San Diego - A	Jerry Sanders (Primary, Seat A)	Yes
City of San Diego - B	Tony Young (Primary)	Yes
City of San Marcos	Jim Desmond (Primary)	Yes
City of Santee	Jack Dale (1st Vice Chair)	Yes
City of Solana Beach	Lesla Heebner (Primary)	Yes
City of Vista	Judy Ritter (Primary)	Yes
County of San Diego - A	Bill Horn (Primary, Seat A)	Yes
County of San Diego - B	Ron Roberts (Primary, Seat B)	Yes
Caltrans	Laurie Berman (1st. Alt.)	Yes
MTS	Harry Mathis (Primary)	Yes
NCTD	Chris Orlando (Primary)	Yes
Imperial County	Sup. John Renison (Primary)	No
US Dept. of Defense	CAPT Allan Stratman (Alternate)	Yes
SD Unified Port District	Scott Peters (Primary)	Yes
SD County Water Authority	Vacant (Primary)	No
Baja California/Mexico	Remedios Gómez-Arnau (Primary)	No
Southern California Tribal Chairmen's Association	Allen Lawson (Co-Primary)	No
	Edwin Romero (Co-Primary)	No