Transportation Committee Agenda

Friday, May 17, 2019
9 a.m. to 12 noon
SANDAG Board Room
401 B Street, 7th Floor
San Diego

Agenda Highlights

• Regional Electric Vehicle Charging Program Partnership Opportunity

• 2018 Commute Behavior Survey

• North Coast Corridor Program: Status Update

Please silence all electronic devices during the meeting

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Mission Statement

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus, makes strategic plans, obtains and allocates resources, plans, engineers, and builds public transit; and provides information on a broad range of topics pertinent to the region’s quality of life.

San Diego Association of Governments · 401 B Street, Suite 800, San Diego, CA 92101-4231
(619) 699-1900 · Fax (619) 699-1905 · sandag.org

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(Representing County of San Diego)

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Mayor Pro Tem, City of Coronado
(Representing South County)

Monica Montgomery
Councilmember, City of San Diego

Bill Baber
Councilmember, City of La Mesa
(Representing East County)

Jewel Edson
Deputy Mayor, City of Solana Beach
(Representing North County Coastal)

Judy Ritter
Mayor, City of Vista
(Representing North County Inland)

Nathan Fletcher
Metropolitan Transit System

Jack Feller
North County Transit District

Johanna Schiavoni
San Diego County Regional Airport Authority

Garry Bonelli
Chairman, Port of San Diego

Alternates

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Mayor, City of Escondido
(Representing North County Inland)

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Jennifer Mendoza
Councilmember, City of Lemon Grove
(Representing East County)

Joe Mosca
Councilmember, City of Encinitas
(Representing North County Coastal)

Paloma Aguirre
Metropolitan Transit System

Dave Druker / Sharon Jenkins
North County Transit District

Michael Schumacher
San Diego County Regional Airport Authority

Michael Zucchet
Commissioner, Port of San Diego

Advisory Members

Cory Binns / Ann Fox
Caltrans District 11

Erica Pinto, Jamul
Fred Nelson, Jr., La Jolla
Southern California Tribal Chairmen’s Association

Hasan Ikhrata
Executive Director, SANDAG
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## Transportation Committee
Friday, May 17, 2019

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### Item No. 1

**Approval of Meeting Minutes**

+1A. Transportation Committee Meeting Minutes – April 26, 2019
+1B. Transportation Committee Meeting Minutes – May 3, 2019

### Item No. 2

**Public Comments/Communications/Member Comments**

Members of the public will have the opportunity to address the Transportation Committee on any issue within the jurisdiction of the Committee that is not on this agenda. Anyone desiring to speak shall reserve time by completing a “Request to Speak” form and giving it to the Clerk prior to speaking. Public speakers should notify the Clerk if they have a handout for distribution to Committee members. Public speakers are limited to three minutes or less per person. Committee members also may provide information and announcements under this agenda item.

### Chair’s Reports

3. **San Diego Forward: The 2021 Regional Plan**

An update on development of San Diego Forward: The 2021 Regional Plan will be provided.

4. **Update on Airport Connectivity Subcommittee**

An update on the Airport Connectivity Subcommittee will be provided.

### Reports

5. **FY 2019 Transportation Development Act Productivity Improvement Program (Lisa Madsen)**

The Transportation Committee is asked to recommend that the Board of Directors approve the eligibility of the Metropolitan Transit System and North County Transit District to receive their FY 2020 allocations of Transportation Development Act funds.

6. **Regional Electric Vehicle Charging Program Partnership Opportunity (Susan Freedman; Kathy Keehan, Air Pollution Control District)**

The Transportation Committee is asked to recommend that the Board of Directors adopt Resolution No. 2019-17, establishing the framework and agreement for a joint electric vehicle charging incentive program with the California Energy Commission, County Air Pollution Control District, and Center for Sustainable Energy.
+7. Del Mar Bluffs Trench Concept (Bruce Smith; Eric Hankinson, RailPros, Inc.)

RailPros, Inc. (engineering consultant to SANDAG) will present an overview of the Del Mar Bluffs trench concept.

+8. 2018 Commute Behavior Survey (Krystal Ayala)

Staff will present highlights from the 2018 Commute Behavior Survey, which surveyed more than 4,000 working adults in San Diego County and Western Riverside County to better understand travel choices and preferences.

+9. North Coast Corridor Program: Status Update (Allan Kosup, Caltrans; Jim Linthicum)

Staff will present an update on the North Coast Corridor Program.

+10. 2019 Capital Grant Receipts Revenue Bonds: Review of Draft Documents (André Douzdjian; Peter Shellenberger, Public Financial Management; Victor Hsu, Norton Rose Fulbright, LLP; and Devin Brennan, Orrick, Herrington & Sutcliffe, LLP)

Staff will present an overview of the proposed bond financing, draft documents, and schedule for the issuance of up to $332 million to advance implementation of the Mid-Coast Corridor Transit Project funding strategy.

11. Continued Public Comments

If the five-speaker limit for public comments was exceeded at the beginning of this agenda, other public comments will be taken at this time. Subjects of previous agenda items may not again be addressed under public comment.

12. Upcoming Meetings

The next meeting of the Transportation Committee is scheduled for Friday, June 7, 2019, at 9 a.m.

13. Adjournment

+ next to an agenda item indicates an attachment
April 26, 2019, Transportation Committee Meeting Meeting Minutes

Board of Directors Chair Steve Vaus called the joint meeting of the Board of Directors, Policy Advisory Committees, and Independent Taxpayers Oversight Committee to order at 9:02 a.m.

1. Public Comments/Communications/Member Comments

Pete Aardema, a member of the public, spoke regarding financing a feasibility study for transit options serving the airport.

Clive Richard, a member of the public, spoke regarding transit issues in the region.

Lawrence Emerson, a member of the public, spoke regarding electric vehicles.

2. San Diego Forward: The 2021 Regional Plan (Information)

In February 2019, the Board of Directors unanimously approved an action plan to develop a bigger and bolder transportation vision for the 2021 Regional Plan that will transform the way people and goods move throughout the San Diego region. As the first major step in this process, staff introduced the key strategies, known as 5 Big Moves, that will be used to identify transportation solutions for critical connections throughout the region. This item was presented for informational purposes only. Feedback from this meeting and over the coming months, along with input from stakeholders and the public, will continue to inform the 2021 Regional Plan visionary framework.

Hasan Ikhrata, Executive Director, introduced the item.

Coleen Clementson, Principal Regional Planner, presented the item.

Phil Birkhahan, a member of the public, spoke in support of this item.

Mr. Richard, a member of the public, spoke in support of this item.

Judi Tentor, a member of the public, spoke in support of this item.

Sophie Wolfram, Climate Action Campaign, spoke in support of this item.

Jacob Garfinkel, Sierra Club, spoke in support of this item.

Pierre Weinandt, a member of the public, spoke in support of this item.

Lawrence Emerson, a member of the public, spoke in support of this item.

Craig Jones, a member of the public, spoke in support of this item.

Gretchen Newsom, IBEW 569, spoke in support of this item.

Cynthia Wootton, a member of the public, spoke in support of this item.

Paula Gandolfo, a member of the public, spoke in support of this item.

Randy Torres Van Vleck, City Heights Community Development Corporation, spoke in support of this item.

Action: Approve

The Transportation Committee is asked to review and approve the minutes from its April 26, 2019, meeting.
Maria Cortez, City Heights Community Development Corporation, spoke in support of this item.
Haney Hong, San Diego County Taxpayers Association, spoke in support of this item.
Nicole Burgess, Bike SD, spoke in support of this item.
Rosa Olascoaga, Mid-City CAN, spoke in support of this item.
Ruth Hargrove, a member of the public, spoke in support of this item.
Andy Henshaw, San Diego County Bicycle Coalition, spoke in support of this item.
Jo Marie Diamond, East County Economic Development Council, spoke in support of this item.
Eric Christen, Eric Christen, Coalition for Fair Employment for Construction, spoke in support of this item.
Kent Rodericks, a member of the public, spoke in support of this item.

Action: This item was presented for information.

3. Continued Public Comments
There were no continued comments.

4. Upcoming Meetings
The next Transportation Committee meeting is scheduled for Friday, May 3, 2019, at 9 a.m.

5. Adjournment
Chair Vaus adjourned the joint meeting at 11:48 a.m.
### Confirmed Attendance at SANDAG Transportation Committee Meeting

April 26, 2019

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<td>Damon Blythe</td>
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<td>Paul Jablonski</td>
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May 3, 2019, Transportation Committee Meeting Minutes

Vice Chair Bill Sandke (South County) called the meeting of the Transportation Committee to order at 9:01 a.m.

1. Approval of Meeting Minutes (Approve)

Action: Upon a motion by Councilmember Bill Baber (East County), and a second by Chairman Gary Bonelli (Port of San Diego [Port]), the Transportation Committee approved the minutes from its April 5, 2019, meeting. Yes: Vice Chair Sandke, Councilmember Baber, Supervisor Nathan Fletcher (Metropolitan Transit System), Councilmember Joe Mosca (North County Coastal), Mayor Paul McNamara (North County Inland), Deputy Mayor Jack Feller (North County Transit District), Chairman Bonelli, and Johanna Schiavoni (San Diego County Regional Airport Authority). No: None. Abstain: None. Absent: City of San Diego and County of San Diego.

2. Public Comments/Communications/Member Comments

Clive Richard, a member of the public, spoke about concerns about the future of transportation.

Dan Summers, Ramona Planning Group, spoke in support of the Transportation Vision and concerns related to funding.

John Wotzka, a member of the public, submitted written comments and spoke about various transportation matters.

Vice Chair Sandke announced the 29th Annual SANDAG Bike to Work Day will be held on Thursday, May 16.

Chairman Bonelli announced May is Maritime Month and the Port is offering free bus and boat tours. Visit www.portofsandiego.org for more information. Transportation Committee members were invited to a tour on May 16.

Chair Erica Pinto, Jamul – Southern California Tribal Chairmen’s Association (SCTCA), announced a walk for sexual assault awareness on May 5, as well as, a joint Borders/SCTCA Tribal Symposium on June 28.

Consent

3. Specialized Transportation Grant Program: Quarterly Status Update (Information)

This report provided an overview of progress made by Specialized Transportation Grant Program recipients.

Action: This item was presented for information.

Chair’s Report

4. San Diego Forward: The Regional Plan (Information)

Charles “Muggs” Stoll, Director of Land Use and Transportation Planning, provided an update on development of San Diego Forward: The Regional Plan.

Action: This item was presented for information.
5. Update on Airport Connectivity Subcommittee (Information)

Mr. Stoll provided an update on the Airport Connectivity Subcommittee.

Action: This item was presented for information.

Reports

6. FY 2020 Transit Capital Improvement Program (Recommendation)

Kim Monasi, Project Control Manager, presented the item.

Action: Upon a motion by Deputy Mayor Feller and a second by Councilmember Baber, the Transportation Committee recommended that the Board of Directors: (1) approve the submittal of Federal Transit Administration grant applications for the San Diego region; and (2) adopt Regional Transportation Commission (RTC) Resolution No. RTC-2019-02 approving Amendment No.2 to the 2018 Regional Transportation Improvement Program. Yes: Vice Chair Sandke, Councilmember Baber, Supervisor Fletcher, Deputy Mayor Jewel Edson (North County Coastal), Mayor McNamara, Deputy Mayor Feller, and Chairman Bonelli, Ms. Schiavoni. No: None. Abstain: None. Absent: City of San Diego and County of San Diego.

7. 2018 Regional Transportation Improvement Program Amendments

Sue Alpert, Senior Project Control Analyst, presented the items.

7A. 2018 Regional Transportation Improvement Program: Amendment No. 3 (Adopt)

Action: Upon a motion by Deputy Mayor Edson and a second by Port Chairman Bonelli, the Transportation Committee adopted Resolution No. 2019-16, approving Amendment No. 3 to the 2018 Regional Transportation Improvement Program. Yes: Vice Chair Sandke, Councilmember Baber, Supervisor Fletcher, Deputy Mayor Edson, Mayor McNamara, Deputy Mayor Feller, Chairman Bonelli, and Ms. Schiavoni. No: None. Abstain: None. Absent: City of San Diego and County of San Diego.

7B. 2018 Regional Transportation Improvement Program: Amendment No. 4 (Approve)

Action: Upon a motion by Councilmember Baber and a second by Deputy Mayor Edson, the Transportation Committee approved Amendment No. 4 to the 2018 Regional Transportation Improvement Program. Yes: Vice Chair Sandke, Councilmember Baber, Supervisor Fletcher, Deputy Mayor Edson, Mayor McNamara, Deputy Mayor Feller, Chairman Bonelli, and Ms. Schiavoni. No: None. Abstain: None. Absent: City of San Diego and County of San Diego.

8. Interstate 5 Auxiliary Lane Improvement Project (Recommendation)

John Haggerty, Division Director of Rail, introduced the item.

Allan Kosup, Caltrans, presented the item.

Action: Upon a motion by Deputy Mayor Edson and a second by Deputy Mayor Feller, the Transportation Committee recommended that the Board of Directors: (1) approve the Guaranteed Maximum Price negotiated between Mid-Coast Transit Constructors and SANDAG for Supplement 8 to the Construction Manager/General Contractor Construction Services Agreement for the Interstate 5/Genesee Avenue Auxiliary Lane Project in the amount of $4.941 million; (2) authorize the Executive Director to execute Supplement 8; and (3) approve an amendment to the FY 2019 Program Budget to fully fund the project (Capital Improvement Program Project No. 1200512). Yes: Vice Chair Sandke, Councilmember Baber, Supervisor Fletcher, Deputy Mayor Edson, Mayor McNamara, Deputy Mayor Feller, Chairman Bonelli, and Ms. Schiavoni. No: None. Abstain: None. Absent: City of San Diego and County of San Diego.
9. 2015 Ozone National Ambient Air Quality Standard Conformity Demonstration (Recommendation)

Rachel Kennedy, Senior Transportation Planner, presented the item.

Action: Upon a motion by Vice Chair Sandke and a second by Councilmember Baber, the Transportation Committee recommended that the Board of Directors adopt Resolution No. RTC-2019-03, adopting the 2015 Ozone National Ambient Air Quality Standard Conformity Demonstration for San Diego Forward: The Regional Plan and the 2018 Regional Transportation Improvement Program, and address requirements of the federal Clean Air Act to ensure compliance with future transportation planning efforts. Yes: Vice Chair Sandke, Councilmember Baber, Supervisor Fletcher, Deputy Mayor Edson, Mayor McNamara, Deputy Mayor Feller, Chairman Bonelli, and Ms. Schiavoni. No: None. Abstain: None. Absent: City of San Diego and County of San Diego.

10. Continued Public Comments

There were no continued public comments.

11. Upcoming Meetings (Information)

The next Transportation Committee meeting is scheduled for Friday, May 17, 2019, at 9 a.m.

12. Adjournment

Vice Chair Sandke adjourned the meeting at 10:03 a.m.
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FY 2019 Transportation Development Act Productivity Improvement Program

Overview

The Transportation Development Act (TDA) provides one-quarter percent of the state sales tax for operating and capital support of public transportation systems and non-motorized transportation projects. SANDAG, as the designated Regional Transportation Planning Agency, is responsible for the allocation of TDA funds to the region’s cities, county, and transit operators.

Pursuant to California Public Utilities Code Section 99244, a transit operator can be allocated no more in FY 2020 than it was allocated in FY 2019 unless the region’s transportation planning agency determines that the operator made a reasonable effort to implement the productivity improvement recommendations adopted after the last triennial TDA audit (completed in June 2016). This reasonable effort is determined through the evaluation of three-year performance measures trend data and an annual review of actions taken by each operator to address recommendations received during the triennial audit.

Based on the performance measures monitored as part of the TDA Productivity Improvement Program, and the agencies responses to the audit recommendations, staff has determined that the Metropolitan Transit System (MTS) and the North County Transit District (NCTD) have made reasonable efforts toward achieving their FY 2019 productivity improvements.

Key Considerations

The TDA Productivity Improvement Program includes all of the performance measures included in the state TDA Guidebook Section 99246(d). Additionally, SANDAG tracks multiyear trend analysis since it is recognized that steps taken by the transit agencies to improve system performance often take several years to be fully realized. The Productivity Improvement Program for FY 2019 included an evaluation of the following six TDA performance measures over a three-year period (Quarter 2 FY 2016 to Quarter 2 FY 2019):

- Operating Cost Per Passenger (adjusted for annual inflation) – measures cost-effectiveness
- Operating Cost Per Revenue Hour (adjusted for annual inflation) – measures cost-efficiency
- Passengers Per Revenue Hour – measures service productivity
- Passengers Per Revenue Mile – measures service productivity
- Revenue Hours Per Employee – measures labor productivity
- Farebox Recovery Ratio – measures cost-efficiency

Fiscal Impact:

Approval of the requests will allow the requesting agencies to receive their full FY 2020 TDA revenue apportionment. Denial of the eligibility request may result in a potential reduction of funding in a future fiscal year.

Schedule/Scope Impact:

The Metropolitan Transit System and North County Transit District can be allocated no more in FY 2020 than they were in FY 2019 unless it is determined that they made a reasonable effort to implement the productivity improvement recommendations adopted after the last triennial TDA audit.

Action: Recommend

The Transportation Committee is asked to recommend that the Board of Directors approve the eligibility of the Metropolitan Transit System and North County Transit District to receive their FY 2020 allocations of Transportation Development Act funds.
Attachments 1 and 2 include the summary and charts for each of the six performance measures by mode.

The indicators, which are reviewed quarterly by the Regional Short-Range Transit Planning Task Force, help determine if the agency is obtaining the desired results from the system and if overall performance is improving based on updated regional strategies, fare changes, and/or service operation plans. These indicators also help the transit agencies determine where improvements can be made. Improvements can then be incorporated into each operator’s service implementation plan, which are included in the Coordinated Public Transit – Human Services Transportation Plan prepared by SANDAG.

**TDA Triennial Audit Recommendations**

In addition to the three-year performance measures monitoring associated with the annual TDA claim, the TDA Triennial Performance Audit included the development of improvement recommendations for the transit agencies. The most recent performance audit completed in June 2016 included recommendations on possible strategies to improve efficiency and effectiveness for NCTD. There were no recommendations for MTS. These recommendations have been addressed by NCTD: action plans, the progress made to date to implement them, and updated responses (from Form B of the 2019 TDA Claim) are included in Attachment 3. MTS provided a statement of effort to address declining performance (Attachment 4).

**Next Steps**

SANDAG staff will continue to monitor the performance indicators on a quarterly basis and will bring the recommendations generated from the latest triennial performance audit (FY 2016 to FY 2018 report to be completed in May 2019) to the Transportation Committee for approval in June 2019.

**Charles “Muggs” Stoll, Director of Land Use and Transportation Planning**

Key Staff Contact: Lisa Madsen, (619) 595-1432, lisa.madsen@sandag.org

Attachments:

1. FY 2019 Productivity Improvement Performance Measure Summary
2. FY 2019 Productivity Improvement Performance Measure Results by Mode
3. NCTD Annual TDA Claim Form (Form B)
4. MTS Annual TDA Claim Form (Form B)
FY 2019 Productivity Improvement Performance Measures Summary

Attachment 2 includes charts for each of the six performance measures by mode. In general, the indicators reflect a period of recent downward trends in ridership, revenue, and productivity. This trend is not unique to the San Diego region. A report released by the Southern California Association of Governments, entitled Falling Transit Ridership: California and Southern California, notes that transit ridership has fallen consistently across the nation in recent years. According to the report, the largest cause of this decline is due to increased private vehicle use, with lower fuel prices, Transportation Network Companies, and gentrification playing a contributing role.

The San Diego region transit operators are proactively working to mitigate these trends. The Metropolitan Transit System (MTS) is in the process of implementing its Transit Optimization Plan, with initial service changes taking place this past January, and further service changes scheduled to take place in June and September. The North County Transit District (NCTD) also implemented significant service changes in October 2017 to increase productivity. Both agencies are looking to stabilize ridership and revenue metrics by implementing the recent updates to the regional fare ordinance and reinvesting resources from underutilized services into more productive areas and routes with high demand. Therefore, despite the challenges that are being faced throughout the transit industry, the operators in the San Diego region are actively working to maintain their productivity measures.

MTS FY 2019 Performance

- **Summary:** The farebox recovery ratio for both MTS Fixed Route and Americans with Disabilities Act (ADA) services meets the required minimum Transportation Development Act (TDA) threshold. MTS is working to improve the efficiency of both the fixed route and ADA service, which is outlined in their response in Attachment 4.

- **MTS Trolley** has seen a 0.5 percent decrease in the operating cost per passenger, a 2 percent increase in the operating cost per revenue hour, a 2.6 percent increase in passengers per revenue hour, and a .07 percent increase in passengers per revenue mile since Quarter 2 in FY 2018.

- **MTS Bus** has seen a 1.1 percent increase in the operating cost per passenger, a 3.6 percent decrease in the operating cost per revenue hour, a 4.6 percent decrease in passengers per revenue hour, and a 3.1 percent decrease in passengers per revenue mile since Quarter 2 in FY 2018.

- **Rapid** (Routes 201, 202, 204, 215, 235, and 237) has seen a 6.9 percent increase in the operating cost per passenger, a 7.4 percent increase in the operating cost per revenue hour, a .48 percent increase in passengers per revenue hour, and a 4.1 percent decrease in passengers per revenue mile since Quarter 2 in FY 2018.

- **MTS ADA** has seen an 8.3 percent increase in the operating cost per passenger, a 16.6 percent increase in the operating cost per revenue hour, a 7.7 percent increase in passengers per revenue hour, and a .31 percent decrease in passengers per revenue mile since Quarter 2 in FY 2018.

- MTS farebox recovery rate for fixed-route services ended the quarter at 36 percent. This is above the 31.9 percent TDA minimum threshold requirement. For ADA services, the farebox recovery rate ended the quarter at 14 percent and also is above the TDA minimum threshold of 10 percent.
**NCTD FY 2019 Performance**

- **Summary:** The farebox recovery ratio for both NCTD Fixed Route and ADA services is below the required minimum TDA threshold. However, NCTD is working to improve the operating efficiency of both the fixed route and ADA service, and are awaiting the expected additional revenues from the recent fare changes, as evidenced in their response in Attachment 3.

- **NCTD COASTER** has seen a 23.8 percent increase in the operating cost per passenger, a 22 percent increase in the operating cost per revenue hour, a 1.3 percent decrease in passengers per revenue hour, and a 10.1 percent increase in passengers per revenue mile since Quarter 2 in FY 2018.

- **NCTD SPRINTER** has seen a 19.3 percent increase in the operating cost per passenger, a 3.5 percent increase in the operating cost per revenue hour, a 13.2 percent decrease in passengers per revenue hour, and an 8.4 percent decrease in passengers per revenue mile since Quarter 2 in FY 2018.

- **NCTD BREEZE** has seen a 6.8 percent decrease in the operating cost per passenger, a 1.7 percent decrease in the operating cost per revenue hour, a 5.5 percent increase in passengers per revenue hour, and a 2.1 percent increase in passengers per revenue mile since Quarter 2 in FY 2018.

- **NCTD ADA** has seen an 8.3 percent increase in the operating cost per passenger, an 18.2 percent increase in the operating cost per revenue hour, a 9.1 percent increase in passengers per revenue hour, and a 1.4 percent increase in passengers per revenue mile since Quarter 2 in FY 2018.

- NCTD farebox recovery rate for fixed-route services has decreased, ending the quarter at 17 percent, which is below the 18.8 percent TDA minimum threshold requirement. For ADA services, the farebox recovery rate ended the quarter at 7 percent, which is below the TDA minimum threshold of 10 percent.
FY 2019 Productivity Improvement Performance Measure Results by Mode

Figure 1: Operating Cost per Passenger Rail (COASTER, SPRINTER, Trolley)

Figure 2: Operating Cost per Passenger Bus (MTS Bus, Rapid, and NCTD Breeze)
Figure 3: Operating Cost per Passenger Bus (MTS and NCTD ADA Patatransit)

Figure 4: Operating Cost per Revenue Hour Rail (COASTER, SPRINTER, Trolley)
Figure 5: Operating Cost per Revenue Hour
Bus (MTS Bus, *Rapid*, and NCTD Breeze)

Figure 6: Operating Cost per Revenue Hour
Bus (MTS and NCTD ADA Paratransit)
Figure 7: Passengers per Revenue Hour
Rail (COASTER, SPRINTER, Trolley)

Figure 8: Passengers per Revenue Hour
Bus (MTS Bus, Rapid, and NCTD Breeze)
Figure 9: Passengers per Revenue Hour
Bus (MTS and NCTD ADA Paratransit)

Figure 10: Passengers per Revenue Mile
Rail (COASTER, SPRINTER, Trolley)
Figure 11: Passengers per Revenue Mile
Bus (MTS Bus, Rapid, and NCTD Breeze)

Figure 12: Passengers per Revenue Mile
Bus (MTS and NCTD ADA Patatransit)
Figure 13: Revenue Hours per Employee
Rail (COASTER, SPRINTER, Trolley)

Figure 14: Revenue Hours per Employee
Bus (MTS Bus, Rapid, and NCTD Breeze)
STATEMENT OF EFFORTS MADE TO IMPLEMENT
PERFORMANCE AUDIT RECOMMENDATIONS

SANDAG Staff Member: Lisa Madsen Date Completed: April 29, 2019

Operator: North County Transit District (NCTD)

Date of Last Performance Audit: June 24, 2016

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| 44   | Recommendation 1 Implement strategies to minimize operating costs for LIFT paratransit service. | NCTD is in the process of implementing new technologies for the ADA Paratransit Program to minimize/reduce operating expenses:  
  - **Implementation of New Technologies**  
    - NCTD has undertaken the following activities to improve efficiency and or reduce cost.  
      - NCTD purchased software from Trapeze that will allow passengers to book rides on-line or thru an interactive voice response system. This technology will result in operational efficiencies related to the number of schedulers and reservationists required. Previous implementation of this software at other transit agencies has resulted in up to a 40% drop in call volume. This was implemented in the first quarter of FY2019.  
      - NCTD has purchased Itinerary Planner Assistant (IPA) from Trapeze. This application will allow customers to compare cost and travel times for ADA Paratransit Trips with other NCTD services. NCTD anticipates that this application will support a diversion of trips to other services that it can be provided at a lower cost given that LIFT customers can ride BREEZE and SPRINTER services fare free. This module will be implemented by June 30, 2019.  
      - NCTD has installed a mobile data terminal (MDT) on each LIFT and FLEX vehicle, which allows real time location tracking and more accurate data collection. This improved data collection method will assist NCTD’s contracted operator, MV Transportation, in the improvement of scheduling efficiency and the productivity of trips completed per revenue hour. |
- **Implementation of fare requirements allowed in the San Diego Regional Comprehensive Fare Ordinance**
  - NCTD is working with SANDAG to implement proposed changes to the Comprehensive Fare Ordinance. Currently, NCTD is not collecting the full fare allotted under the current Fare Ordinance. NCTD is working to increase the base fare and the Paratransit fare will increase as a result. The fare changes are anticipated to be implemented during FY2020 Quarter 2.

- **Implementation of Enhanced ADA Certification Program**
  - NCTD is in the process of transitioning from an online-only certification process to an in-person certification process. NCTD will transition to 100% in-person assessments by August 1, 2019. Pursuant to the new certification requirements, applicants will continue to apply online on NCTD’s website. NCTD will also provide travel training for customers to assist in the use of fixed route and other services that are provided at a lower cost per passenger than LIFT ADA paratransit. The implementation of this approach is a best practice within the industry and is focused on ensuring only eligible applicants utilize ADA paratransit service.

- **Modification of certain operational rules such as pickup window**
  - In order to improve on-time performance, improve scheduling efficiency, improve the ability to dynamically re-route based on performance, and improve the customer experience, NCTD modified the following operational rules effective July 1, 2017.
    - On-time Pick-up Window: The on-time pickup window was 20 minutes; NCTD changed the on-time pickup window to 30 minutes to improve scheduling efficiency and to foster improved on-time performance by the Contractor.
    - Cancellation Window: Formerly, customers were allowed to cancel a trip 1 hour prior to the start of a trip; NCTD adjusted the cancellation window to 2 hours to support improved operational efficiency. The increased cancellation window will allow the Contractor more time to reschedule trips in an efficient manner.
    - Scheduling Window: Customers were allowed to book a trip 2 days in advance; NCTD expanded the scheduling window to 7 days in advance. This provides the Contractor more time to efficiently group and offer trips to the lowest cost provider. This change also provides customers the opportunity to call less frequently to book trips, making the service more user friendly for customers, and lowering the call volume which makes it easier for customers to call in for last minute trips and check on trips.
Assessment of Current Operational Software and Scheduling Processes
- NCTD completed a full assessment of the TRAPEZE-PASS scheduling software productivity system settings that included review of all ancillary settings and costing weights. Analysis of test environment data was utilized to determine the optimal settings by route and time of day.
- Analyzed driver run-cuts and vehicle capacity matrix that allowed for adjustments that reflected productivity efficiencies by route and time of day.
- Contacted group facilities to re-negotiate pick-up and drop-off times that allowed for grouping of riders being transported to similar locations.
- Reviewed all client subscription times and re-negotiated times that allowed for shared rides coming and going from similar locations.

Fully Implemented Activities
- Implementation of Mobile Data Terminals have been completed for the LIFT and FLEX fleets.
- Changes to the on-time pick up window, cancellation window, and scheduling window were implemented on July 1, 2017.
- Trapeze Pass Web and Interactive Voice Response systems were implemented on February 1, 2019; over 390 trips have been booked through those modules since then.
- The October 7, 2017 Major Service Change transitioned two BREEZE fixed bus routes to FLEX deviated fixed routes on Camp Pendleton. This combined BREEZE and LIFT passengers onto one route that deviates up to ¾ mile from the route. This has resulted in paratransit cost savings.

Implementation Schedule for Other Activities
- Trapeze Itinerary Planner is anticipated to be implemented by June 30, 2019.
- Implementation of the Enhanced ADA Certification Program is currently underway; 100% of assessments will be conducted in-person by August 1, 2019.
- Regional Fare Ordinance changes are expected to be implemented in FY2020 Quarter 2.

Recommendation 2
Institute robust tracking and management system for excess capital inventory at rail maintenance facilities.

On October 1, 2018, NCTD completed the Transit Asset Management Plan as required by the Federal Transit Administration. As stated in previous years’ updates, NCTD has previously completed upgrades to its enterprise asset management system, JD Edwards, to support enhanced management of all capital inventory, including excess inventory. NCTD has also completed inventories of all rail assets. This Recommendation may be closed out.
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| 46   | **Recommendation 3**               | NCTD uses a variety of data sources for the research of Right-of-Way data. These sources include an NCTD GIS database that identifies right-of-way parcels and boundaries, surveys, and real property agreements. The data sources such as surveys and real property agreements are electronically stored in NCTD’s document management system LaserFiche. NCTD continues to customize the GIS database for faster and more efficient usage.  

NCTD maintains its goal to have a fully functional database for its Real Estate agreements and rent invoice functionality, which will afford the District visibility to the various incidental uses along the Right-of-Way. Implementation of the JDE Real Estate Module (REM), as part of NCTD’s upgrade of its JD Edwards Enterprise System was suspended as it requires additional custom programming in order to be fully operational. NCTD is evaluating the REM custom programming requirements as well as alternate real estate software programs to determine the most efficient and cost-effective resource that will support storage of the Right-of-Way data. |
ANNUAL TDA CLAIM FORM

STATEMENT OF EFFORTS MADE TO IMPLEMENT PERFORMANCE AUDIT RECOMMENDATIONS

SANDAG Staff Member: Lisa Madsen Date Completed: March 21, 2019

Operator: Metropolitan Transit System (MTS)

Date of Last Performance Audit: May 31, 2016

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<td>40</td>
<td><strong>Recommendations</strong> The auditor offered no recommendations for MTS is the May 2016 audit.</td>
<td>While no specific recommendations were made in the most recent audit, MTS is proactively working to control costs and mitigate recent downward trends in ridership and productivity. After a record ridership year in FY 2015, each year since has seen a reduction in MTS passenger levels, a trend that has been seen across the nation, with most transit agencies of all sizes seeing moderate to large drops in ridership from 2014 through the present. There is a growing consensus that this is the result of several significant issues in the transportation industry. These include:</td>
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<td>• low gasoline prices</td>
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<td>• ease and low cost of automobile financing</td>
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<td>• longer commutes</td>
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<td>• public safety and security issues</td>
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<td>• changing demographics (gentrifying transit-rich neighborhoods and relocation of affordable housing to more remote communities)</td>
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<td>• app-based ride-hailing alternatives</td>
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These national trends are reflected in other statistics like record auto sales and significant growth in Vehicle Miles Traveled (VMT). While California has shown leadership in climate action goals, VMT has still steadily increased in the state since the recession. It remains unknown whether it is a temporary ridership downturn or a longer lasting “new normal.” Some of these trends are unlikely sustainable in the long term. Fuel prices are always subject to fluctuations; some speculate that easy auto financing is the next financial bubble to burst; and, the ride-hailing app companies have not yet achieved financial viability in spite of their market success. Additionally, the densification of cities with in-fill development should be beneficial for transit in the long term by increasing trips in transit-rich areas, reducing parking supply, and increasing the challenges of driving.
To address ridership trends at MTS, the Transit Optimization Plan (TOP) was a comprehensive operational analysis launched in 2016 to review market demographics, analyze service trends, and respond to ridership needs and changes. The goal was to increase ridership and revenue by reinvesting resources from underutilized services into more productive areas, routes, and segments that retain a high demand. In September 2017, the Board approved a final plan for changes to over 50 MTS bus routes which were implemented between mid-2017 and January 2019. Early results have been promising, with ridership levels on the Trolley and many TOP-adjusted bus routes seeing notable ridership gains, and overall ridership levels stabilizing as of early 2019.

MTS is also undergoing several fare collection efforts to add new convenience and payment options, modernize the system, and review pricing levels for potential changes. A new mobile ticketing app (Compass Cloud) was launched in March 2017, allowing riders to buy certain fares and passes on their smartphone, and a stored-value option (Compass Cash) was added in mid-2017. In December 2018, MTS awarded a contract to Innovations in Transportation (INIT) for a next-generation, cloud-based fare collection system to replace the Compass system in 2021. Lastly, in February 2019, the SANDAG Board of Directors approved updates to the regional fare ordinance which are designed to retain and attract ridership while protecting revenues.

MTS has several projects in the works to help grow ridership, in addition to the implementation of the TOP. Service on the South Bay Rapid bus line between Otay Mesa and Downtown San Diego was fully implemented in January 2019 after a soft launch in September 2018. Construction is swiftly progressing on the Mid-Coast light rail extension, with a planned start of service in 2021. And the MTS Board is considering sponsoring a local sales tax ballot measure that would provide additional funding for transit.

Lastly, MTS continues to actively manage costs, as recognized by the auditors. All remaining diesel standard transit buses were retired from the MTS fleet in 2017, moving to cleaner burning and less costly compressed natural gas-powered buses. MTS has also launched a pilot of six battery-electric buses, which will arrive in Summer 2019 to begin service. Lastly, MTS continues the process of converting its minibus fleet (fixed-route and paratransit) from gasoline powered to minibuses fueled with less expensive propane.
Regional Electric Vehicle Charging Program Partnership Opportunity

Overview

At its January 4, 2019, meeting, the Transportation Committee discussed progress on the SANDAG Regional Electric Vehicle (EV) Charging Program (EVCP), including potential partnership opportunities with the San Diego County Air Pollution Control District (APCD) and California Energy Commission (CEC), through its California Electric Vehicle Infrastructure Project (CALeVIP).

Attachment 1 is a non-binding draft resolution which seeks to demonstrate to the CEC SANDAG’s strong commitment to a unified regional incentive program for EV charging stations and could make the San Diego region more competitive during the CEC’s selection process.

Key Considerations

San Diego Forward: The Regional Plan, approved by the Board of Directors in October 2015, commits SANDAG to establishing an incentive program for public EV chargers to begin in 2020. The program would provide rebates to offset the purchase and installation costs for public and workplace Level 2 EV chargers. A budget of approximately $1 million per year on average is planned from SANDAG from 2020-2050.

Similarly, the County of San Diego adopted a Climate Action Plan (CAP) in 2018 that included actions to increase the number of Level 2 EV chargers in the unincorporated areas of San Diego County and, in conjunction with the APCD, is developing a regional incentive program to begin in 2020. SANDAG and APCD have been working together on the EVCP to coordinate regional initiatives. A budget of approximately $500,000 per year is planned from APCD from 2020-2030, unless CAP targets are met sooner.

The CEC established CALeVIP as a rebate program offered on a region-by-region basis with the Center for Sustainable Energy (CSE) as its program implementer. CALeVIP works with local partners to develop and implement EV charger incentive projects and provides a streamlined process to fill the significant gaps in charging availability. CALeVIP could fund both Level 2 and DC fast chargers for the San Diego region. A one-time budget allocation of approximately $10-$23 million is being considered for the San Diego region.

The CEC is developing its list of regions to consider for CALeVIP in 2020 and requested letters of intent from regional entities that could co-fund a project. On March 26, the SANDAG Executive Director submitted a letter outlining the Regional Plan commitments and existing EVCP progress, as shown in Attachment 2. The APCD submitted a similar letter as shown in Attachment 3.

Action: Recommend

The Transportation Committee is asked to recommend that the Board of Directors adopt Resolution No. 2019-17, establishing the framework and agreement for a joint electric vehicle charging incentive program with the California Energy Commission, County Air Pollution Control District, and Center for Sustainable Energy.

Fiscal Impact:
Development of the SANDAG Regional Electric Vehicle Charging Program is funded through a Caltrans planning grant under Overall Work Program Project No. 3201300. San Diego Forward: The Regional Plan commits $30 million for the incentive program between FY 2020-2050.

Schedule/Scope Impact:
Partnering with the state would compress the project design schedule to be completed this calendar year but would increase incentive funds and eligible equipment to include DC fast chargers. The incentive program is expected to begin in mid-2020.
These programs are complimentary to San Diego Gas & Electric’s EV charging programs and SANDAG is coordinating with the utility and other stakeholders on the new regional vision that strives to transform the way people and goods move throughout the region, including a shift to zero emission vehicles like EVs.

If the CEC, SANDAG, and APCD are able to partner on CALeVIP, it would provide significant cost savings to SANDAG in program administration and project implementation; while providing future applicants and industry participants with a known, effective rebate program and online platform.

Next Steps

This item will be considered by the Board at its May 24 meeting. This June, the CEC is expected to announce regional projects they intend to fund. If selected, SANDAG will work in partnership with APCD, CEC, and CSE to develop a San Diego regional CALeVIP project; hold a joint public workshop this summer; and prepare scopes of work and agreements amongst the parties for future Board consideration. If not selected, SANDAG and APCD will proceed with developing a more limited regional program.

Charles “Muggs” Stoll, Director of Land Use and Transportation Planning

Key Staff Contact: Susan Freedman, (619) 699-7387, susan.freedman@sandag.org
Attachments: 1. Proposed Resolution No. 2019-17
2. Letter of Intent from SANDAG to CEC, March 26, 2019
3. Letter of Intent from APCD to CEC, March 26, 2019
RESOLUTION NO. 2019-17
RESOLUTION OF THE SAN DIEGO ASSOCIATION OF GOVERNMENTS TO COLLABORATE WITH THE CALIFORNIA ENERGY COMMISSION, SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT, AND CENTER FOR SUSTAINABLE ENERGY ON THE DEVELOPMENT AND IMPLEMENTATION OF A JOINT REGIONAL INCENTIVE PROGRAM FOR ELECTRIC VEHICLE CHARGING STATIONS THROUGH THE CALIFORNIA ELECTRIC VEHICLE INFRASTRUCTURE PROJECT

WHEREAS, the San Diego region is home to over 35,000 plug-in electric vehicles (EVs) and over 1,500 public EV charging stations; and

WHEREAS, the State of California has a goal by 2030 of 5 million PEVs on California roads and by 2025 of 250,000 public charging stations, including 10,000 direct current fast chargers; and

WHEREAS, San Diego Forward: The Regional Plan calls for SANDAG to support expanding the network of publicly accessible EV charging stations throughout the region by establishing a regional incentive program to begin in 2020 and to commit $30 million over the next 30 years toward the program; and

WHEREAS, the first two years of SANDAG funding would focus network expansion efforts on public and workplace Level 2 EV chargers in the region; and

WHEREAS, the 2019 SANDAG Legislative Priorities call out that SANDAG will partner with stakeholders to maximize transportation electrification investments to help advance the region’s mobility and sustainability goals; and

WHEREAS, the County of San Diego adopted a Climate Action Plan in 2018 that included actions to increase the number of Level 2 EV chargers in the unincorporated areas of San Diego County and, in conjunction with the County Air Pollution Control District (APCD), is developing a regional incentive program to begin in 2020.; and

WHEREAS, the California Energy Commission (CEC) established the California Electric Vehicle Infrastructure Project (CALeVIP) as an EV charger rebate program offered on a region-by-region basis, and the Center for Sustainable Energy (CSE) serves as the CALeVIP implementer; and

WHEREAS, CALeVIP works with local partners to develop and implement EV charger incentive projects that meet regional needs for Level 2 and DC fast chargers. The statewide project aims to provide a streamlined process for getting chargers installed to fill the significant gaps in charging availability; and
WHEREAS, SANDAG, APCD, CEC and CSE staff have been exploring ways to jointly partner on a comprehensive regional approach to address needs for Level 2 and DC fast chargers that could leverage and maximize state and regional funding into a unified program to best serve the region and efficiently achieve program goals; and

WHEREAS, SANDAG submitted a Letter of Intent to the CEC on March 26, 2019 to work in good faith to develop the framework for a unified program in the San Diego region to be considered for 2020 CALeVIP program funding and to jointly develop an agreement between the participating agencies defining the roles and responsibilities under such framework; NOW THEREFORE

BE IT RESOLVED that the Board of Directors supports continued collaboration with the CEC, APCD, and CSE on the development and implementation of a unified regional incentive program for electric vehicle charging stations through CALeVIP to best serve the San Diego region.

PASSED AND ADOPTED this 24 of May, 2019.

ATTEST: 
CHAIR
SECRETARY

MEMBER AGENCIES: Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach, Vista, and County of San Diego.

ADVISORY MEMBERS: California Department of Transportation, Metropolitan Transit System, North County Transit District, Imperial County, U.S. Department of Defense, San Diego Unified Port District, San Diego County Water Authority, Southern California Tribal Chairman’s Association, and Mexico.
March 26, 2019

Ms. Janea Scott  
Vice Chair Commissioner  
California Energy Commission  
1516 Ninth Street, Mail Station 35  
Sacramento, CA 95814

Dear Vice Chair Commissioner Scott:

Subject: San Diego Regional Partnership on California Electric Vehicle Infrastructure Project for 2020

The San Diego Association of Governments (SANDAG) is pleased to submit this Letter of Intent to work in good faith with the California Energy Commission (CEC), the Center for Sustainable Energy (CSE) as the CAleVIP implementer, and San Diego County Air Pollution Control District (APCD) in 2019 and 2020 to develop the framework for and fund a regional electric vehicle (EV) infrastructure incentive project for San Diego County under the CAleVIP Program. Specifically, SANDAG staff will collaborate with the CEC, CSE, and APCD to develop an agreement by the end of this year that would contain the specifics of the SANDAG funding commitment, timing, and purpose of this funding, and the roles and responsibilities of all parties involved.

In furtherance of this effort, staff plans to present a resolution for action by the SANDAG Board of Directors in the coming months that would:

- Direct SANDAG staff to collaborate with CEC, CSE, and APCD on an agreement to jointly develop and fund the San Diego Regional CAleVIP, with the goal of finalizing the agreement by the end of 2019.

- Define the roles and responsibilities of each of the parties involved (SANDAG, CSE, CEC, and APCD), including funding commitments of all parties and program start date (anticipated July 2020) and duration.

- Confirm the SANDAG funding commitment, which is anticipated to be at least $1 million per year beginning July 2020.

  - The SANDAG Regional Transportation Plan and Sustainable Communities Strategy includes a $30 million investment to develop an incentive program for public EV chargers by 2020. As this represents a 30-year investment in EV charging infrastructure, SANDAG expects to continue the regional incentive program after CEC contributions have been expended.

- State that the purpose of SANDAG funding for the first two years is to expand the existing network of public and workplace Level 2 EV chargers in the San Diego region.
Additionally, SANDAG would be pleased to facilitate CALeVIP discussions with appropriate Imperial County representatives, co-host CALeVIP public workshops this summer in the San Diego region, and dedicate staff time to develop the incentive program in 2019.

**San Diego Regional Coordination on Transportation Electrification:**

SANDAG is the Metropolitan Planning Organization and local Council of Governments for San Diego County and is governed by a Board of Directors comprised of mayors, councilmembers, and county supervisors from each of the region’s 19 local governments. SANDAG has a long history of working closely with local jurisdictions and stakeholders in support of statewide and regional goals through sustainable transportation projects, programs, and services.

With adoption of the 2015 Regional Plan, the SANDAG Board of Directors committed its support to building a network of publicly accessible EV charging infrastructure throughout the region. In 2018, SANDAG was awarded a $600,000 Caltrans Senate Bill 1 (Beall, 2017) planning grant to develop the charging incentive program with dedicated staff and consultant support. The grant spans January 2018 through February 2020, and APCD is participating in this project.

Similarly, the County of San Diego adopted a Climate Action Plan in 2018 that included actions to increase the number of EV chargers in the San Diego County unincorporated areas and directed APCD to develop a regional incentive program to begin in 2020. To avoid confusion and program duplication, SANDAG and APCD have been collaborating on a regional program to leverage and maximize funding into a unified program to best serve the region and efficiently achieve program goals. SANDAG and APCD also have been communicating with CEC and CSE staff on the opportunity for a more robust charger program through CALeVIP in 2020.

Through various CEC grants, SANDAG has developed a Regional EV Readiness Plan (2014) and Regional Alternative Fuels Readiness Plan (2016) that provide strategic and technical guidance to the region, informed by advisory groups of local jurisdictions, universities, Caltrans, the Port of San Diego, the San Diego International Airport Authority, San Diego Gas & Electric (SDG&E), and industry leaders. SANDAG manages the Plug-in San Diego project that helps implement the readiness plans through technical assistance and tools. SANDAG also coordinates with SDG&E on its EV infrastructure programs to enhance regional collaboration and development of complimentary programs. To further engage stakeholders, SANDAG addresses EV readiness through our Energy Working Group and other standing committees.

SANDAG is poised to collaborate on this effort, has a proven history of working closely with local, regional, and state agencies and stakeholders to reduce greenhouse gas emissions in support of statewide and regional goals, and looks forward to working with the CEC on this important project.

Sincerely,

HASAN IKHRATA
Executive Director

HIK/SFR/RWA/ffwe

cc.  Drew Bohan, Executive Director, California Energy Commission, Drew.Bohan@energy.ca.gov
    Brian Fauble, Energy Commission Specialist II, brian.fauble@energy.ca.gov
March 26, 2019

Ms. Janie Scott, Vice Chair Commissioner
California Energy Commission
1516 Ninth Street, MS-35
Sacramento, CA 95814

Framework for a Regional Partnership to Implement the California Electric Vehicle Infrastructure Project (CALeVIP) in San Diego County

Dear Vice-Chair Commissioner Scott:

The San Diego County Air Pollution Control District (APCD) is pleased to submit this Letter of Intent to work in good faith with the California Energy Commission (CEC), the Center for Sustainable Energy (CSE) as the CALeVIP implementer, and the San Diego Association of Governments (SANDAG) in 2019-2020 to develop a framework and funding agreement for a San Diego region electric vehicle (EV) charging infrastructure incentive program under the CALeVIP program.

The APCD has dedicated resources for this effort and is well positioned to assist with program design and implementation in partnership with the CEC, CSE, and SANDAG. To this end, APCD staff have been collaborating with CALeVIP and SANDAG staff to leverage and maximize funding for a unified program that best serves the region and efficiently achieves program goals.

The funding agreement is envisioned to specify:

- The roles and responsibilities of each partner agency;
- The funding commitments, timing, and purpose;
- Program start date (anticipated July 2020) and duration; and
- The accounting of resulting GHG emission reductions.

The APCD will consider and take action on the resulting funding agreement so that the CEC may rely upon the APCD’s commitment in finalizing a 2020 CALeVIP project roadmap.

Project Abstract:
The CALeVIP offers incentives for the purchase and installation of EV charging infrastructure at publicly accessible sites throughout California. CALeVIP works with local partners to develop and implement EV charger incentive projects that meet regional needs for Level 2 and DC fast chargers. The goal of this project is to develop a regional EV charger incentive project for residents of San Diego County.
Organizational Description:
Air quality management in San Diego County is a shared responsibility among several agencies pursuant to State and federal laws. Locally, the APCD is responsible for regulating stationary or fixed sources of air pollution such as factories, power plants, gasoline stations and other facilities in the county. However, a majority of the air pollutants emitted in the region come from on-road motor vehicles and other mobile sources. The APCD encourages reductions in mobile source emissions through its incentive grant programs. Projects such as EV charging stations that provide or encourage low- or zero-emitting transportation options are key strategies for improving San Diego's air quality.

APCD's Commitment in the County's Climate Action Plan:
As part of the County of San Diego's Climate Action Plan, the APCD committed to assisting the County in developing a program to offer incentives for the purchase and installation of EV charging stations in priority areas of unincorporated San Diego County. This includes installing 100 Level 2 charging stations by 2025 and an additional 1,940 Level 2 charging stations by 2030 in the unincorporated area. The APCD has proposed a commitment of $500,000 per year for the next three years toward this goal, with consideration of possible additional program funding in subsequent years as available and warranted.

We look forward to working with the CEC, CSE, and SANDAG to develop a framework for a regional EV infrastructure incentive project. Please contact Kathleen Keehan with any questions (kathleen.keehan@sdcounty.ca.gov, 858-586-2726).

Sincerely,

ROBERT J. KARD
Air Pollution Control Officer

cc:  Drew Bohan, Executive Director, California Energy Commission
     Brian Fauble, California Energy Commission Specialist II, CEC
     Andy Hoskinson, Senior Manager, EV Initiatives, CSE
     Hasan Ikhrata, Executive Director, SANDAG
     Susan Freedman, Senior Regional Energy/Climate Planner, SANDAG
Del Mar Bluffs Trench Concept

Overview
On March 15, 2019, the Transportation Committee discussed the Los Angeles-San Diego-San Luis Obispo (LOSSAN) Del Mar Bluffs Stabilization projects and current status of efforts to preserve the trackbed along the Del Mar Bluffs. In response to the update, the Chair requested a presentation on the feasibility of placing the existing track in a trench along the bluffs. Attachment 1 shows the project location.

In 2012, RailPros, Inc., an on-call consultant to SANDAG, independently completed conceptual engineering of placing the existing track and a new second track in a trench along the bluffs. The trench option would lower both tracks into a U-shaped trench, as shown in Attachment 2, from Coast Boulevard to North Torrey Pines Road.

Key Considerations
The trench option has several potential benefits including the ability to double track the bluff area to allow for future capacity, frequency enhancements, and decreased headways. The trench option also could provide a longer-term solution to bluff retreat and its potential effects on the operating railroad.

Environmentally clearing and permitting the trench project would be challenging. The impact to the coastal zone and reconfiguration of the stormwater system are two obstacles that would require extensive coordination and significant mitigation.

Next Steps
The project is not currently included in the SANDAG Capital Improvement Program; therefore, no additional studies are scheduled at this time.

Action: Information
RailPros, Inc. (engineering consultant to SANDAG) will present an overview of the Del Mar Bluffs trench concept.

Fiscal Impact:
The construction cost estimate for the Del Mar Bluffs Trench project, based on preliminary conceptual engineering completed in 2012, is approximately $300-400 million in 2019 dollars. Funding has not been identified.

Schedule/Scope Impact:
No additional work on this concept is planned at this time; any future work is pending funding and Board direction.

Jim Linthicum, Director of Mobility Management and Project Implementation
Key Staff Contacts: Bruce Smith, (619) 699-1907, bruce.smith@sandag.org
Alexandra DeVaux, (619) 595-5613, alexandra.devaux@sandag.org
Attachments: 1. Project Location
2. Project Renderings
Project Location

Legend

- Rail Stations
- Dashed Line: LOSSAN Rail Corridor - San Diego County
- Dotted Line: SPRINT Line

Source: North County Transit District
Project Renderings
Del Mar Trench – Typical Sections

Trench Section
Width = 55’
Depth = 26’ (max)

Protective railing
Bluff revegetation
Toe protection

End of street
Pedestrian bridge
ADA ramp from street to bridge
ADA ramp from bridge to beach

(Beach)
Potential linear park, up to 200 feet without ventilation

End of street

Pedestrian bridge

Staircase access to beach
2018 Commute Behavior Survey

Overview

The 2018 Commute Behavior Survey is a stated preference survey intended to better understand travel choices and preferences among working adults in San Diego County, including those that travel from Western Riverside County. The first commute behavior survey was conducted in 2013. In 2018, the survey was expanded to evaluate the impact of shared mobility services and technology on commute travel choices.

Key Considerations

The 2018 Commute Behavior Survey was conducted in spring 2018 in partnership with the Riverside County Transportation Commission. Responses from more than 4,000 working adults were collected. Key findings include:

- Of the surveyed population, the average San Diego County commuter reported traveling about 16 miles and 29 minutes one-way to work. Those that commute into the region from Western Riverside County reported traveling 52 miles and 72 minutes one-way.

- Approximately eight out of ten commuters surveyed reported driving alone to work and indicated that their travel choice decision is based on two primary factors: convenience and travel time.

- Almost half of the surveyed commuters who currently drive alone to work expressed interest in using some form of ridesharing (e.g., vanpool, carpool, on-demand rideshare) instead of driving alone. Three out of ten surveyed commuters expressed interest in using transit instead of driving to work.

- Ninety-eight percent of the surveyed respondents use a smartphone and often use it to support their commute trips including traffic, navigation, hailing a rideshare service, and checking transit service routes and schedules. More than eight out of ten respondents expressed interest in a user-friendly mobile application that would allow users to plan, book, and pay for all of their transportation options (public and private).

Next Steps

Data collected through this survey will be used to inform transportation planning and pilot projects, refine Transportation Demand Management marketing and outreach efforts, inform the development of the Regional Plan, and to calibrate regional transportation modeling tools.

Ray Traynor, Director of Operations

Key Staff Contact:  Krystal Ayala, (619) 699-1998, krystal.ayala@sandag.org
Attachment:  1. 2018 Commute Behavior Survey
Agenda Item 8 – Attachment 1:

**2018 Commute Behavior Survey**

The full document in electronic format can be downloaded at sandag.org/2018CommuteSurvey.

A reference copy will be available at the meeting. For a printed copy, please contact the Public Information Office at (619) 699-1950 or pio@sandag.org.
North Coast Corridor Program: Status Update

Overview
The North Coast Corridor (NCC) Program is a comprehensive set of transportation, environmental, and coastal access projects to reduce congestion, improve the quality of life for residents, create a stronger local and regional economy for the future, and enhance the coastal environment. (Attachment 1).

Projects are being built using the Construction Manager/General Contractor (CM/GC) delivery method, which is a best value construction procurement method. The CM/GC contractor is a joint venture of Flatiron, Skanska, and Stacy Witbeck contractors. The project budget for construction currently is $869 million and includes federal, state, and TransNet funds.

This item provides an update on the status of project progress, schedule, cost, and risk.

Key Considerations
The first phase of construction of the NCC Program, known as Build NCC, will extend through the cities of Solana Beach, Encinitas, and Carlsbad. Construction began in late 2016 and is scheduled to be fully open to the public in late 2022. The scope of Build NCC includes the extension of the high occupancy vehicle (HOV) lane from Manchester Avenue to State Route 78 (SR 78), replacement of the San Elijo Lagoon highway and rail bridges, restoration of the San Elijo Lagoon, and bicycle and pedestrian improvements.

The project continues to be on schedule and within budget. Major accomplishments in the last six months include:

- Completion of the first Coastal Rail Trail segment in the City of Encinitas
- Completion of the San Elijo Lagoon Double Track Project
- Completion of the Chesterfield rail crossing
- Completion of east dredging on San Elijo Lagoon
- Ninety percent completion of pedestrian and bike enhancements on south side Encinitas Boulevard and Santa Fe Drive
- Start of construction for 8-mile HOV extension from Manchester Avenue to Palomar Airport Road

Additional detailed information can be found in Attachment 2.
Next Steps

Next steps include completing phase one (new outside bridge) of the San Elijo Highway Project, beginning the dredging of the San Elijo Lagoon west basin, and continuing design of the HOV extension from Palomar Airport Road to SR 78. In addition, staff will continue studying opportunities to improve operations and reduce congestion at the north end of the project. Staff will return to the Transportation Committee in three months with another Build NCC update.

Jim Linthicum, Director of Mobility Management and Project Implementation

Key Staff Contact: Allan Kosup, (619) 688-3611, allan.kosup@dot.ca.gov
Attachments: 1. Build NCC Project Fact Sheet
2. Discussion Memo: North Coast Corridor Program Update May 2019
About the Project

Build NCC is the first phase of construction of the Caltrans and SANDAG North Coast Corridor (NCC) Program in the cities of Solana Beach, Encinitas, and Carlsbad. Build NCC is part of a comprehensive set of transportation, environmental, and coastal access projects to improve the quality of life for residents, create a stronger local and regional economy for the future, and enhance the coastal environment.

Highway Improvements

Caltrans and SANDAG will extend an Express Lane on Interstate 5 (I-5) - one in each direction - from Lomas Santa Fe Drive in Solana Beach to State Route 78 (SR 78) in Oceanside. Additional highway improvements include replacing and lengthening the San Elijo Lagoon highway bridge to accommodate the Express Lanes and help improve lagoon tidal flow; building several sound walls on private property; constructing a new Park & Ride/Multi-Use Facility at the I-5/Manchester Avenue interchange; and adding auxiliary lanes. The Park & Ride/Multi-Use Facility will provide parking for carpools, bike racks, electric vehicle charging stations, and recreational access to the San Elijo Lagoon and the new North Coast Bike Trail.

Rail Improvements

Improving the coastal rail line is a central component of Build NCC. The San Elijo Lagoon Double Track Project is part of a larger plan to improve the coastal rail system by adding a second track, allowing trains traveling in opposite directions to pass without slowing down or stopping, increasing efficiency and reliability. Other project features include the replacement and lengthening of the rail bridge spans over the San Elijo Lagoon. Additionally, at-grade rail crossing improvements will be made at Chesterfield Drive in Encinitas.

Lagoon/Bike/Pedestrian

Build NCC includes the restoration of the San Elijo Lagoon. The restoration project, is being made possible by the TransNet Environmental Mitigation Program (EMP), coordinated with the San Elijo Lagoon Conservancy and resource agencies. Restoration will enhance the lagoon’s wetland and upland areas, improve tidal flushing, and includes beach sand replenishment. Improving coastal access is a critical component of the NCC Program. Build NCC will include new east-west and north-south bicycle and pedestrian trails in and around the San Elijo Lagoon.

See inside map for details.
Integrating Transportation and Environmental Enhancements

The San Elijo Lagoon highway bridge will be replaced and lengthened to help improve tidal flow in the lagoon. The wider bridge will accommodate an additional Express Lane in each direction. In addition, a suspended bike and pedestrian bridge will be built underneath the San Elijo Lagoon highway bridge to further increase north-south and east-west connectivity, and create more travel choices. The North Coast Bike Trail will be constructed to expand the regional bike and pedestrian network.

Preserving Community Character and Improving Coastal Access

Build NCC includes local bike/pedestrian path improvements in Encinitas and Carlsbad. The interchanges at Encinitas Boulevard and Santa Fe Drive will be upgraded with new bike and pedestrian paths. The Build NCC project team is coordinating with the City of Encinitas to install local artwork into these improvements.

To help reduce freeway noise for nearby residents, Caltrans is proposing to construct several sound walls on private property. In areas with views, transparent sound walls will be offered to residents.
Discussion Memo: North Coast Corridor Program Update
May 2019

The first phase of construction of the North Coast Corridor (NCC) Program, known as Build NCC, will extend through the cities of Solana Beach, Encinitas, and Carlsbad (Attachment 1). Construction began in late 2016 and is scheduled to open to the public in late 2022.

Scope of Work

Highway Improvements

Caltrans will extend high occupancy vehicle (HOV) lanes for 14 miles on Interstate 5 (I-5) from Lomas Santa Fe Drive in Solana Beach to State Route 78 (SR 78) in Oceanside. Additional highway improvements include replacing and lengthening the San Elijo highway bridge to accommodate the HOV lanes and help improve lagoon tidal flow; constructing sound walls on private property; including a new Park & Ride facility at the I-5/Manchester Avenue interchange; and including auxiliary lanes. The Park & Ride will provide parking for carpools and vanpools, secure bike parking, make available electric vehicle charging stations, and offer recreational access to the San Elijo Lagoon and the new North Coast Bike Trail.

Rail Improvements

Improving the coastal rail line is a central component of Build NCC. The San Elijo Lagoon Double Track Project is part of a larger plan to improve the coastal rail system by adding a second track. The addition of the second track will allow trains traveling in opposite directions to pass without slowing down or stopping, increasing the corridor’s efficiency and reliability. Other project features include the replacement and lengthening of the rail bridge that spans over the San Elijo lagoon. Additionally, at-grade rail crossing improvements are being made at Chesterfield Drive in Encinitas. Finally, a pedestrian undercrossing is being built on the south side of the lagoon to provide improved lagoon and coastal access.

Lagoon Restoration

Build NCC includes the restoration of the San Elijo Lagoon. The restoration project is being coordinated with the San Elijo Lagoon Conservancy and resource agencies. Restoration will enhance the lagoon’s wetland and upland areas, improve tidal flushing, and facilitate beach sand replenishment. Improving coastal access is a critical component of the NCC Program. Build NCC will include new east-west and north-south bicycle and pedestrian trails in and around the San Elijo Lagoon.

Active Transportation Improvements

Build NCC includes construction of 7 miles of the North Coast Bike Trail, a planned bike trail stretching approximately 27 miles between Gilman Drive in the City of San Diego and Harbor Drive in the City of Oceanside. Build NCC also includes segments of the Coastal Rail Trail (CRT), a planned continuous bike route approximately 44 miles long between the City of Oceanside and Santa Fe Depot in Downtown San Diego. The first 1.3-mile segment of the CRT in the City of Encinitas, from Chesterfield Drive to Santa Fe Drive, currently is under construction.

Overall Capital Project Budget and Schedule

The capital budget for the projects currently in construction is $869 million. Actual expenditure through March 2019 is $257 million, or 30 percent of the capital budget.
Status of Work

Highway Improvements

The San Elijo Highway Project, which includes the Santa Fe Drive and Encinitas Boulevard bicycle and pedestrian improvements, is 60 percent complete, with an anticipated completion date of December 2021. Utilities are 90 percent complete. Stage one of the new outside bridge over the San Elijo Lagoon will be completed late this summer. The community improvements at Santa Fe Drive and Encinitas Boulevard are scheduled to be completed in late summer 2019.

The 8-mile extension of the HOV Lanes Project from Manchester Avenue to Palomar Airport Road, which includes sound walls on private property, culvert rehab, Intelligent Transportation Systems, and bike trails, is 12 percent complete and is expected to be open to traffic by the end of 2021. Drainage work in the median will begin in the next three months.

The design of the HOV lanes from Palomar Airport Road to SR 78 is underway, with construction beginning in late 2020.

Rail Improvements

The San Elijo Lagoon Double Track Project, on the Los Angeles – San Diego – San Luis Obispo Rail Corridor, is 94 percent complete, with an anticipated completion in mid-2019. Track crews completed laying the passing track across the lagoon and over the new bridge and placed this new track into service during the January absolute work window. The old wooden trestle over the lagoon inlet channel was demolished. Construction crews completed the rip rap protection around the new bridge abutments, completed grading, and started placing hydroseed on the embankment slopes over the San Elijo Lagoon. Crews also graded the trail down to the new pedestrian undercrossing on the south side of the San Elijo Lagoon to improve coastal access.

At Chesterfield Drive the improvements to the grade crossing are 92 percent complete after a closure in January to reconfigure the intersection. Crews are now installing fencing around the intersection and working with the City of Encinitas to implement a quiet zone.

A joint ribbon cutting took place on May 9 to celebrate completion of the San Elijo Lagoon Double Track and the CRT between Chesterfield Drive and the Swami’s undercrossing.

Lagoon Restoration

Dredging in the east and central basin is completed. The contractor is moving the small dredge to the lagoon inlet followed by the west basin while the inlet rock slope protection is being constructed. In addition, the lagoon pedestrian bridges construction is underway. Both abutment footings are completed for the westerly bridge. Cast in drilled hole piles are nearing completion on the easterly bridge, with the final concrete pour scheduled for the end of April. The Lagoon restoration is running under budget and 157 working days ahead of schedule.

Coastal Rail Trail Construction

The first CRT segment in the City of Encinitas began construction in April 2018. Current construction activities include completing the concrete trail and installing fencing, irrigation, and signage. Although some construction and weather-related delays were encountered, the project is being completed along with the San Elijo Lagoon Double Track Project and will be open in May 2019.
2019 Capital Grant Receipts Revenue Bonds: Review of Draft Documents

Overview

On February 22, 2019, the Board of Directors received an update on the TransNet program, including an estimate of short-term grants, bond proceeds and formula funds programmed in the Regional Transportation Improvement Program. This estimate included the anticipated issuance of up to $332 million in fixed-rate, tax-exempt Capital Grant Receipts Revenue Bonds backed by federal Full Funding Grant Agreement (FFGA) funds to continue implementation of the Mid-Coast Corridor Transit Project.

Key Considerations

To carry out the Board’s direction to continue implementation of the TransNet Program of Projects, SANDAG needs to return to the bond market in summer 2019 to issue up to $332 million in long-term, fixed-rate, tax-exempt Bonds. With the assistance of the financial advisor to SANDAG, Public Financial Management (PFM), staff has competitively procured the services of an external team of investment banking firms, bond counsel, and disclosure counsel to assist with the 2019 bond transaction. SANDAG staff and the external team currently are drafting the appropriate bond documents to be brought back for review and approval by the Board later this month.

The memorandum from PFM (Attachment 1) provides further detail regarding the proposed 2019 Bonds. In addition, drafts of the Authorizing Resolution, Trust Indenture, and Preliminary Official Statement have been included (as Attachments 2 through 4, respectively).

Next Steps

Presentation of final bond documents associated with the issuance of up to $332 million in new bonds is scheduled for the June Transportation Committee and Board meetings. The transaction is scheduled to price in July and close in August 2019.

André Douzdjian, Director of Finance

Key Staff Contacts: André Douzdjian, (619) 699-6931, andre.douzdjian@sandag.org
José Nuncio, (619) 699-1908, jose.nuncio@sandag.org

Attachments: 1. PFM Bonds Memo
2. Draft Authorizing Resolution
3. Draft Trust Indenture
4. Preliminary Official Statement
Memorandum

To: SANDAG Board of Directors

From: Peter Shellenberger, PFM Financial Advisors LLC
Darren Hodge, PFM Financial Advisors LLC

RE: 2019 Capital Grant Receipts Revenue Bonds

INTRODUCTION

PFM Financial Advisors LLC (“PFM”) as municipal advisor to SANDAG has worked with SANDAG staff to assemble a financing team and refine a plan of finance for the proposed 2019 Capital Grant Receipts Revenue Bonds (the “Bonds”). SANDAG’s plan of finance for the Mid-Coast Corridor Project (the “Project”) includes the issuance of bonds secured by grants provided by the Federal Transit Administration (“FTA”) pursuant to the Full Funding Grant Agreement (“FFGA”) into which SANDAG entered in 2016. FFGA payments are expected annually through 2026, and the issuance of the Bonds will allow SANDAG to accelerate receipt of funds to match the remaining 2.5 years of construction. The proposed financing will consist of two series of tax-exempt bonds expected to price in July and close in August. This memorandum provides a brief market update and an update on the anticipated financing.

MARKET UPDATE

The graph below shows the five-year AAA Municipal Market Data (MMD) index (the industry-accepted index for tax-exempt bonds) over the last 10-years. The five-year rate is a good benchmark for the Bonds because the average life of the bonds is expected to be approximately five years based on the expected timing of FFGA receipts. As the graph indicates, five-year AAA MMD was at 1.64% as of April 29, 2019. Although this is slightly above the 10-year average of 1.34%, rates have declined steadily since their recent peak of 2.34% in early November of 2018. It is important to note that the Bonds will
not have a AAA rating and will, therefore, sell with a spread above MMD. Nevertheless, declining rates have also meant that spreads have compressed. This rate dynamic combined with the Federal Reserve’s stated expectation of no further increases in the Federal Funds Rate for the remainder of 2019 offers a favorable environment in which to price the Bonds if it persists into the summer.

OVERVIEW OF THE 2019 BONDS

The financing process commenced in November of 2018 and is progressing as planned toward a summer pricing. SANDAG staff, with the assistance of PFM, selected the underwriting team through a competitive RFP process. Wells Fargo is serving as the senior manager, and Citigroup, J.P. Morgan, and Goldman Sachs are serving as co-managers. SANDAG also conducted RFP processes to select bond counsel, disclosure counsel, and the trustee. Bond counsel is Norton Rose Fulbright, disclosure counsel is Orrick, Herrington & Sutcliffe LLP, and trustee will be selected in the coming weeks. At this stage, the financing team has developed a bond structure, rating agency strategy, and drafted documents. The remainder of this section will address each of these components of the financing.

Size and Structure: The bonds will be structured to minimize or eliminate the need for future TransNet contributions to the Project and mitigate risk of delays in FFGA receipts. SANDAG and the financing team anticipate the transaction will include two series:

- **Series 2019A**: Serial bonds with semi-annual interest payments and annual maturities on November 15 of 2023 through 2026. Each serial bond will be callable 12 months prior to its stated maturity.

- **Series 2019B**: “Super sinker” bonds with semi-annual interest payments and a single maturity on November 15, 2027. This series will be callable on any interest payment date. All funds remaining after any pay-go, principal and interest payments on the 2019A Bonds, and interest payments on the 2019B Bonds will be used to redeem principal on the 2019B Bonds.

Estimated sources and uses are in the table below.

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<td>Total Uses:</td>
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</table>
The Bonds are sized as follows:

- **Project Fund:** An estimated deposit of $331.0 million in conjunction with limited pay-go from FFGA receipts will fully fund the Project based on current estimated costs with no need for future TransNet contributions. The final project fund deposit will depend on market conditions at the time of pricing, and SANDAG will have full discretion to contribute additional TransNet funds if necessary.

- **Capitalized Interest:** Interest will be capitalized for the November 15, 2019 and May 15, 2020 interest payments. Doing so increases the amount of FFGA funding that SANDAG can use for pay-go and reduces risk from delays in FFGA receipts.

- **Debt Service Reserve Fund:** It is funded at maximum annual stated interest. Funding a DSRF is necessary to attract sufficient investor interest and to achieve investment-grade credit ratings. It also reduces risk from delays in FFGA receipts.

The Bonds will be secured solely by FFGA receipts and will have no lien on TransNet revenues. The anticipated structure will allow all FFGA receipts in Federal Fiscal Years (“FFY”) 2020 and 2021 to be applied to project costs after funding required interest payments in those years. Pay-go in those years is estimated at approximately $180 million but will depend on actual interest requirements. All subsequent FFGA receipts may then only be used for principal and interest payments on the Bonds.

The repayment structure is designed to withstand delays in FFGA receipts. Principal payments on the 2019A Bonds are scheduled to occur 13.5 months after the end of the FFY in which each FFGA payment is expected to be received. The 12-month call window means each maturity can be called close to when the FFGA payment is expected but that up to a 13.5-month delay will not compromise the ability to make the required payment. Payments are sized to withstand up to a 40% reduction in FFGA receipts in any given year. Principal on the 2019B Bonds is then redeemed using any remaining funds after paying the principal on the 2019A Bonds. Having no required principal payment until 2027 but allowing for early redemption if funds are received as expected provides additional flexibility to withstand federal funding delays.

Expected debt service varies from stated debt service due to the redemption provisions. Total debt service is currently projected at $411.7 million based on the stated principal payment dates. However, if FFGA receipts occur as outlined in the agreement, both series would be repaid more quickly than the stated amortization and debt service would decline to $386.5 million. Average life would go from a stated period of 6.75 years to 4.72 years under the expected scenario. It is important to note that FFGA receipts for projects throughout the country sometimes vary from the anticipated schedule but that the FTA has never failed to provide its full commitment to projects that meet the terms of their agreements.

**Rating Agency Strategy:** SANDAG will be seeking two ratings for the Bonds. After considering each rating agency’s familiarity with similar credits, SANDAG’s existing relationships with rating agencies, and market requirements, SANDAG and the financing team decided to pursue ratings from Standard & Poor’s (“S&P”) and Fitch. Two ratings are consistent with SANDAG’s approach to its other obligations.
and with investor expectations for similar credits. SANDAG secured ratings from S&P and Fitch on its most recent transaction, the 2018 Notes, and both agencies have some familiarity with similar credits.

A key challenge related to ratings is the unique nature of the credit. Although issuers commonly securitize various federal transportation funding sources, it has been over a decade since there has been a transaction secured only by FFGA revenues with no other backstop. This creates uncertainty in the rating outcome. The financing team will push for an investment-grade ratings in the single-A to triple-B category, but will also use a unique strategy to increase the likelihood of this outcome. Both S&P and Fitch offer a service in which issuers can present alternative structures and receive general feedback on the rating implications relative to a base scenario. The financing team does not anticipate any change to the fundamental structure described above, but intends to present two variations:

- **Senior/Subordinate:** The 2019A Bonds would be offered on a senior lien and the 2019B Bonds would be on a subordinate lien. Doing so could enhance the rating of the senior bonds and slightly reduce borrowing costs.

- **Supplemental Reserve:** SANDAG would contribute an additional reserve from available funds in addition to the DSRF. The current proposal is to contribute one year’s worth of interest, currently estimated at $28.1 million. Doing so further mitigates the risk from delays in FFGA receipts.

SANDAG and the financing team will proceed with a final structure based on Board direction and feedback from S&P and Fitch.

**Documents and Schedule:** The SANDAG legal team has drafted documents in connection with the 2019 Bonds. These include the Indenture, Resolution, and Preliminary Official Statement. These documents will be presented for Board approval on June 28. Following Board approval, SANDAG will post the POS and the underwriters will commence with marketing the Bonds. Pricing is currently scheduled for the week of July 22 and closing would occur the week of August 5. The schedule is subject to change if market conditions or other considerations warrant it.
RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $[NTE PAR] AGGREGATE PRINCIPAL AMOUNT OF SAN DIEGO ASSOCIATION OF GOVERNMENTS CAPITAL GRANT RECEIPTS REVENUE BONDS IN ONE OR MORE SERIES (MID-COAST CORRIDOR TRANSIT PROJECT), INCLUDING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, A PURCHASE CONTRACT, AN OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE AGREEMENT, AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

WHEREAS, the San Diego Association of Governments ("SANDAG") is a consolidated regional transportation agency organized and existing pursuant to the San Diego Regional Transportation Consolidation Act, being Chapter 3 of Division 12.7 of the Public Utilities Code of the State of California (Section 132350 et seq.), as the same may be amended from time to time hereafter (the "Act");

WHEREAS, SANDAG has undertaken its “Mid-Coast Corridor Transit Project” consisting of the design and construction of an extension of the San Diego Trolley Blue Line from the Santa Fe depot in downtown San Diego, California, north to the UTC Transit Center in the University City community of San Diego, California (the “Project”); and

WHEREAS, a portion of the costs of construction of the Project is being funded by grants received or expected to be received by SANDAG under the terms of a Full Funding Grant Agreement with the United States of America, acting through the Department of Transportation, Federal Transit Administration ("the “Full Funding Grant Agreement”); and

WHEREAS, Section 132370.1 of the California Public Utilities Code provides that SANDAG may issue bonds, for any one or more transit facilities authorized to be acquired, constructed, or completed by SANDAG; and

WHEREAS, SANDAG has determined to issue its Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project) (the “Bonds”) for the purpose of financing a portion of the costs of the Project and related financing costs in anticipation of the receipts of the grants to be received by SANDAG from the federal government in aid of construction of the Project pursuant to the terms of the Full Funding Grant Agreement; and

WHEREAS, the following documents have been prepared and presented to SANDAG (collectively, the “Financing Documents”):

(1) a proposed form of Trust Indenture (the “Trust Indenture”), by and between SANDAG and [TRUSTEE], as trustee (the “Trustee”), providing for the issuance and security of the Bonds;
(2) A proposed form of bond purchase agreement setting forth the terms of sale of the Bonds (the “Purchase Contract”), in an aggregate principal amount not to exceed $[NTE PAR], which SANDAG proposes to enter into with Wells Fargo Securities LLC, as representative, acting on behalf of itself and Citigroup Global Markets, Inc., Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC (collectively, the “Underwriters”);

(3) A proposed form of official statement in preliminary form to be distributed in connection with the offering and sale of the Bonds (the “Official Statement”); and

(4) A proposed form of Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) to be executed and delivered by SANDAG to assist the Underwriters in satisfying their respective obligations under Rule 15c2-12 promulgated by the Securities and Exchange Commission; and

WHEREAS, SANDAG has engaged Norton Rose Fulbright US LLP as bond counsel, Orrick, Herrington & Sutcliffe LLP as disclosure counsel and PFM Financial Advisors, LLC as municipal advisor with respect to the Bonds;

WHEREAS, SANDAG deems it necessary and desirable to sell the Bonds by negotiated sale to the Underwriters, in order to provide flexibility in the timing of the sale of the Bonds, increase the ability to pre-market the Bonds, achieve a more desirable debt structure and aim for an overall lower cost of borrowing; and

WHEREAS, SANDAG has been presented with proposed forms of the Financing Documents relating to the financing described herein (the “Financing”), and SANDAG has examined and approved each document and desires to authorize and direct the execution of such documents as are specified herein and such other documents as are necessary in connection with the Financing and to authorize and direct the consummation of the Financing;

NOW THEREFORE, THE SAN DIEGO ASSOCIATION OF GOVERNMENTS RESOLVES:

Section 1. SANDAG finds and determines that the foregoing recitals are true and correct and makes them an effective part of this Resolution by incorporating them herein by reference.

Section 2. The issuance by SANDAG of not to exceed $[NTE PAR] aggregate principal amount of San Diego Association of Governments Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project) in accordance with the provisions set forth in the Trust Indenture, is hereby authorized and approved.

Section 3. The proposed form of Trust Indenture presented to this meeting and the terms and conditions thereof are hereby approved. The structure, series designation, date, maturity date or dates (not to exceed November 1, 20__), fixed interest rate or rates (such rates not to exceed a maximum of [__.__]%, per annum), interest payment dates, forms registration privileges, place or places of payment, terms of redemption, mandatory purchase, additional series designation and number thereof and other terms of the Bonds shall be (subject to the foregoing limitations) as provided in the Indenture as finally executed and delivered. The Executive Director is hereby authorized and directed, for and in the name and on behalf of SANDAG, to execute and deliver the Trust Indenture, in substantially said form, with such changes therein as the officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.
Section 4. The proposed form of Purchase Contract presented to this meeting and the terms and conditions thereof are hereby approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of SANDAG, to sell the Bonds to the Underwriters pursuant to the Purchase Contract, with the Underwriters’ compensation not to exceed [_____]% of the principal amount of the Bonds, and to execute and deliver the Purchase Contract, in substantially said form, with such changes therein as the officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of Official Statement presented to this meeting is hereby approved. The Executive Director is hereby authorized and directed to execute and deliver the Official Statement in substantially said form with such changes, insertions and deletions as may be approved by the Executive Director, said execution being conclusive evidence of such approval; and the Executive Director is hereby authorized to execute a certificate confirming that the Official Statement in preliminary form is “deemed final” by SANDAG for purposes of Securities and Exchange Commission Rule 15c2-12. The distribution by the Underwriters of copies of the Official Statement in final form to all actual purchasers of the Bonds, and the distribution by the Underwriters of the Official Statement in preliminary form to potential purchasers of the Bonds, is hereby authorized and approved.

Section 7. The proposed form of Continuing Disclosure Agreement presented to this meeting is hereby approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of SANDAG, to execute and deliver the Continuing Disclosure Agreement in substantially said form, with such changes therein as such officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. Each of the Executive Director of SANDAG, the Chief Deputy Executive Director of SANDAG or the Director of Finance of SANDAG, acting singly (each an “Authorized Officer”), is hereby authorized to execute all approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the Bonds, including, without limitation, any amendment of any of the documents authorized by this Resolution, or other agreements related thereto, that may be necessary or desirable in connection with any investment of proceeds of the Bonds, or in connection with the addition, substitution or replacement of underwriters, or any agreements with paying agents, escrow agents or verification agents, the removal or replacement of the Trustee or any similar action may be given or taken by an Authorized Officer, without further authorization or direction by SANDAG, and each Authorized Officer, acting singly, is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 9. All actions heretofore taken by the officers, employees and agents of SANDAG with respect to the Financing and the issuance and sale of the Bonds, are hereby ratified, confirmed and approved. If at the time of execution of any of the documents authorized herein, the Executive Director is unavailable, such documents may be executed by the Chief Deputy Executive Director of SANDAG or the Director of Finance in lieu of the Executive Director. The Chair of the Board or, in the Chair’s absence, a Vice Chair of the Board, is hereby authorized to execute and deliver the Bonds. The Executive Director of SANDAG is hereby authorized to execute and attest to the execution of the
Bonds. The Clerk of the Board is hereby authorized to attest to the execution by an Authorized Officer of any of such documents as said officers deem appropriate.

The officers and agents of SANDAG are hereby authorized and directed, jointly and severally, for and in the name and on behalf of SANDAG, to adopt or amend written procedures relating to its bonds and to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, including, without limitation, signature certificates, certificates concerning the contents of the Official Statement and the representations and warranties in the Purchase Contract, any tax certificates or agreements, any agreements for depository or verification services, and any agreements for rebate compliance services, which they, or any of them, may deem necessary or advisable in order to consummate the Financing and the issuance and sale of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the Act, the Trust Indenture, the Bonds and the other documents approved hereby.

Section 10. This Resolution shall take effect immediately upon its adoption and approval.

PASSED AND ADOPTED this [Insert Day] of [Insert Month & Year].

ATTEST:
CHAIR
SECRETARY

MEMBER AGENCIES: Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach, Vista, and County of San Diego.

ADVISORY MEMBERS: California Department of Transportation, Metropolitan Transit System, North County Transit District, Imperial County, U.S. Department of Defense, San Diego Unified Port District, San Diego County Water Authority, Southern California Tribal Chairmen’s Association, and Mexico.
I, __________, Clerk of the Board of the San Diego Association of Governments (“SANDAG”), hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by at least a majority vote of SANDAG at a meeting of the governing board of said SANDAG duly and regularly held in San Diego, California, on [______, 2019], of which meeting all of the members of said SANDAG had due notice.

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, rescinded or revoked in any manner since the date of its adoption, and the same is now in full force and effect.

I further certify that an agenda of said meeting was posted at least 72 hours before said meeting at a location in San Diego, California, freely accessible to the public and a brief general description of the resolution to be adopted at said meeting appeared on said agenda.

IN WITNESS WHEREOF, I have executed this certificate hereto as of this date, __________, 2019.

By____________________________________________________________
                   Clerk
TRUST INDENTURE

between the

SAN DIEGO ASSOCIATION OF GOVERNMENTS

and

________________________________________________,

as Trustee

Dated as of ____________ 1, 2019

SECURING
SAN DIEGO ASSOCIATION OF GOVERNMENTS
CAPITAL GRANT RECEIPTS REVENUE BONDS
(MID-COAST CORRIDOR TRANSIT PROJECT)
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TRUST INDENTURE

THIS TRUST INDENTURE dated as of ____________ 1, 2019 (the “Indenture”), by and between the SAN DIEGO ASSOCIATION OF GOVERNMENTS, a public entity duly existing under the laws of the State of California (“SANDAG”), and ______________________, a [national banking association] duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the [United States of America], as trustee (the “Trustee”).

W I T N E S E T H:

WHEREAS, SANDAG is a consolidated regional transportation agency organized and existing pursuant to the San Diego Regional Transportation Consolidation Act, being Chapter 3 of Division 12.7 of the Public Utilities Code of the State of California (Section 132350 et seq.), as the same may be amended from time to time hereafter, the “Act”;

WHEREAS, SANDAG has undertaken its “Mid-Coast Corridor Transit Project” (the “Project”), consisting of the design and construction of an extension of the San Diego Trolley Blue Line from the Santa Fe depot in downtown San Diego, California, north to the UTC Transit Center in University City, California; and

WHEREAS, a portion of the costs of construction of the Project is being funded by grants received or expected to be received by SANDAG under the terms of a Full Funding Grant Agreement (CA-2016-021-00) with the United States of America, acting through the Department of Transportation, Federal Transit Administration; and

WHEREAS, Section 132370.1 of the California Public Utilities Code provides that SANDAG may issue bonds, for any one or more transit facilities authorized to be acquired, constructed, or completed by SANDAG; and

WHEREAS, SANDAG has determined to issue its Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project) (the “Bonds”) for the purpose of financing a portion of the costs of the Project and related financing costs in anticipation of the receipts of the grants to be received by SANDAG from the federal government in aid of construction of the Project pursuant to the terms of the Full Funding Grant Agreement; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as provided in this Indenture, the valid, binding and legal limited obligations of SANDAG according to the import thereof, and to constitute this Indenture a valid pledge of and grant of a lien on the Grant Receipts (as defined herein) to secure the payment of the principal of, premium, if any, and interest on the Bonds have been done and performed, in due form and time, as required by law; and

WHEREAS, the execution and delivery of this Indenture and the execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;
GRANTING CLAUSES

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

That in order to provide for the payment of Project costs and to secure the payment of the principal of, premium, if any, and interest on all Bonds issued and to be issued hereunder, according to the import thereof, and the performance and observance of each and every covenant and condition herein and in the Bonds contained, and for and in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the respective Owners (as hereinafter defined) thereof, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds shall be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, SANDAG does hereby pledge and grant a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, to the extent provided in this Indenture:

(a) The Grant Receipts;

(b) All moneys and securities and earnings thereon in all funds, accounts and subaccounts established pursuant to this Indenture (except the Rebate Fund); and

(c) The Additional Security.

BUT IN TRUST NEVERTHELESS, for the equal and proportionate benefit and security of the Bonds issued and to be issued hereunder and secured by this Indenture, including any Bonds hereafter issued, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of any one Bond over any other or from the others by reason of priority in the issue or negotiation thereof or by reason of the date or dates of maturity thereof, or for any other reason whatsoever (except as expressly provided in this Indenture), so that each and all of such Bonds shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery hereof (all except as expressly provided in this Indenture, as aforesaid).

PROVIDED, HOWEVER, that these presents are upon the condition that, if SANDAG, or its successors, shall well and truly pay or cause to be paid, or provide for the payment of all principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner stipulated therein and herein, then this Indenture and the rights hereby granted shall cease, terminate and be void, but shall otherwise be and remain in full force.

AND IT IS HEREBY COVENANTED AND AGREED by and among SANDAG, the Trustee and the Owners from time to time of the Bonds, that the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become the Owners thereof, and the trusts and conditions upon which the moneys and securities hereby pledged are to be held and disposed of, which trusts and conditions the Trustee hereby accepts, are as follows:
ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 101. Definitions. The following terms shall, for all purposes of this Indenture, have the following meanings unless a different meaning clearly appears from the context:

“Accountant” means an independent certified public accountant or a firm of independent certified public accountants (who may be the accountants who regularly audit the books and accounts of SANDAG) who are selected and paid by SANDAG.

“Accreted Amount” means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing such Bonds as the amount representing the initial public offering price thereof, plus the amount of interest that has accreted on such Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Bonds. The Accreted Amounts for such Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such Bonds as of the date stated in such tables immediately preceding the date of computation a portion of the difference between the Accreted Amount for such preceding date and the Accreted Amount for such Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accretes during any period in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months.

“Act” means the San Diego Regional Transportation Consolidation Act, being Chapter 3 of Division 12.7 of the Public Utilities Code of the State of California (Section 132350 et seq.), and as such may be amended from time to time hereafter.

“Additional Security” means any and all moneys and securities furnished from time to time to the Trustee by SANDAG or on behalf of SANDAG by any other persons, in each case at SANDAG’s sole and absolute discretion, to be held by the Trustee under the terms of this Indenture.

“Annual Debt Service Requirement” means, with respect to any Federal Fiscal Year, the aggregate of the Interest Requirement and the Principal Requirement for such Federal Fiscal Year.

“Authorized Denominations” means (a) with respect to 2019 Bonds, $5,000 or any integral multiple thereof, and (b) in the case of Refunding Bonds, such other denominations as may be specified in the Supplemental Indenture authorizing the issuance thereof.

“Authorized Officer” means the Executive Director of SANDAG, any Deputy Executive Director of SANDAG, the Director of Finance of SANDAG or any other employee of SANDAG at the time designated to act on behalf of SANDAG in a Certificate of SANDAG executed by any of the foregoing officers and filed with the Trustee, which Certificate shall contain such employee’s specimen signature.

“Average Projected Annual Debt Service” means, as of any date of calculation, the average amount of Projected Annual Debt Service in each Federal Fiscal Year on the applicable Bonds to the stated maturity thereof.
“Beneficial Owner” means, with respect to any Book-Entry Bond, the beneficial owner of such Book-Entry Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

“Board” means the Board of Directors of SANDAG.

“Bond” or “Bonds” means any bond or bonds, including the 2019 Bonds and (as the context may require) any Refunding Bonds, authenticated and delivered under and pursuant to this Indenture, other than Subordinated Indebtedness.

“Bond Counsel” means Norton Rose Fulbright US LLP or any other attorney at law or firm of attorneys selected by SANDAG of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Insurance Policy” means any municipal bond new issue insurance policy issued by a Bond Insurer that guarantees the payment of principal of and interest on any of the Bonds.

“Bond Insurer” means the issuer of a Bond Insurance Policy.

“Book-Entry Bonds” means Bonds issued under a book-entry only depository system as provided in Section 308.

“Business Day” means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Trustee is located are authorized or required by law or executive order to close (and the Trustee is in fact closed).

“Capital Appreciation and Income Bond” means any Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified therefor and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified therefor, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond.

“Capital Appreciation Bond” means any Bond the interest on which (i) shall be compounded periodically on certain designated dates, (ii) shall be payable only at maturity or redemption prior to maturity and (iii) shall be determined by subtracting from the Accreted Amount the initial public offering price thereof, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. The term “Capital Appreciation Bond” as used throughout this Indenture also includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified therefor.

“Capitalized Interest Account” means the account of that name in the Construction Fund established in Section 502.

“Closing Date” means ____________, 2019.

“Code” means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.
“Construction Fund” means the Construction Fund established in Section 502.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated the Closing Date, as originally executed by SANDAG and, if applicable, a Dissemination Agent, as it may be amended from time to time in accordance with its terms.

“Costs of Construction” means with respect to the Project, the costs of acquisition, construction and equipping thereof, including the costs of acquisition of all land, rights of way, property, rights, easements and interests, acquired by SANDAG for such construction, the cost of all machinery and equipment, financing charges, financial and municipal advisory fees, interest prior to and during construction and for such period after completion of construction as SANDAG shall determine, the cost of engineering and legal expenses, plans, specifications, surveys, estimates of cost and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing the Project, administrative expenses and such other costs, expenses and funding as may be necessary or incident to the construction, the financing of such construction and the placing of the Project in service, in each case to the extent such costs satisfy the definition of “Project Costs” set forth in the Full Funding Grant Agreement.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to SANDAG and related to the authorization, execution, sale and delivery of the 2019 Bonds, including, but not limited to, advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, underwriting fees and discounts, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the 2019 Bonds, surety, insurance, liquidity and credit enhancements costs, and any other cost, charge or fee incurred in connection with the issuance of the 2019 Bonds.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to SANDAG.

“Credit Bank” means, as to any particular Series of Bonds, the person (other than a Bond Insurer) providing a Credit Facility, as may be provided in the Supplemental Indenture authorizing such Series.

“Credit Facility” means, as to any particular Series of Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement or other credit or liquidity enhancement facility, other than a Bond Insurance Policy, as may be provided in the Supplemental Indenture authorizing such Series.

“Current Funds” means moneys which are immediately available in the hands of the payee at the place of payment.

“Current Interest Bond” means any Bond the interest on which is payable on the Interest Payment Dates provided therefor in the Supplemental Indenture authorizing such Bond. The term “Current Interest Bond” as used throughout this Indenture also includes any Capital Appreciation and Income Bond from and after the Interest Commencement Date specified therefor.

“Debt Service Fund” means the Debt Service Fund established in Section 502.
“Debt Service Reserve Credit Facility” shall have the meaning assigned to such term in Section 506(D)(1).

“Debt Service Reserve Fund” means the Debt Service Reserve Fund established in Section 502.

“Debt Service Reserve Requirement” means, with respect to the 2019 Bonds, an amount equal to $__________.

“Defeasance Securities” means noncallable: (i) U.S. Treasury certificates, notes, bills and bonds, including State and Local Government Series securities; (ii) direct obligations of the U.S. Treasury; (iii) Resolution Funding Corp. securities (“REFCORP”); (iv) pre-refunded municipal bonds rated the same level as U.S. Treasury Notes and Bonds by Moody’s and by S&P, provided, however, that if such municipal bonds are rated only by S&P, then such pre-refunded municipal bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations; (v) obligations issued by the following agencies, which are backed by the full faith and credit of the United States: (a) Farmers Home Administration (FmHA) - certificates of beneficial ownership; (b) General Services Administration - participation certificates; (c) U.S. Maritime Administration - Guaranteed Title XI financing; (d) Small Business Administration guaranteed participation certificates and guaranteed pool certificates; (e) GNMA guaranteed MSB and participation certificates; and (f) U.S. Department of Housing and Urban Development (HUD) Local Authority Bonds, or (vi) certain obligations of government-sponsored agencies that are not backed by the full faith and credit of the United States limited to: (a) Federal Home Loan Mortgage Corp. (FHLMC) debt obligations; (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes; (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; (d) Federal National Mortgage Association (FNMA) debt obligations; (e) Student Loan Marketing Association (SLMA) debt obligations; and (f) Financing Corp. (FICO) debt obligations; and (g) other obligations approved by the Rating Agencies for defeasance escrows rated in their highest rating category.

“DTC” means The Depository Trust Company, the initial Securities Depository for the 2019 Bonds.

“DTC Participant” shall mean any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing 2019 Bonds with DTC pursuant to the book-entry only system described in Section 308.

“Event of Default” means any event so designated and specified in Section 801.

“Favorable Opinion of Bond Counsel” means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, to the effect that such action is permitted under this Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the State (subject to customary exceptions).

“Federal Fiscal Year” means the period October 1 through September 30 of the following year.

“Fiscal Year” means the period July 1 through June 30 of the following year.
“FTA” means the Federal Transit Administration of the United States Department of Transportation.

“Full Funding Grant Agreement” means the grant agreement (including attachments) by and between the FTA, as grantor, and SANDAG, as grantee, with respect to the Project designated as “Full Funding Grant Agreement – CA-2016-021-00” and providing FTA Section 5309 (49 United States Code Section 5309) New Starts funds as grants in aid of the design and construction of the Project.

“Grant Receipts” means any amount received by SANDAG from Section 5309 (49 United States Code Section 5309) New Starts funds pursuant to the Full Funding Grant Agreement.

“Grant Receipts Construction Fund” means the Grant Receipts Construction Fund established in Section 502.

“Grant Receipts Fund” means the Grant Receipts Fund established in Section 502.

“Indenture” means this Trust Indenture, dated as of ____________ 1, 2019, by and between SANDAG and the Trustee, as from time to time amended and supplemented.

“Interest Account” means the account of that name in the Debt Service Fund established in Section 502.

“Interest Commencement Date” means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Bond (which date must be prior to the maturity date for such Capital Appreciation and Income Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.


“Interest Period” means the period from the date of the Bonds of any Series to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

“Interest Requirement” means, for any Federal Fiscal Year or other period, as the context may require, as applied to Bonds of any Series then Outstanding, the total of the sums that would be deemed to accrue on such Bonds during such period if the interest on the Current Interest Bonds of such Series were deemed to accrue daily during such period in equal amounts; provided, however, that an amount of interest shall be excluded from the determination of Interest Requirement to the extent that such interest has been paid, or is to be paid from the moneys in the Capitalized Interest Account allocable to the payment of such interest as provided in Section 507 with respect to the 2019 Bonds or as provided in the Supplemental Indenture authorizing the issuance of a Series of Refunding Bonds or from investment earnings thereon if such moneys shall have been invested in Permitted Investments and to the extent such earnings may be determined precisely. Unless SANDAG shall otherwise provide in a Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds,
except to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of Interest Requirement.

[“Maximum Annual Debt Service Requirement” means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and any succeeding Federal Fiscal Year.]

“Nominee” means the nominee of the Securities Depository for the Book-Entry Bonds, in whose name such Book-Entry Bonds are to be registered. The initial Nominee shall be Cede & Co., the partnership nominee of DTC.

“Outstanding,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Indenture except:

(i) Any Bonds canceled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys and/or Defeasance Securities, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under this Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III, Section 406 or Section 1106; and

(iv) Bonds deemed to have been paid as provided in Section 1201(B).

“Owner” means any person who shall be the registered owner of any Bond or Bonds.

“Payment Date” shall mean any Interest Payment Date or Principal Payment Date.

“Permitted Investments” means any of the following:

(i) United States Government Securities defined as direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the payment of principal and interest by the United States of America;

(ii) federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises or corporations;

(iii) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, and eligible for purchase and sale within the United States, rated “AA” or its equivalent or better by a
nationally recognized statistical rating organization (referred to in this definition of Permitted Investments as an “NRSRO”);

(iv) corporate and depository institution debt securities with a maximum remaining maturity of five (5) years or less, issued by corporations, financial institutions, non-profits, or other entities organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States (not to include other investment securities), which have a long-term rating of “A” or its equivalent or better by an NRSRO;

(v) obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state and with a long-term of “A” or its equivalent or better by an NRSRO;

(vi) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally-licensed or state-licensed branch of a foreign bank with a long-term rating of “A” or a short-term rating of “A-1” or their respective equivalents or better by an NRSRO;

(vii) bank deposits with a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, in California provided such deposits shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by such securities and obligations as are described in Sections 53630 through 53686 of the California Government Code;

(viii) commercial paper rated “A-1” or better by an NRSRO, which purchases may not exceed two hundred seventy (270) days maturity;

(ix) bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term obligations of which are rated “A-1” or better by two NRSROs, which purchases may not exceed one hundred eighty (180) days maturity;

(x) Government money market funds as defined by Securities and Exchange Commission Rule 2a-7(a)(16);

(xi) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 of the California Government Code. Investments shall be restricted to those pooled programs that seek to maintain a stable net asset value;

(xii) Local Agency Investment Fund, the State of California managed investment pool;

(xiii) The pooled investment fund of the County of San Diego, California, which is administered in accordance with the investment policy of said County as established by the Treasurer/Tax Collector;
(xiv) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended;

(xv) Repurchase agreements that meet the following criteria:

   (1) Acceptable providers shall consist of (a) registered broker/dealers subject to Securities Investors’ Protection Corporation (referred to in this definition of Permitted Investments as “SIPC”) jurisdiction or commercial banks insured by the Federal Deposit Insurance Corporation (referred to in this definition of Permitted Investments as “FDIC”), if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody’s and A-/A-1 or better by S&P, or (b) domestic structured investment companies rated Aaa by Moody’s and AAA by S&P; and

   (2) The repurchase agreement shall limit acceptable securities specified in subsections (i) and (ii) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for investments specified in subsection (i) above and 105% for investments specified in subsection (ii) above. The repurchase agreement shall require:

      (a) the Trustee or an independent third party acting solely as agent (referred to in this definition of Permitted Investments as the “Agent”) for the Trustee to value the collateral securities no less frequently than weekly,

      (b) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and

      (c) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.

   (3) The repurchase securities shall be delivered free and clear of any lien to the Trustee or to the Agent, and the Trustee shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee; and

   (4) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and SANDAG and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof;

(xvi) Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

   (1) Acceptable providers of uncollateralized investment agreements shall consist of (a) domestic insurance companies, (b) domestic FDIC-insured commercial banks, or (c) U.S. branches of foreign banks, rated at least Aa3 by Moody’s and AA- by S&P;
(2) Acceptable providers of collateralized investment agreements shall consist of domestic insurance companies, domestic commercial banks, U.S. branches of foreign banks, or broker/dealers rated at least A3 or better by Moody’s and A- or better by S&P. Required collateral levels shall be as set forth in (xv)(5) below;

(3) The investment agreement shall provide that if the provider’s ratings fall below Aa3 by Moody’s or AA- by S&P, the provider shall within ten (10) days either (a) repay the principal amount plus any accrued and interest on the investment; or (b) deliver collateral described in (xv)(5)(a) or (xv)(5)(b) below (referred to in this definition of “Permitted Collateral”);

(4) The investment agreement must provide for termination thereof if the provider’s ratings are suspended, withdrawn or fall below A3 from Moody’s or A- from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty to the Issuer;

(5) The investment agreement shall provide for the delivery of Permitted Collateral which shall be maintained at the following collateralization levels at each valuation date:

   (a) investments specified in subsection (i) above at 104% of principal plus accrued interest; or

   (b) investments specified in subsection (ii) above at 105% of principal and accrued interest;

(6) The investment agreement shall require the Trustee or Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels;

(7) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Trustee or the Agent; and

(8) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under (xv)(5) above, the Trustee shall receive an opinion of counsel as to the perfection of the security interest in the collateral;

(xvii) Forward delivery agreements in which the securities delivered mature on or before each cash flow date that meet the following criteria:

   (1) Acceptable providers shall be limited to domestic insurance companies, domestic commercial banks, U.S. branches of foreign banks, rated Baa3- or better by Moody’s or BBB- or better by S&P;
(2) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider’s ratings are suspended, withdrawn or fall below Baa3 from Moody’s or BBB- from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value; and

(3) Permitted securities shall include the investments listed subsections in (i) and (ii) above;

(xviii) Any other forms of investments, which at the time of investment are legal investments, under the California Government Code, for SANDAG’s surplus funds;

For purposes of the foregoing, maturity of investments shall be governed by the following:

(1) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments;

(2) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements; and

(3) Investments of monies in the Debt Service Reserve Fund not payable upon demand shall be restricted to maturities of five (5) years or less.

“Person” means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

“Principal” or “principal” means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in this Indenture in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case “principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then Outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the Redemption Price of any Capital Appreciation Bond, “principal amount” means the Accreted Amount and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity.

“Principal Account” means the account of that name in the Debt Service Fund established in Section 502.
“Principal Payment Date” means an November [15] upon which the principal of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment.

“Principal Requirement” means for any Federal Fiscal Year or other period, as the context may require, as applied to the Bonds of any Series, an amount equal to the principal scheduled to become due on such Bonds during such period, including Sinking Fund Installments; provided, however, that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount has been paid, or is to be paid from the proceeds of Bonds allocable to the payment of such principal as provided in the Supplemental Indenture authorizing the issuance of such Bonds or from the investment earnings thereon if such proceeds shall have been invested in Permitted Investments and to the extent such earnings may be determined precisely.

“Project” means SANDAG’s Mid-Coast Corridor Transit Project as more particularly described in the Full Funding Grant Agreement and the plans and specifications therefor on file with SANDAG, as the same may be revised from time to time to SANDAG.

“Projected Annual Debt Service” means, with respect to any Series of Bonds, the projected payments of principal of and interest on such Bonds as set forth in Exhibit C hereto or as hereafter certified by SANDAG to the Trustee, reflecting expected Grant Receipts and expected redemption at the option of SANDAG and by operation of the Redemption Account.

“Rating Agencies” means each and every one of the nationally recognized rating agencies that shall have assigned ratings to any Bonds Outstanding as requested by SANDAG, and which ratings are then currently in effect.

“Rebate Fund” means the Rebate Fund established in Section 502.

“Record Date” means the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date and, with respect to any other Series of Bonds, such other day as may be determined in the applicable Supplemental Indenture.

“Redemption Account” means the account of that name in the Debt Service Fund established in Section 502.

“Redemption Price” means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon the date fixed for redemption.

“Refunding Bonds” means Bonds authenticated and delivered pursuant to Section 204.

“Required Revenue Service Date” means November 23, 2022, or such later date that SANDAG and the FTA may establish for the Project to commence revenue service operations pursuant to the Full Funding Grant Agreement.

“SANDAG” means the San Diego Association of Governments, a public entity duly organized and existing under the Act.

“Securities Depository” means DTC or any other trust company or other entity that provides a book-entry system for the registration of ownership interests in securities and which is acting as security depository for Book-Entry Bonds.
“Serial Bonds” means the Bonds of a Series which shall be stated to mature in annual installments.

“Series” means all of the Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Sections 406 or 1106.

“Series 2019A Bonds” means the $_____________ original principal amount of the San Diego Association of Governments Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019A, authorized by Section 203(A).

“Series 2019B Bonds” means the $_____________ original principal amount of San Diego Association of Governments Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019B, authorized by Section 203(B).

“Sinking Fund Installment” means each principal amount of Bonds scheduled to be redeemed through sinking fund redemption provisions by the application of amounts on deposit in the Principal Account, established pursuant to Section 202(A)(3)(g).

“Subordinated Indebtedness” means indebtedness permitted to be issued pursuant to Section 511.

“Supplemental Indenture” means any Supplemental Indenture authorized pursuant to Article X.

“Term Bonds” means the Bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

“Trustee” means ______________________________________, and any successor or successors appointed under this Indenture as hereinafter provided.

“Trust Estate” means the Grant Receipts and all other property pledged to the Trustee pursuant to this Indenture, as described in the Granting Clauses hereto.


Section 102. Miscellaneous Definitions. As used herein, and unless the context shall otherwise indicate, the words “Bond,” “Owner” and “Person” shall include the plural as well as the singular number.

As used herein, the terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this Indenture.

Unless the context shall otherwise indicate, references herein to articles, sections, subsections, clauses, paragraphs and other subdivisions refer to the designated articles, sections, subsections, clauses, paragraphs and other subdivisions of this Indenture as originally executed.
ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 201. Authorization of Bonds. (A) SANDAG shall not issue any Bonds while this Indenture is in effect except in accordance with the provisions of this Article II. All Bonds issued under this Indenture shall be designated “San Diego Association of Governments Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series ______” and shall include such further appropriate designations as SANDAG may determine.

(B) Bonds may be issued in one or more Series and each Bond shall bear upon its face the designation determined for its Series. Any two or more Series may be consolidated for purposes of sale in such manner as may be provided in the Supplemental Indenture authorizing such Series.

Section 202. General Provisions for Issuance of Bonds. (A) Bonds of each Series shall be executed by SANDAG and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to SANDAG or upon its order, but only upon the receipt by the Trustee, at or prior to such authentication, of:

(1) A Counsel’s Opinion regarding the validity and enforceability of such Bonds and the federal income tax treatment of the interest on such Bonds.

(2) A written order as to the delivery of such Bonds signed by an Authorized Officer, which order shall direct, among other things, the application of the proceeds of such Bonds.

(3) In the case of the 2019 Bonds, an executed copy of this Indenture; and in the case of each Series of Refunding Bonds, an executed copy of the Supplemental Indenture authorizing such Bonds, which shall specify:

(a) The authorized principal amount, designation and Series of such Bonds.

(b) The purposes for which such Series of Bonds is being issued.

(c) The date, and the maturity date or dates, of the Bonds of such Series.

(d) The interest rate or rates of the Bonds of such Series, or the manner of determining such rate or rates, and the Interest Payment Dates and Record Dates therefor.

(e) The Authorized Denominations and the manner of dating, numbering and lettering of the Bonds of such Series.

(f) The Redemption Price or Prices, if any, and any redemption dates and terms for the Bonds of such Series not determined herein.
(g) The amount and date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series, provided that the aggregate of such Sinking Fund Installments shall equal the aggregate principal amount of all such Bonds less the principal amount scheduled to be retired at maturity.

(4) The amount of the Debt Service Reserve Requirement calculated by SANDAG immediately after such authentication and delivery and, except as otherwise provided by Section 506(D)(1), evidence of the deposit of sufficient funds to the Debt Service Reserve Fund to cause the amount on deposit therein on the date of such authentication and delivery to equal the Debt Service Reserve Requirement.

(5) Such further documents, moneys and securities as are required by the provisions of this Indenture or any Supplemental Indenture.

(B) Bonds of the same Series and maturity shall be of like tenor except as to rate, denomination and form. After the original issuance of Bonds of a Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III, Section 406 or Section 1106.

Section 203. Series 2019A Bonds and Series 2019B Bonds. (A) A Series of Bonds entitled to the benefit, protection and security of this Indenture is hereby authorized in the aggregate principal amount of $___________ to finance the Costs of Construction of the Project, including the reimbursement of SANDAG for prior expenditures relating to the Project, to fund the Debt Service Reserve Fund, to capitalize interest on the 2019 Bonds by a deposit to the Capitalized Interest Account, and to pay Costs of Issuance of the 2019 Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series, by the title “San Diego Association of Governments Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019A.”

(B) A Series of Bonds entitled to the benefit, protection and security of this Indenture is hereby authorized in the aggregate principal amount of $___________ to finance the Costs of Construction of the Project, including the reimbursement of SANDAG for prior expenditures relating to the Project, to fund the Debt Service Reserve Fund, to capitalize interest on the 2019 Bonds by a deposit to the Capitalized Interest Account, and to pay Costs of Issuance of the 2019 Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series, by the title “San Diego Association of Governments Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019B.”

(C) Each 2019 Bond shall be in registered form and shall be initially dated the date of issuance thereof and thereafter shall be dated in accordance with the provisions of Section 301. Each Series 2019 Bond shall bear interest payable on November [15], 2019 and semi-annually thereafter on May [15] and November [15] in each year, computed on the basis of a 360-day year consisting of twelve 30-day months.

(D) The Series 2019A Bonds shall mature on November [15] of each of the years and in the principal amounts and shall bear interest at the respective rates per annum set forth in the table below:
The Series 2019B Bonds shall be issued in the principal amount of $______________, shall mature on November [15], _____, and shall bear interest at the rate of ___% per annum.

The 2019 Bonds shall be in Authorized Denominations (but no single 2019 Bond shall represent principal maturing on more than one date) and each 2019 Bond of like Series shall be numbered consecutively but need not be authenticated or delivered in consecutive order. The 2019 Bonds and the Trustee’s Certificate of Authentication shall be in substantially the forms set forth in Exhibit A attached hereto and by reference made a part hereof with such variations, omissions or insertions as are required or permitted by this Indenture.

The principal and Redemption Price of the 2019 Bonds shall be payable at the designated corporate trust offices of the Trustee, in the [City of Los Angeles], California, or such other offices as designated by the Trustee. Interest on the 2019 Bonds shall be payable by check or bank draft mailed on the applicable Interest Payment Date or delivered by the Trustee to the Owners as the same appear on the registration books of SANDAG maintained by the Trustee as of the Record Date or, at the option of any Owner of $1,000,000 or more in aggregate principal amount of the Bonds, by wire transfer of Current Funds to such bank in the continental United States as said Owner shall request in writing to the Trustee not later than 15 days prior to the applicable Interest Payment Date.

The net proceeds of the 2019 Bonds, upon receipt, shall be deposited as follows:

(i) $______________ shall be deposited into the Construction Fund (including $______________ allocated to the Costs of Issuance Account and $______________ allocated to the Capitalized Interest Account); and

(ii) $______________ shall be deposited into the Debt Service Reserve Fund.

Section 204. Refunding Bonds. (A) One or more Series of Refunding Bonds may be authenticated and delivered to refund any or all Outstanding Bonds of one or more Series and to pay costs and expenses incident to the issuance of such Refunding Bonds.

(B) Refunding Bonds of a Series to refund Outstanding Bonds shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents, securities and moneys required by Section 202) of:
(1) Such instructions to the Trustee as necessary to comply with all requirements set forth in Section 1201 so that the Bonds to be refunded will be paid or deemed to be paid pursuant to said Section 1201.

(2) Either (i) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case may be, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded or advance refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of Section 1201(B).

(3) A certificate of an Authorized Officer evidencing that the Average Projected Annual Debt Service on all Bonds Outstanding following the issuance of such Refunding Bonds, and the redemption or provision for payment of the Bonds to be refunded, will be less than the Average Projected Annual Debt Service on all Bonds Outstanding immediately prior to the issuance of such Refunding Bonds.

(C) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied upon their delivery as follows:

(1) there shall be deposited in the Debt Service Reserve Fund the amount, if any, necessary so that the amount therein equals the Debt Service Reserve Requirement calculated immediately after such delivery, to the extent not funded from any other source or otherwise provided for by a Debt Service Reserve Credit Facility pursuant to Section 506(D)(1);

(2) there shall be deposited in any other fund, account or subaccount under this Indenture the amount, if any, required by the Supplemental Indenture authorizing such Series, including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Refunding Bonds;

(3) the amount of such proceeds needed for the refunding of the Bonds to be refunded and for the payment of expenses incidental to such refunding shall be used for such purposes; and

(4) any balance of such proceeds shall be applied in accordance with the written instructions of SANDAG, signed by an Authorized Officer and filed with the Trustee.

(D) Refunding Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Serial Bonds or Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for the issuance thereof.
ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 301. Medium of Payment; Form and Date; Letters and Numbers. (A) The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Any Bonds of a Series shall be issued only in the form of fully registered Bonds without coupons or, pursuant to the provisions of a Supplemental Indenture, in any other form permitted by law at the time of original issuance, including, but not limited to, Bonds which are transferable through a book-entry system.

(C) Each Bond shall be lettered and numbered as provided in this Indenture or the Supplemental Indenture authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(D) Bonds shall be dated as provided in this Indenture or the Supplemental Indenture authorizing the Bonds of such Series. 2019 Bonds shall be dated the Closing Date.

Section 302. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom, law, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by SANDAG or the Trustee prior to the authentication and delivery thereof.

Section 303. Execution and Authentication. (A) The Bonds shall be executed in the name of SANDAG by the manual or facsimile signatures of the Chairperson of the Board or any Vice Chairperson of the Board and shall be attested by the facsimile or manual signature of the Executive Director of SANDAG or, in the absence of such official, by another Authorized Officer authorized to so do pursuant to a Resolution of the Board. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed such Bonds had not ceased to hold such offices. Any Bond may be signed on behalf of SANDAG by such persons who at the time of the execution of such Bond shall hold the proper office in SANDAG, although at the date of such Bond such persons may not have been so authorized or have held such office.

(B) The Bonds shall bear a certificate of authentication, in the form set forth in this Indenture or the Supplemental Indenture authorizing such Bonds, executed manually by the Trustee. Only such Bonds as shall bear such certificate of authentication shall be entitled to any right or benefit under this Indenture, and no such Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any such Bond executed on behalf of SANDAG shall be
conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Indenture and that the Owner thereof is entitled to the benefits of this Indenture.

**Section 304. Exchangeability of Bonds.** Subject to the provisions of Section 306, any Bond, upon surrender at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or its duly authorized attorney, may, at the option of the Owner and upon payment of any charges which the Trustee may make as provided in Section 306, be exchanged for an equal aggregate principal amount of fully registered Bonds of the same Series, maturity, and interest rate and tenor of any other Authorized Denominations.

**Section 305. Negotiability, Transfer and Registration.** (A) Each Bond shall be transferable only upon the registration books of SANDAG, which shall be kept for that purpose by the Trustee, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Bond, SANDAG shall issue in the name of the transferee a new Bond or Bonds in Authorized Denominations of the same aggregate principal amount, Series, maturity and interest rate as the surrendered Bond.

(B) SANDAG and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the registration books of SANDAG as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither SANDAG nor the Trustee shall be affected by any notice to the contrary.

**Section 306. Provisions with Respect to Exchanges and Transfers.** In all cases in which the privilege of transferring or exchanging Bonds is exercised, SANDAG shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Bonds, whether temporary or definitive, SANDAG, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by SANDAG. The Trustee shall not be required to make any registration, transfer or exchange of any Bond during the period after such Bond has been called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

**Section 307. Bonds Mutilated, Destroyed, Stolen or Lost.** In case any Bond shall become mutilated or be destroyed, stolen or lost, SANDAG shall execute, and thereupon the Trustee shall authenticate and deliver, a new Bond of like Series, maturity, interest rate and principal amount as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee
evidence satisfactory to SANDAG and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing SANDAG and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as SANDAG, the Trustee may prescribe and paying such expenses as SANDAG and Trustee may incur. All Bonds so surrendered to the Trustee shall be canceled by the Trustee in accordance with Section 1205. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of SANDAG, whether or not the Bonds so alleged to be destroyed, stolen or lost shall be found at any time or be enforceable by anyone, shall be entitled to equal and proportionate benefits with all other Bonds of the same Series issued under this Indenture and shall be equally secured by the moneys or securities held by SANDAG or the Trustee for the benefit of the Owners.

Section 308. Book-Entry Only System. Unless an Authorized Representative shall otherwise direct or unless otherwise specified in a Supplemental Indenture, all Bonds issued hereunder shall be issued as Book-Entry Bonds in fully registered form. Book-Entry Bonds shall be registered in the name of the Securities Depository or its Nominee as directed by such Securities Depository. DTC shall act as the initial Securities Depository and has designated Cede & Co. as its Nominee. Beneficial Owners of Bonds will not receive physical delivery of bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as Securities Depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no person purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as Nominee of DTC, SANDAG and the Trustee shall have no responsibility or obligation to any participant in DTC (each, a “DTC Participant”) or to any person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, SANDAG and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown on the registration books, of any notice with respect to the Bonds, including any notice of redemption or mandatory tender, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the registration books, of any amount with respect to principal or Purchase Price of, or premium, if any, or interest on, the Bonds.

Replacement Bonds may be issued directly to Beneficial Owners of Bonds other than DTC, or its Nominee, but only in the event that: (i) DTC determines not to continue to act as Securities Depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to SANDAG and the Trustee); or (ii) an Authorized Representative has advised DTC of its determination (which determination is conclusive as to DTC and Beneficial Owners of the Bonds) that DTC is incapable of discharging its duties as Securities Depository for the Bonds; or (iii) SANDAG has determined (which determination is conclusive as to DTC and the Beneficial Owners of the Bonds) that the interests of the Beneficial Owners of the Bonds might be adversely affected if such book-entry only system of registration and transfer is continued. Upon occurrence of any of the foregoing events, SANDAG shall use its best efforts to attempt to locate another qualified Securities Depository. If SANDAG fails to locate another qualified Securities Depository to replace DTC, SANDAG shall cause to be
authenticated and delivered replacement Bonds, in certificate form, to the Beneficial Owners of the Bonds. In the event that SANDAG makes the determination noted in (ii) or (iii) above (provided that SANDAG undertakes no obligation to make any investigation to determine the occurrence of any events that would permit SANDAG to make any such determination), and has made provisions to notify the Beneficial Owners of Bonds of such determination by mailing an appropriate notice to DTC and its Nominee, SANDAG shall cause to be issued replacement Bonds in certificate form to Beneficial Owners of the Bonds as shown on the records of DTC provided to SANDAG.

Whenever, during the term of the Bonds, the Beneficial Ownership thereof is determined by book-entry at DTC, (i) the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect and (ii) delivery of the Bonds and notices to Bondholders will be in accordance with arrangements among SANDAG, the Trustee and DTC notwithstanding any provision of this Indenture to the contrary.

The Trustee and SANDAG, acting by and through an Authorized Representative, are authorized to enter into a letter of representations with DTC to implement the book-entry only system of Bond registration described above and all payments of principal, Purchase Price, interest and premium, if any, shall be made in accordance with the letter of representations with DTC.

If at any time, DTC ceases to hold the Bonds in book-entry form, all references herein to DTC shall be of no further force or effect.

ARTICLE IV

REDEMPTION OF BONDS

Section 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to this Indenture or a Supplemental Indenture shall be redeemable, upon notice given as provided in this Article IV, at such times, at such Redemption Prices and upon such terms, in addition to the terms contained in Article IV, as may be specified in this Indenture or in the Supplemental Indenture authorizing such Series.

Section 402. Redemption at the Election or Direction of SANDAG. In the case of any redemption of Bonds at the election or direction of SANDAG, SANDAG shall give written notice to the Trustee of its election or direction so to redeem, of the date fixed for redemption, of the Series, and of the principal amounts and interest rates of the Bonds of each maturity of such Series to be redeemed. Such notice shall be given at least 30 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, there shall be paid on or prior to the specified redemption date to the Trustee an amount in cash or Defeasance Securities maturing on or before the specified redemption date which, together with other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the Bonds to be redeemed on the specified redemption date at their Redemption Price plus interest accrued and unpaid to the date fixed for redemption; such amount and moneys shall be held in a separate, segregated account for the benefit of the Owners of the Bonds so called for redemption.
Section 403. Redemption Otherwise Than at SANDAG’s Election or Direction.
Whenever by the terms of this Indenture the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of SANDAG, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price thereof, plus interest accrued and unpaid to the date fixed for redemption, in accordance with the terms of Articles IV and V to the extent applicable.

Section 404. Selection of Bonds to Be Redeemed.
Unless otherwise provided by Supplemental Indenture, if less than all of the Bonds of like maturity and interest rate of any Series shall be called for prior redemption, the particular Bonds or portion of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than the minimum Authorized Denomination for the Bonds of such Series to be redeemed shall be in the principal amount of an Authorized Denomination for the Bonds of such Series and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of said minimum Authorized Denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by said minimum Authorized Denomination. If all Bonds of any Series are Book-Entry Bonds, the particular Bonds or portions thereof of such Series to be redeemed shall be selected by the Securities Depository for such Series of Bonds in such manner as such Securities Depository shall determine.

Section 405. Notice of Redemption.
When the Trustee shall receive notice from SANDAG of its election or direction to redeem Bonds pursuant to Section 402, and when redemption of Bonds is authorized or required pursuant to Section 403, the Trustee shall give notice, in the name of SANDAG, of the redemption of such Bonds, which notice shall specify the Series and maturities and interest rates of the Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the Bonds of any like Series and maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the Redemption Price of each Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption, to the Owners of the Bonds to be redeemed at their addresses as shown on the registration books of SANDAG maintained by the Trustee. If the Trustee mails notices of redemption as herein provided, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any Bonds, unless moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of SANDAG, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not
received, such notice shall be of no force and effect, SANDAG shall not redeem such Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

**Section 406. Payment of Redeemed Bonds.** Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the date fixed for redemption at the Redemption Price, plus interest accrued and unpaid to such date, and, upon presentation and surrender thereof at any place specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to such date. If there shall be called for redemption less than all of a Bond, SANDAG shall execute and the Trustee shall authenticate and the Trustee shall deliver, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, fully registered Bonds of like Series and maturity and interest rate in any Authorized Denominations. If, on the date fixed for redemption, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity and interest rate to be redeemed, together with interest to such date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the date fixed for redemption, interest on the Bonds or portions thereof of such Series and maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the date fixed for redemption, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

**Section 407. Adjustment of Sinking Fund Installments.** In the event of the optional redemption by SANDAG of less than all the Bonds of like Series and maturity and interest rate with respect to which Sinking Fund Installments have been established, the principal amount so redeemed shall be credited against the unsatisfied balance of future Sinking Fund Installments or the final maturity amount established with respect to such Bonds, in such amount and against such Sinking Fund Installments or final maturity amount as shall be determined by SANDAG in a certificate of an Authorized Officer filed with the Trustee prior to the mailing of the notice of redemption of such Bonds or, in the absence of such determination, shall be credited pro-rata against the applicable Sinking Fund Installments and final maturity amount.

**Section 408. Redemption of Bonds.**

(A) Optional Redemption. (i) The Series 2019A Bonds are subject, at the option of SANDAG, to redemption prior to their stated maturities on any Business Day on or after the dates set forth in the following table, as a whole or in part in Authorized Denominations, from any moneys that may be provided for such purpose and at the redemption price of 100% of the principal amount of the Series 2019A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.
(ii) The Series 2019B Bonds are subject, at the option of SANDAG, to redemption prior to their stated maturity on any Interest Payment Date as a whole or in part in Authorized Denominations, from any moneys that may be provided for such purpose and at the redemption price of 100% of the principal amount of the Series 2019B Bonds to the redeemed, plus accrued interest to the date fixed for redemption. Notwithstanding the foregoing, no Series 2019B Bonds shall be optionally redeemed under this Section 408(A)(ii) prior to the maturity or redemption in full of all Series 2019A Bonds.

(B) Redemption or Defeasance By Operation of the Redemption Account. Whenever the amount held in the Redemption Account exceeds $1,000,000, the 2019 Bonds are subject to redemption or defeasance as provided in Section 505(C) hereof.

ARTICLE V

GRANT RECEIPTS AND ESTABLISHMENT OF FUNDS AND APPLICATIONS THEREOF

Section 501. The Pledge Effected by this Indenture. (A) There are hereby pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of this Indenture, and a lien is hereby granted for such purpose, subject only to the provisions of this Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in this Indenture, the Trust Estate, consisting of (i) the Grant Receipts, (ii) all moneys and securities and earnings thereon in all funds, accounts and subaccounts established under this Indenture (except the Rebate Fund), and (iii) the Additional Security.

(B) Pursuant to California Government Code Sections 5920 et seq., the Grant Receipts, the Additional Security and the other moneys and securities hereby pledged shall immediately be subject to the lien and pledge hereof without any physical delivery or further act, and the lien and pledge hereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against SANDAG, irrespective of whether such parties have notice hereof.

(C) The Bonds are limited obligations of SANDAG payable solely from the Trust Estate, including Grant Receipts and Additional Security pledged for their payment in accordance with this Indenture. The Bonds are not, and shall not be or become, an indebtedness or obligation of the State or any political subdivision of the State (other than SANDAG) or of
any municipality within the State nor shall any Bond be or become an indebtedness of SANDAG within the purview of any constitutional limitation or provision.

(D) No lien upon any physical properties of SANDAG is, or shall ever be, created by this Indenture.

Section 502. Establishment of Funds and Accounts. SANDAG hereby establishes the Construction Fund, the Grant Receipts Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Grant Receipts Construction Fund, each of which shall be a special fund of SANDAG held in trust by the Trustee. Subject to use and application in accordance with this Indenture, all of the moneys and securities held in said funds are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Bonds and shall be subject to the lien of this Indenture. SANDAG hereby establishes the Rebate Fund as a special fund of SANDAG held in trust by the Trustee. SANDAG hereby establishes the Interest Account, the Principal Account and the Redemption Account as special accounts within the Debt Service Fund and the Costs of Issuance Account and the Capitalized Interest Account as special accounts within the Construction Fund.

Section 503. Construction Fund. (A) On the date of issuance of the 2019 Bonds, the Trustee shall deposit into the Construction Fund the amount set forth in clause (i) of Section 203(H). The Trustee shall make payment of the Costs of Construction of the Project from the Construction Fund as provided in this Section and, with respect to the payment of interest on the 2019 Bonds capitalized from the proceeds of the 2019 Bonds, from the Capitalized Interest Account as provided in Section 507. The Trustee shall withdraw from the Construction Fund and deposit into the Rebate Fund the amount specified in any certificate filed with the Trustee pursuant to Section 508(B). The Trustee shall withdraw moneys from the Construction Fund to pay cost of issuance of the 2019 Bonds in accordance with the directions of SANDAG expressed in a certificate of an Authorized Officer filed with the Trustee, in the form set forth as Exhibit B. All other payments from the Construction Fund shall be subject to the provisions and restrictions set forth in this Section.

(B) The Trustee shall, during and upon completion of construction of the Project, make payments from the Construction Fund in addition to those made pursuant to subsection (B) of this Section, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this Section. Before any such payment shall be made, SANDAG shall file with the Trustee:

(1) its requisition therefor, stating in respect of each payment to be reimbursed: (a) the name of the person, firm or corporation to whom payment was due, (b) the amount to be reimbursed, and (c) in reasonable detail the purpose for which the obligation was incurred, which may in a format similar to SANDAG’s monthly expenditure reports to the FTA pursuant to the Full Funding Grant Agreement; and

(2) its certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by SANDAG for the construction of the Project, and that each item thereof is a proper charge against the Construction Fund and is a proper Cost of Construction and has not been previously reimbursed, (b) that there has
not been filed with or served upon SANDAG notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon SANDAG, that such lien, attachment or claim has been released or discharged, (c) that such requisition contains no item representing payment on account of any retained percentages which SANDAG is at the date of such certificate entitled to retain and (d) that SANDAG expects to commence revenue operations of the Project on or before the Required Revenue Service Date, or in the alternative, that SANDAG has developed a Recovery Plan pursuant to the Full Funding Grant Agreement and is diligently taking action to carry out such Recovery Plan.

Upon receipt of each such requisition and accompanying certificates the Trustee shall transfer from the Construction Fund to SANDAG or the obligors named in such requisition an amount equal to the total of the amounts to be reimbursed as set forth in such requisition. In making such transfer, the Trustee may rely upon the representations set forth in such requisition and accompanying certificates.

(C) Upon completion or substantial completion of the Project, the Trustee shall withdraw from the Construction Fund and pay into the funds, accounts and subaccounts established under this Indenture any remaining balance in the Construction Fund, or any part thereof, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in subsection (D) of this Section. Before any such withdrawal and payment shall be made, SANDAG shall file with the Trustee its certificate certifying: (1) that the Project has been completed or substantially completed and (2) that a sum stated in the certificate is sufficient to pay, and is required to be reserved in the Construction Fund to pay, all Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against SANDAG arising out of the construction thereof. Upon receipt of such requisition and accompanying certificates, the Trustee shall withdraw from the Construction Fund the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the Construction Fund below the amount stated in the said certificate of SANDAG as required to be reserved in the Construction Fund.

(D) Any amount withdrawn from the Construction Fund pursuant to subsection (C) of this Section shall be deposited first into the Interest Account to the extent required to increase the amount therein to the Interest Requirement for all Outstanding Bonds for the current and succeeding Federal Fiscal Year, and then into the Principal Account to the extent required to increase the amount therein to the Principal Requirement for all Outstanding Bonds for the current and succeeding Federal Fiscal Year, and any amount remaining after the foregoing deposits have been made shall be deposited into the Redemption Account.

Section 504. Deposit and Application of Grant Receipts. All Grant Receipts received by SANDAG shall be transferred within one Business Day to the Trustee for deposit in the Grant Receipts Fund. SANDAG may also from time to time, in its sole and absolute discretion, transfer any Additional Security to the Trustee for deposit in the Grant Receipts Fund. As soon as practicable after any such deposit, the Trustee shall make payments from the Grant Receipts Fund into the following several funds, accounts and subaccounts, but only within the limitation hereinbelow indicated with respect thereto and only after maximum payment within
such limitation into every such fund, account or subaccount previously mentioned in the following tabulation:

First: Into the Interest Account, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the Interest Requirement for all Outstanding Bonds for the current and succeeding Federal Fiscal Year.

Second: Into the Principal Account, to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirement for all Outstanding Bonds for the current and succeeding Federal Fiscal Year.

Third: Into the Debt Service Reserve Fund, to the extent, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Requirement.

Fourth: To SANDAG, an amount specified by SANDAG in a certificate of an Authorized Officer filed by the Trustee as needed to reimburse a provider of a Debt Service Reserve Credit Facility for disbursements thereunder.

Fifth: Into the Rebate Fund, an amount specified by SANDAG in a certificate of an Authorized Officer filed with the Trustee pursuant to Section 508(B).

Sixth: Into the Grant Receipts Construction Fund, an amount specified by SANDAG in a certificate of an Authorized Officer filed with the Trustee pursuant to Section 509(A).

Seventh: Into the Redemption Account, any remaining amounts.

Section 505. Debt Service Fund. (A) The Trustee shall pay in Current Funds (i) out of the Capitalized Interest Account on or before each Interest Payment Date set forth in Section 507, the applicable amounts set forth in Section 507; (ii) out of any capitalized interest account established with respect to any other Series of Bonds, on or before each Interest Payment Date specified in the Supplemental Indenture authorizing such Series, the applicable amount set forth in such Supplemental Indenture; (iii) out of the Interest Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds, the amount required for the interest payable on such date and not provided for pursuant to clause (i) or clause (ii) of this subsection; (iv) out of the Principal Account on or before each Principal Payment Date, an amount equal to the principal amount of the Outstanding Bonds, if any, which mature on such date; and (v) out of the Principal Account on or before each Principal Payment Date occasioned by redemption of Outstanding Bonds from Sinking Fund Installments, the amount required for the payment of the Redemption Price of such Outstanding Bonds then to be redeemed. The Trustee shall pay such amounts to the Owners of the Outstanding Bonds for the aforesaid purposes on the due dates thereof. The Trustee shall also pay out of the Interest Account the accrued interest included in the purchase price of Outstanding Bonds purchased for retirement.
(B) Amounts in the Principal Account available for the payment of Sinking Fund Installments shall be applied to the purchase or redemption of Bonds as provided in this subsection.

(i) Amounts deposited to the credit of the Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by SANDAG shall, be applied by the Trustee, on or prior to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the Interest Account. All such purchases of Outstanding Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as SANDAG shall determine. The principal amount of any Bonds so purchased shall be deemed to constitute part of the Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such account.

(ii) At any time up to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, SANDAG may purchase with any available funds Outstanding Bonds for which such Sinking Fund Installment was established and surrender such Bonds to the Trustee at any time up to said date.

(iii) After giving effect to the Outstanding Bonds purchased by the Trustee and Outstanding Bonds surrendered by SANDAG as described in paragraphs (1) and (2) of this subsection (B), which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, and as soon as practicable after the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment. The Trustee shall pay, out of the Principal Account (after transfers thereto from the Debt Service Reserve Fund, if required), on or before the day preceding such redemption date, the Redemption Price required for the redemption of the Outstanding Bonds so called for redemption, to the Owners.

(iv) If the principal amount of Outstanding Bonds retired pursuant to this subsection through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase or redemption from moneys other than from the Principal Account of Outstanding Bonds of any Series and maturity for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Bonds so purchased or redeemed, as the case may be, shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as SANDAG establishes in a certificate signed by an Authorized Officer and delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.
(C) (i) Whenever the amount held in the Redemption Account exceeds $1,000,000, the Trustee shall notify SANDAG and apply the moneys held therein as follows:

(a) First, to the redemption of Outstanding Series 2019A Bonds then subject to optional redemption pursuant to Section 408(A) in the current or immediately succeeding Federal Fiscal Year (exclusive of any such Series 2019A Bonds maturing within 30 days or previously selected for redemption) on the first date such Series 2019A Bonds may be redeemed that is at least 60 days after such notification;

(b) Second, to the redemption of Outstanding Series 2019B Bonds (exclusive of Series 2019B Bonds previously selected for redemption) on the next Interest Payment Date that is at least 60 days after such notification; and

(c) Third, if all of the Series 2019B Bonds have been redeemed in full, to the redemption of any remaining Outstanding Series 2019A Bonds (exclusive of any such Series 2019A Bonds maturing within 30 days or previously selected for redemption), in order of maturity, on the first date such Series 2019A Bonds may be redeemed that is at least 60 days after such notification.

(ii) In connection with any redemption of 2019 Bonds pursuant to Section 505(C)(i) in a current refunding, the Trustee shall apply the amounts held in the Redemption Account to pay the Redemption Price of such 2019 Bonds called for redemption. The accrued interest on such 2019 Bonds to the date fixed for their redemption shall be paid from the Interest Account; provided, however, that if the amount then held in the Interest Account is not sufficient to pay such accrued interest then, at the direction of SANDAG expressed in a certificate of an Authorized Officer filed with the Trustee, such accrued interest may be paid from moneys in the Capitalized Interest Account or from moneys in the Redemption Account. The Trustee shall redeem the principal amount of such 2019 Bonds that will reduce the balance in the Redemption Account to less than $5,000. If the amount then held in the Redemption Account is not sufficient to redeem all of the 2019 Bonds of any maturity then eligible for redemption by operation of the Redemption Account in a current refunding, then the Trustee shall proceed to select the 2019 Bonds to be redeemed by lot within such maturity. The Trustee shall file with SANDAG a notice specifying the 2019 Bonds called for redemption pursuant to this subsection and shall send notices of redemption to holders of the affected 2019 Bonds in accordance with Section 405 hereof.

(iii) In connection with any redemption of 2019 Bonds pursuant to Section 505(C)(i) in an advance refunding, the Trustee shall apply the amounts held in the Redemption Account to defease the principal amount of such 2019 Bonds that will reduce the balance in the Redemption Account to less than $5,000. If the amount then held in the Redemption Account is not sufficient to defease all of the 2019 Bonds then Outstanding, the Trustee shall proceed to select the 2019 Bonds to be defeased from moneys then held in the Redemption Account by designating for defeasance any Outstanding Series 2019B Bonds, and thereafter, the Outstanding Series 2019A Bonds in order of maturity, and if the amount then held in the Redemption Account is not
sufficient to defease all of such 2019 Bonds of any maturity, by lot within such maturity. The Trustee shall file with SANDAG a notice specifying the 2019 Bonds defeased pursuant to this subsection. In order to effect such defeasance, either (a) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the 2019 Bonds to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case may be, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Owners of the 2019 Bonds to be defeased, or (b) Defeasance Securities as directed by SANDAG in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of Section 1201. The Trustee shall send such notices and take such other actions in connection with the defeasance of such 2019 Bonds in accordance with Section 1201 and Section 405 hereof.

(D) Moneys held in the accounts of the Debt Service Fund shall be invested as provided in Section 601(A). Investment income earned as a result of such investment shall be retained in said accounts.

(E) The amount, if any, deposited in the Interest Account from the proceeds of Bonds shall be set aside in such account and applied to the payment of the interest on the Bonds with respect to which such proceeds were deposited in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Bonds.

Section 506. Debt Service Reserve Fund. (A) If on any Interest Payment Date or Principal Payment Date the aggregate amount to the credit of the Debt Service Fund shall be less than the amount required to pay such interest or principal due on the Outstanding Bonds (and any other net amounts payable by SANDAG from the Interest Account pursuant to Section 205(A)(2)), the Trustee shall apply amounts from the Debt Service Reserve Fund to the extent necessary to cure such deficiency, in the following order of priority: first, to the credit of the Interest Account and then to the credit of the Principal Account.

(B) Whenever the amount to the credit of the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement, the Trustee shall withdraw the amount of any such excess from the Debt Service Reserve Fund and (i) prior to November [15], 2020, transfer such amount to the Construction Fund and (ii) on or after November [15], 2020, allocate such amount to the various funds, accounts and subaccounts in the same manner as Grant Receipts are allocated pursuant to Section 504; provided, however, that upon the written direction of an Authorized Officer, the Trustee shall promptly transfer all or any portion of the amount of such excess, as specified in such direction, to a refunding or defeasance escrow established pursuant to Section 1201.

(C) Whenever the amount to the credit of the Debt Service Reserve Fund (exclusive of any Debt Service Reserve Credit Facility as described in subparagraph (D)(1) of this Section) together with the amount to the credit of the Debt Service Fund, is sufficient to pay all Outstanding Bonds in accordance with their terms, the funds on deposit to the credit of the Debt Service Reserve Fund shall be transferred to the Debt Service Fund.
(D) SANDAG may satisfy the Debt Service Reserve Requirement as set forth below:

(1) Notwithstanding the requirements of this Indenture, in lieu of the deposit of cash into the Debt Service Reserve Fund SANDAG may cause to be deposited therein, a surety bond, an insurance policy, a letter of credit or other credit facility (any such instrument referred to herein as a “Debt Service Reserve Credit Facility”) which, in each case, shall be in an amount equal to the difference between the Debt Service Reserve Requirement and the sums then on deposit to the credit of the Debt Service Reserve Fund, if any. Any Debt Service Reserve Credit Facility deposited in the Debt Service Reserve Fund shall be payable to the Trustee for the equal and ratable benefit of all of the Owners of the Outstanding Bonds on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of the Principal of or interest on any Outstanding Bonds, which withdrawal cannot be met by any cash on deposit to the credit of the Debt Service Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in either of the two highest rating categories by any Rating Agency, or any insurer who holds the highest policyholder ratings accorded insurers by any Rating Agency, in each case at the time such surety bond or insurance policy is obtained. The letter of credit issuer shall be a bank or trust company and any other credit facility issuer shall be a company or other legal entity which is rated in either of the two highest rating categories by any Rating Agency at the time such letter of credit is obtained. If a disbursement is made pursuant to any Debt Service Reserve Credit Facility pursuant to this subparagraph, SANDAG shall be obligated either (i) to reinstate the maximum limits of such Debt Service Reserve Credit Facility in accordance with the terms thereof or (ii) to deposit to the credit of the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Debt Service Reserve Credit Facility, or a combination of such alternatives, as shall provide that the amount to the credit of the Debt Service Reserve Fund equals the Debt Service Reserve Requirement. Pursuant to a certificate of an Authorized Officer filed with the Trustee, SANDAG may direct the Trustee to withdraw amounts deposited from Grant Receipts into the Debt Service Reserve Fund to make payments necessary to reinstate the maximum limits of a Debt Service Reserve Credit Facility, which certificate may direct the use of such amounts for that purpose prior to the use for any other purpose. If disbursements have been made pursuant to more than one Debt Service Reserve Credit Facility, such payments shall be made on a pro-rata basis.

(2) If any Debt Service Reserve Credit Facility deposited with the Trustee as provided in subparagraph (1) of this subsection is withdrawn by the issuer thereof or expires and is not renewed, SANDAG shall fund the resulting deficiency with respect to the Debt Service Reserve Requirement (a) by depositing in the Debt Service Reserve Fund a new Debt Service Reserve Credit Facility meeting the requirements of subparagraph 506(D)(1) or (b) by funding the Debt Service Reserve Fund from Grant Receipts as provided in Section 504.

Section 507. Capitalized Interest Account. On the date of issuance of the 2019 Bonds, the Trustee shall deposit into the Capitalized Interest Account the amount set forth in
clause (ii) of Section 203(H). The moneys in the Capitalized Interest Account shall be used by the Trustee to pay the interest on the 2019 Bonds on each Interest Payment Date to and including May [15], 2020. The Capitalized Interest Account shall be invested as provided in Section 603(A). Investment income earned as a result of such investment shall be retained in the Capitalized Interest Account. Any moneys remaining in the Capitalized Interest Account after May [15], 2020 shall be transferred to the Interest Account.

Section 508. Rebate Fund. (A) If SANDAG shall invest the proceeds of Bonds or other moneys in any investments that generate income that must be rebated or paid to the United States of America pursuant to Section 148(f) of the Code and with respect to the Bonds, an amount equal to such income shall be deposited annually in the Rebate Fund, by January 15 of each year or as soon thereafter as possible.

(B) SANDAG shall prepare and file with the Trustee a certificate of an Authorized Officer specifying the amount to be deposited in the Rebate Fund pursuant to subsection (A) of this Section and directing the Trustee to withdraw such amount from the Construction Fund or to provide from such deposit from the application of Grant Receipts pursuant to clause Fifth of Section 504. In the absence of such direction, the Trustee shall withdraw such amount from the Construction Fund.

(C) At the direction of SANDAG expressed in a certificate of an Authorized Officer filed with the Trustee, moneys in the Rebate Fund shall be applied to pay such amounts as are required to be paid to the United States of America pursuant to Section 148(f) of the Code. The Trustee shall withdraw from the Rebate Fund and deposit into any one or more of the accounts of the Debt Service Fund the amounts stated in a certificate of an Authorized Officer filed with the Trustee and directing such withdrawal, provided that such certificate shall state that upon such withdrawal the sum remaining in the Rebate Fund will be sufficient to pay any rebate amount expected to be due the United States of America during the next ensuing twelve months with respect to the Bonds. The Trustee may rely conclusively upon SANDAG determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility independently to make any calculation or determination or to review SANDAG’s calculations hereunder.

Section 509. Grant Receipts Construction Fund.

(A) Prior to the transfer of Grant Receipts into the Grant Receipts Construction Fund as provided in Section 504, SANDAG shall deliver to the Trustee a certificate of an Authorized Officer stating that the total amount of Grant Receipts deposited into the Grant Receipts Construction Fund will not exceed $__________ in the aggregate, or such greater amount, if prior to the transfer of Grant Receipts into the Grant Receipts Construction Fund as provided in Section 504, SANDAG shall deliver to the Trustee a certificate of an Authorized Officer stating that the total remaining amount SANDAG expects to receive under the Full Funding Grant Agreement, after the transfer of funds into the Grant Receipts Construction Fund, will be equal to at least 100% of the sum of (i) the principal amount of the Outstanding Bonds plus (ii) the Interest Requirement with respect to the Outstanding Bonds, assuming such Bonds are paid on their stated maturity dates, minus (iii) moneys in the Debt Service Reserve Fund and investment
earnings thereon, if such proceeds have been invested in Permitted Investments and to the extent such earnings may be determined precisely, and moneys in the Debt Service Fund.

(B) The Trustee shall, during and upon completion of construction of the Project, make payments from the Grant Receipts Construction Fund in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this Section. Before any such payment shall be made, SANDAG shall file with the Trustee:

(1) its requisition therefor, stating in respect of each payment to be reimbursed: (a) the name of the person, firm or corporation to whom payment was due, (b) the amount to be reimbursed, and (c) in reasonable detail the purpose for which the obligation was incurred, which may be in a format similar to SANDAG’s monthly expenditure reports to the FTA pursuant to the Full Funding Grant Agreement; and

(2) its certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by SANDAG for the construction of the Project, and that each item thereof is a proper charge against the Grant Receipts Construction Fund and is a proper Cost of Construction and has not been previously reimbursed, (b) that there has not been filed with or served upon SANDAG notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon SANDAG, that such lien, attachment or claim has been released or discharged, (c) that such requisition contains no item representing payment on account of any retained percentages which SANDAG is at the date of such certificate entitled to retain and (d) that SANDAG expects to commence revenue operations of the Project on or before the Required Revenue Service Date, or in the alternative, that SANDAG has developed a Recovery Plan pursuant to the Full Funding Grant Agreement and is diligently taking action to carry out such Recovery Plan.

Upon receipt of each such requisition and accompanying certificates the Trustee shall transfer from the Grant Receipts Construction Fund to SANDAG or the obligors named in such requisition an amount equal to the total of the amounts to be paid as set forth in such requisition. In making such transfer, the Trustee may rely upon the representations made in such requisition and accompanying certificates.

Section 510. Creation of Additional Accounts and Subaccounts. The Trustee shall, at the written request of SANDAG, establish such additional accounts within any of the funds established under this Indenture, and subaccounts within any of the accounts established under this Indenture, as shall be specified in such written request, for the purpose of enabling SANDAG to identify or account for more precisely the sources, timing and amounts of transfers or deposits into such funds, accounts and subaccounts, the amounts on deposit in or credited to such funds, accounts or subaccounts as of any date or dates of calculation, and the sources, timing and amounts of transfers, disbursements or withdrawals from such funds, accounts or subaccounts; but the establishment of any such additional accounts or subaccounts shall not alter or modify in any manner or to any extent any of the requirements of this Indenture with respect to the deposit or use of moneys in any fund, account or subaccount established hereunder.
Section 511. Subordinated Indebtedness. Nothing in this Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, SANDAG (to the extent now or hereafter permitted by law) from issuing bonds, certificates or other evidences of indebtedness payable as to principal and interest from Grant Receipts, but only if such indebtedness is junior and subordinate in all respects to any and all Bonds issued and Outstanding under this Indenture.

ARTICLE VI

INVESTMENTS OF FUNDS

Section 601. Investment of Certain Moneys. (A) Moneys held in the Debt Service Fund and its accounts, the Debt Service Reserve Fund, the Capitalized Interest Account, the Construction Fund and the Grant Receipts Construction Fund shall be invested and reinvested by the Trustee at the written direction of an Authorized Officer in Permitted Investments which mature no later than necessary to provide moneys when needed for payments to be made from such funds, accounts or subaccounts. If no such directions are received by the Trustee, such amounts shall be invested in money market funds described in paragraph (x) of the definition of Permitted Investments, pending receipt of investment directions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries.

(B) Moneys held in two or more funds, accounts or subaccounts may be jointly invested in one or more Permitted Investments, provided that such investment complies with all the terms and conditions hereof relating to the investment of moneys in such funds, accounts or subaccounts, as the case may be, and SANDAG maintains books and records as to the allocation of such investment as among such funds, accounts or subaccounts. Investment income from investments held in the various funds, accounts and subaccounts shall remain in and be a part of the respective funds, accounts and subaccounts in which such investments are held, except as otherwise provided in this Indenture.

(C) SANDAG shall be responsible for all investments made under this Indenture being consistent with the expectations expressed in any tax and non-arbitrage certificate executed on behalf of SANDAG and filed with the Trustee with respect to any Series of Bonds issued under this Indenture.

Section 602. Valuation and Sale of Investments. (A) Permitted Investments in any fund, account or subaccount created under the provisions of this Indenture shall be deemed at all times to be part of such fund, account or subaccount and any profit realized from the liquidation of such investment shall be credited to such fund, account or subaccount and any loss resulting from liquidation of such investment shall be charged to such fund, account or subaccount.

(B) Valuations of Permitted Investments held in the funds, accounts and subaccounts established hereunder shall be made by the Trustee as often as may be necessary to determine the amounts held therein. In computing the amounts in such funds, accounts and subaccounts, Permitted Investments therein shall be valued as provided in subsection (C) of this Section.
The value of Permitted Investments shall mean the fair market value thereof. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers.

Except as otherwise provided in this Indenture, the Trustee at the direction of an Authorized Officer shall sell or present for redemption any Permitted Investment held in any fund, account or subaccount held by the Trustee whenever it shall be necessary to provide moneys to meet any payment or transfer from such fund, account or subaccount as the case may be. The Trustee and SANDAG shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

SANDAG acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant SANDAG the right to receive brokerage confirmations of security transactions as they occur, SANDAG specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish SANDAG periodic (and not less frequently than monthly) cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

ARTICLE VII

PARTICULAR COVENANTS AND REPRESENTATIONS OF SANDAG

Section 701. Authorization for Indenture. SANDAG has ascertained and hereby determines and declares that the execution and delivery of this Indenture is necessary to meet the public transportation needs of the residents of the service area of SANDAG, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate such purposes of SANDAG and to carry out its powers and is in furtherance of the public benefit, safety and welfare and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful or convenient to carry out and effectuate the purposes of SANDAG.

Section 702. Indenture to Constitute Contract. In consideration of the purchase and acceptance of Bonds by those who shall hold the same from time to time, the provisions of this Indenture and any Supplemental Indenture shall be a part of the contract of SANDAG with the owners of Bonds and shall be deemed to be and shall constitute a contract between SANDAG, the Trustee, any Bond Insurer, any Credit Bank and the owners from time to time of the Bonds. SANDAG covenants and agrees with the owners of Bonds, the Trustee, any Bond Insurer and any Credit Bank that it will faithfully perform all of the covenants and agreements contained in this Indenture and in the Bonds.

Section 703. Payment of Bonds. Subject always to the condition that any obligation of SANDAG hereunder shall only be payable from Grant Receipts and other moneys, securities and funds pledged pursuant to this Indenture, SANDAG shall duly and punctually pay or cause to be paid the principal of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof.
Section 704. Extension of Payment of Bonds. If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any default under this Indenture, to the benefit of this Indenture or to payment out of Grant Receipts or the funds, accounts and subaccounts established by this Indenture (except the Rebate Fund) or moneys held by the Trustee (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of SANDAG to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 705. Further Assurance. At any and all times SANDAG shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming, all and singular, the rights, Grant Receipts and other moneys, securities and funds hereby pledged or assigned, or which SANDAG may become bound to pledge or assign.

Section 706. Power to Issue Bonds and Pledge Grant Receipts. SANDAG is duly authorized under all applicable laws to issue the Bonds and to execute and deliver this Indenture and to pledge the Grant Receipts and other moneys, securities and funds pledged by this Indenture and to grant the lien granted by this Indenture therein in the manner and to the extent provided in this Indenture. The Grant Receipts and other moneys, securities and funds so pledged, and subject to such lien, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by this Indenture, and all action on the part of SANDAG to that end has been and will be duly and validly taken. The Bonds and the provisions of this Indenture are and will be valid and legally enforceable obligations of SANDAG in accordance with their terms and the terms of this Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. SANDAG covenants that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and laws of the State of California and this Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed. SANDAG shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Grant Receipts and other moneys, securities and funds pledged under this Indenture and all the rights of the Owners under this Indenture against all claims and demands.

Section 707. Indebtedness and Liens. SANDAG shall not issue any bonds or other evidences of indebtedness, other than the Bonds and Subordinated Indebtedness, which are secured by a pledge of or lien on the Grant Receipts or the moneys, securities or funds held or set aside by SANDAG or by the Trustee under this Indenture, and shall not, except as expressly authorized in this Indenture, create or cause to be created any lien or charge on the Grant Receipts or such moneys, securities or funds; provided, however, that nothing contained in this Indenture shall prevent SANDAG from issuing evidences of indebtedness payable from, or secured by the pledge of, Grant Receipts to be received on and after such date as the pledge of
Grant Receipts provided in this Indenture shall be discharged and satisfied as provided in Section 1201.

Section 708. Construction of Project. SANDAG shall forthwith proceed to complete the construction of the Project in conformity with the Full Funding Grant Agreement and all requirements of all governmental authorities having jurisdiction, and in accordance with and as more fully shown on the plans therefor, and the specifications relative thereto, subject to such modifications of such plans and specifications as may be approved from time to time by SANDAG and which are permitted under the provisions of the Full Funding Grant Agreement.

Section 709. Payment of Lawful Charges. SANDAG shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all judgments and court orders, and all lawful claims and demands for labor, materials, supplies or other objects which, if unsatisfied or unpaid, might by law become a lien upon the Grant Receipts; provided, however, that nothing in this Section contained shall require SANDAG to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Section 710. Full Funding Grant Agreement. SANDAG shall comply with all of the provisions of the Full Funding Grant Agreement so as to preserve at all times its right to receive Grant Receipts. SANDAG shall file promptly with the Trustee a copy of the Full Funding Grant Agreement and each amendment thereof or supplement thereto. SANDAG shall not unilaterally terminate, or enter any agreement to terminate, the Full Funding Grant Agreement. SANDAG will promptly request any payment for costs or any reimbursement for costs to which SANDAG is entitled under the Full Funding Grant Agreement. SANDAG will pay over to the Trustee within one Business Day all Grant Receipts for application in accordance with this Indenture.

Section 711. Accounts and Reports. SANDAG shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Project, the Grant Receipts and the funds, accounts and subaccounts established by this Indenture and any Supplemental Indenture, and which, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than 25 percent in principal amount of Outstanding Bonds or their representatives duly authorized in writing. SANDAG further covenants that it will keep an accurate record of the Grant Receipts received and of the payment thereof to the Trustee.

Section 712. Tax Covenants.

(A) Special Definitions. When used in this Section, the following terms have the following meanings:

“Computation Date” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Gross Proceeds” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Bonds.
“Investment” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of the Bonds.

“Rebate Amount” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Yield” of

(i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(ii) the Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(B) Not to Cause Interest to Become Taxable. SANDAG shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until SANDAG receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, SANDAG shall comply with each of the specific covenants in this Section.

(C) No Private Use or Private Payments. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, SANDAG shall at all times prior to the payment and cancellation of the last Bond to be paid and canceled:

(1) use its best efforts to ensure that SANDAG or a related local governmental entity exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application
within the jurisdiction of SANDAG or interest earned on investments acquired with such
Gross Proceeds pending application for their intended purposes.

(D) No Private Loan. Except as would not cause any Bond to become a “private
activity bond” within the meaning of section 141 of the Code and the Tax Regulations and
rulings thereunder, SANDAG shall not use Gross Proceeds of any Bond to make or finance loans
to any person or entity other than a state or local government. For purposes of the foregoing
covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (a) property
acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or
entity in a transaction that creates a debt for federal income tax purposes; (b) capacity in or
service from such property is committed to such person or entity under a take-or-pay, output or
similar contract or arrangement; or (c) indirect benefits of such Gross Proceeds, or burdens and
benefits of ownership of any property acquired, constructed or improved with such Gross
Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(E) Not to Invest at Higher Yield. Except as would not cause any Bond to become an
“arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and
rulings thereunder, SANDAG shall not at any time prior to the final maturity of the Bonds
directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment
the Yield of any Investment acquired with Gross Proceeds, whether then held or previously
disposed of, would materially exceed the Yield of such Bond within the meaning of said
section 148.

(F) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the
Code and the Tax Regulations and rulings thereunder, SANDAG shall not take or omit to take
any action that would cause any Bond to be “federally guaranteed” within the meaning of
section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(G) Information Report. SANDAG shall timely file any information required by
section 149(e) of the Code with respect to the Bonds with the Secretary of the Treasury on
Form 8038-G or such other form and in such place as the Secretary may prescribe.

(H) Rebate of Arbitrage Profits. Except to the extent otherwise provided in
section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) SANDAG shall account for all Gross Proceeds (including all receipts,
   expenditures and investments thereof) on its books of account separately and apart from
   all other funds (and receipts, expenditures and investments thereof) and shall retain all
   records of accounting for at least eight years after the day on which the last Bond is
   discharged. However, to the extent permitted by law, SANDAG may commingle Gross
   Proceeds of the Bonds with its other money, provided that SANDAG separately accounts
   for each receipt and expenditure of Gross Proceeds and the obligations acquired
   therewith.

(2) Not less frequently than each Computation Date, SANDAG shall calculate
   the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and
   the Tax Regulations and rulings thereunder. SANDAG shall maintain a copy of the
calculation with its official transcript of proceedings relating to the issuance of the Bonds until eight years after the final Computation Date.

(3) In order to assure the excludability of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, SANDAG shall pay or cause the Trustee to pay on its behalf to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by SANDAG at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T prepared by SANDAG or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by SANDAG.

(4) SANDAG shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (i) and (ii) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(I) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, SANDAG shall not, at any time prior to the final maturity of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (H) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the Bonds not been relevant to either party.

(J) Bonds Not Hedge Bonds.

(i) SANDAG represents that the Bonds neither are nor will become “hedge bonds” within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (I) above, with respect to the Bonds, (A) on the date of issuance of the Bonds, SANDAG reasonably expects that at least 85% of the spendable proceeds of the Bonds will be expended within the three-year period commencing on such date of issuance, and (B) no more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(K) Elections. SANDAG hereby directs and authorizes any Authorized Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Officer (after consultation with Bond Counsel) deems necessary.
or appropriate in connection with the Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

Notwithstanding any provision of this Section 712, if SANDAG shall receive a written opinion of Bond Counsel to the effect that any action required under this Section 712 hereof is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to section 103 of the Code, SANDAG and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Section 713. Continuing Disclosure. SANDAG hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of SANDAG to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or beneficial owner of 2019 Bonds may take such actions, as provided in the Continuing Disclosure Agreement, as may be necessary and appropriate to cause SANDAG to comply with its obligations under the Continuing Disclosure Agreement.

Section 714. FTA Funds. (A) SANDAG shall comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under 49 United States Code Section 5309 that are to be provided for the Project in order to at all times facilitate the prompt receipt by SANDAG of Full Funding Grant Receipts. All of such moneys constituting Grant Receipts, when received by SANDAG, shall be deposited promptly with the Trustee.

(B) SANDAG shall use its best efforts to obtain or cause to be available for the funding of costs of the Project and related financing costs, all moneys identified under Attachment 3 of the Full Funding Grant Agreement.

ARTICLE VIII
REMEDIES OF OWNERS

Section 801. Events of Default. Each of the following events is hereby declared an “Event of Default”:

(1) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if a default shall occur in the due and punctual payment of interest on any Bond, when and as such interest shall become due and payable;

(3) if a default shall occur in the performance or observance by SANDAG of any other of the covenants, agreements or conditions in this Indenture or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to SANDAG by the Trustee or after written notice thereof to SANDAG and to the
Trustee by the Owners of not less than a majority in principal amount of the Outstanding Bonds; or

(4) if SANDAG shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State of California.

Section 802. Accounting and Examination of Records after Event of Default. (A) SANDAG covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of SANDAG and all other records relating to the Grant Receipts shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(B) SANDAG covenants that if an Event of Default shall have happened and shall not have been remedied, SANDAG, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all and other moneys, securities and funds held by SANDAG pursuant to the terms of this Indenture for such period as shall be stated in such demand.

Section 803. Application of Grant Receipts and Other Moneys after Event of Default. (A) SANDAG covenants that if an Event of Default shall happen and shall not have been remedied, SANDAG, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by SANDAG in any fund, account or subaccount pursuant to the terms of this Indenture, and (ii) all Grant Receipts as promptly as practicable after receipt thereof.

(B) During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Grant Receipts and the income therefrom as follows and in the following order:

1. to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it pursuant to this Article;

2. to the payment of the principal of, Redemption Price of and interest on the Bonds then due, as follows:

   First: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

   Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on
any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(C) If and whenever all overdue installments of principal and Redemption Price of and interest on all Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by SANDAG under this Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Bonds held by or for the account of SANDAG, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under this Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to SANDAG all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of this Indenture to be deposited or pledged, with the Trustee), and thereupon SANDAG, the Trustee and the Owners shall be restored, respectively, to their former positions and rights under this Indenture. No such payment over to SANDAG by the Trustee nor such restoration of SANDAG and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 804. Proceedings Brought by Trustee. (A) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under this Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against SANDAG as if SANDAG were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Indenture.

(B) All rights of action under this Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

(C) All actions against SANDAG under this Indenture shall be brought in a state or federal court located in the County of San Diego, California.

(D) The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding
so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

(E) Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under this Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(F) Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under this Indenture and to preserve or protect its interests and the interest of the Owners.

Section 805. Restriction on Owners’ Action. (A) No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of this Indenture or the execution of any trust under this Indenture or for any remedy under this Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in this Indenture or by the laws of the State of California or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by this Indenture or to enforce any right under this Indenture, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions of Section 703.

(B) Nothing in this Indenture or in the Bonds contained shall affect or impair the obligation of SANDAG, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of its Bond from the sources provided herein.

Section 806. Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of this Indenture.
Section 807. Effect of Waiver and Other Circumstances. (A) No delay or omission of the Trustee or any Owner to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein.

(B) The Owners of not less than two-thirds in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized may on behalf of the Owners of all of the Bonds waive any past default under this Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 808. Notice of Event of Default. The Trustee shall promptly mail written notice of the occurrence of any Event of Default to the Owners of the Bonds.

Section 809. [reserved].

ARTICLE IX

CONCERNING THE TRUSTEE

Section 901. Trustee; Appointment and Acceptance of Duties. The Trustee hereby accepts and agrees to the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which SANDAG agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree. Except during the continuance of an Event of Default, the Trustee undertakes such duties and only such duties as are specifically set forth in this Indenture.

Section 902. Responsibilities of Trustee. (A) The recitals of fact herein and in the Bonds contained shall be taken as the statements of SANDAG and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Bonds issued hereunder or as to the security afforded by this Indenture, and the Trustee shall incur no liability in respect thereof. The Trustee shall, however, be responsible for any representation contained in its certificate on the Bonds. The Trustee shall be under no responsibility or duty with respect to the application of any moneys paid to SANDAG. The Trustee shall be under no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection (B) of this Section, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and the Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or misconduct. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty. The Trustee shall not be responsible for the recording or rerecording, filing or re-filing of this Indenture, or any supplement or amendment thereto, or the filing of financing statements, or for the validity of the execution by SANDAG of this Indenture, or of any supplemental indentures or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the property herein conveyed or otherwise as to the maintenance of the security hereof.
The Trustee may (but shall be under no duty to) require of SANDAG full information and advice as to the performance of the covenants, conditions and agreements in this Indenture and shall make its best efforts, but without any obligation, to advise SANDAG of any impending default known to the Trustee.

(B) In case an Event of Default has occurred and has not been remedied or waived, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of this Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Article.

(C) Before taking any action under this Indenture relating to an event of default or in connection with its duties under this Indenture other than making payments of principal and interest on the Bonds as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

(D) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture; provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

(E) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(F) No provision of this Indenture shall obligates the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder.

(G) The Trustee’s rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(H) The Trustee may consult with counsel, who may be counsel of or to SANDAG, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.
Section 903. Evidence on Which Trustee May Act.  (A) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion (including any Counsel’s Opinion), bond or other paper or document furnished to it pursuant to and conforming to the requirements of this Indenture, and believed by it to be genuine and to have been signed or presented by the proper party or parties.

(B) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter (unless this Indenture specifically requires other evidence thereof) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(C) Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished by SANDAG to the Trustee shall be sufficiently executed if signed by an Authorized Officer.

Section 904. Compensation. Unless otherwise determined by agreement between SANDAG and the Trustee, SANDAG shall pay the Trustee from time to time reasonable compensation for services rendered under this Indenture, as well as pay and/or reimburse the Trustee for the reasonable fees and expenses related to extraordinary services rendered by the Trustee, including without limitation reasonable fees and expenses of the Trustee’s counsel. Upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of principal of, or premium, if any, or interest on, any Bond for the foregoing fees and expenses incurred; provided, that in no event shall the Trustee have any such prior right of payment or claim therefor against any moneys or obligations deposited with or paid to the Trustee for the redemption or payment of Bonds, which are deemed to have been paid in accordance with Section 1201.

SANDAG covenants and agrees, to the extent authorized by law, to indemnify and save the Trustee harmless against any losses, expenses (including legal fees and expenses) and liabilities which they may incur arising out of or in the exercise and performance of their powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding liabilities which are due to the negligence or willful misconduct of the indemnified party.

Section 905. Certain Permitted Acts. The Trustee may become the Owner of any Bonds, with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers and shall not be answerable for the conduct of the same if appointed with due care hereunder, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation to any attorney, agent, receiver, or employee retained or employed by it in connection herewith. The Trustee may act upon the opinion or
advice of an attorney or accountant selected by it in the exercise of reasonable care or, if selected or retained by SANDAG, approved by the Trustee in the exercise of such care. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice.

At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect any and all books, papers and records of SANDAG pertaining to the Bonds, and to take such memoranda from and in regard thereto as may be desired.

Section 906. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving not less than 60 days’ written notice to SANDAG, all Owners of the Bonds, and each Credit Bank and Bond Insurer, if any, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by SANDAG or the Owners as provided in Section 910, in which event such resignation shall take effect immediately on the appointment of such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Trustee shall not have been appointed within a period of 60 days following the giving of notice, then the Trustee shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee as provided in Section 910 hereof.

Section 907. Removal of Trustee. The Trustee may be removed at any time by an instrument in writing delivered to the Trustee and signed by SANDAG; provided, however, that if an Event of Default shall have occurred and be continuing, the Trustee may be so removed by SANDAG only with the written concurrence of the Owners of a majority in principal amount of Bonds then Outstanding. The Trustee may be removed at any time by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of SANDAG, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or their attorneys-in-fact duly authorized, and delivered to SANDAG. Copies of each such instrument shall be delivered by SANDAG to the Trustee.

Section 908. Appointment of Successor Trustee. (A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, SANDAG shall appoint a successor Trustee. SANDAG shall cause notice of any such appointment by it made to be mailed to all Owners of the Bonds.

(B) If no appointment of the Trustee shall be made by SANDAG pursuant to the provisions of subsection (A) of this Section, the Owner of any Bond Outstanding hereunder may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national banking association, doing business and having a corporate trust office in the State of California, and having capital stock and surplus aggregating at least $500,000,000, if there be such a bank or trust company or national banking
association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

Section 909. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to SANDAG, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee; but the predecessor Trustee shall nevertheless, on the written request of SANDAG or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all its right, title and interest in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument from SANDAG be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such moneys, estates, properties, rights, powers and duties, such deed, conveyance or instrument shall be executed, acknowledged and delivered by SANDAG.

Section 910. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which all or substantially all of the corporate trust business of the Trustee may be sold or transferred, shall be the successor to the Trustee and be bound to the obligations and duties of the Trustee hereunder without the execution or filing of any paper or the performance of any further act, unless such successor delivers written notice of its resignation pursuant to the provisions of this Article; provided, however, that such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Indenture.

Section 911. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in its own name.

Section 912. Trustee Not Deemed to Have Notice of Default. The Trustee shall not be deemed to have notice of any default hereunder except a Bond payment default under clause (1) or (2) of Section 801 or the failure of SANDAG to file with the Trustee any document required by this Indenture unless any officer in its corporate trust office shall have actual knowledge thereof or the Trustee shall be specifically notified in writing of such default by SANDAG or by the Owners of not less than a majority in principal amount of the Bonds Outstanding; and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the corporate trust office of the Trustee.

Section 913. Monthly Reports by Trustee. Within 15 days after the end of each calendar month, the Trustee shall prepare a written report for each fund, account and subaccount
held by it pursuant to the provisions of this Indenture. Such report shall set out the receipts and 
disbursements, both principal and income, and shall list the Permitted Investments held by the 
Trustee at the end of the month. A copy of each such report shall be furnished to SANDAG and 
any persons designated by SANDAG. In addition, the Trustee shall, at any time when requested, 
including, without limitation, any request at the time of the resignation of the Trustee, furnish to 
SANDAG and any persons designated by SANDAG a report of the amount of moneys, including 
Permitted Investments, held in each fund, account or subaccount by the Trustee. For purposes of 
this certification, the Permitted Investments in each such fund, account and subaccount shall be 
treated as having a value equal to their aggregate market value as of the date of the request.

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 1001. Supplemental Indentures Not Requiring Consent of Owners. 
SANDAG and the Trustee may without the consent of, or notice to, any of the Owners, enter into 
a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms 
and provisions hereof for any one or more of the following purposes:

(1) to authorize Refunding Bonds and to specify, determine or authorize any 
matters and things concerning any such Bonds which are not contrary to or inconsistent 
with this Indenture;

(2) to close this Indenture against, or impose additional limitations or 
restrictions on, the issuance of Bonds, or of other notes, bonds, obligations or evidences 
of indebtedness;

(3) to impose additional covenants or agreements to be observed by 
SANDAG;

(4) to impose other limitations or restrictions upon SANDAG;

(5) to surrender any right, power or privilege reserved to or conferred upon 
SANDAG by this Indenture;

(6) to confirm, as further assurance, any pledge of or lien upon the Grant 
Receipts or any other moneys, securities or funds;

(7) authorize the issuance of Subordinated Indebtedness and in connection 
therewith, specify and determine any matters and things relative thereto which are not 
contrary to or inconsistent with this Indenture as then in effect;

(8) to cure any ambiguity, omission or defect in this Indenture;

(9) to provide for the appointment of a successor securities depository in the 
event any Series of Bonds is held in book-entry only form;

(10) to provide for the appointment of any successor Trustee; and
(11) to make any other change does not materially and adversely affect the interests of the Owners.

Section 1002. Supplemental Indentures Effective upon Consent of Owners. Any Supplemental Indenture not effective in accordance with Section 1001 shall take effect only if permitted and approved and in the manner prescribed by Article XI.

Section 1003. Filing of Counsel’s Opinion. Each Supplemental Indenture described in Section 1001 shall be accompanied, when filed with the Trustee, by a Counsel’s Opinion to the effect that such Supplemental Indenture has been duly authorized by SANDAG in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when executed and delivered, will be valid and binding upon SANDAG, the Owners and the Trustee.

ARTICLE XI

AMENDMENTS

Section 1101. Mailing. Any provision in this Article for the mailing of a notice or other information to Owners shall be fully complied with if it is mailed by first class mail, postage prepaid or delivered only to each Owner of Bonds then Outstanding at its address, if any, appearing upon the registration books of SANDAG kept by the Trustee.

Section 1102. Powers of Amendment. Except for Supplemental Indentures described in Section 1001, any modification or amendment of this Indenture and of the rights and obligations of SANDAG and of the Owners of the Bonds hereunder, in any particular, may be made by a Supplemental Indenture with the written consent given as provided in Section 1103 hereof (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on SANDAG and all Owners of the Bonds.
Section 1103. Consent of Owners. SANDAG may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 1102, to take effect when and as provided in this Section. Subject to the provisions of Section 1208, the rights of the Owner of an Insured Bond to take any action pursuant to this Section 1103 are abrogated and the Bond Insurer may exercise the rights of the Owner of any Insured Bond that is entitled to the benefits of the Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose pursuant to any provision of this Section. Upon the authorization of such Supplemental Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this Section provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel’s Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by SANDAG in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when effective, will be valid and binding upon SANDAG, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter in this Section provided. A certificate or certificates by the Trustee delivered to SANDAG that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; provided, however, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee’s written statement hereafter in this Section referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by this Article and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient under this Section, the Trustee shall make and deliver to SANDAG a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective as provided in this Section, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding). The Trustee shall deliver to SANDAG proof of the mailing of such notice. A record, consisting of the information required or permitted by this Section to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Section 1104. [reserved].
Section 1105. Exclusion of Bonds. Bonds owned or held by or for the account of SANDAG shall not be deemed Outstanding and shall be excluded for the purpose of any calculation required by this Article. At the time of any consent or other action taken under this Article, SANDAG shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, identifying all Bonds so to be excluded.

Section 1106. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by SANDAG and the Trustee as to such action, and upon demand of the Owner of any Bond Outstanding at such effective date and presentation of its Bond to the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If SANDAG or the Trustee shall so determine, new Bonds so modified which, in the opinion of the Trustee and SANDAG, conform to such action may be prepared, authenticated and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Owner, for such Bond then Outstanding.

ARTICLE XII

MISCELLANEOUS

Section 1201. Defeasance. (A) If SANDAG shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the pledge of any Grant Receipts and other moneys and securities pledged under this Indenture and all covenants, agreements and other obligations of SANDAG to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of SANDAG, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with SANDAG for any year or part thereof requested, and shall execute and deliver to SANDAG all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to SANDAG all moneys and securities held by them pursuant to this Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If SANDAG shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion shall be selected by lot by the Trustee in the manner provided in Section 404 for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and all covenants, agreements and obligations of SANDAG to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

(B) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in this Section 1201 if SANDAG shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay of redeem all of said Bonds in specified amounts no less than
the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. In connection with any such redemption, SANDAG shall cause to be delivered a verification report of an independent, nationally recognized certified public accountant regarding the cash flow sufficiency of the deposit. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling. The Defeasance Securities and moneys deposited with the Trustee pursuant to this Section shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Securities or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Securities so held shall be sufficient, as verified by an independent, nationally recognized certified public accountant, to provide fully for the payment of the principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

(C) Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to this Section 1201, if so directed by SANDAG, shall be applied by the Trustee to the purchase of such Bonds in accordance with this subsection. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The principal amount of Bonds to be redeemed shall be reduced by the principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to subsection (B) of this Section 1201, plus accrued interest, and such purchases shall be made in such manner as SANDAG shall determine. No purchase shall be made by the Trustee pursuant to this subsection if such purchase would result in the Trustee holding less than the moneys and Defeasance Securities required to be held for the payment of all other Bonds deemed to be paid pursuant to this Section 1201, as verified by an independent, nationally recognized certified public accountant.
(D) SANDAG may purchase with any available funds any Bonds deemed to be paid pursuant to this Section 1201 in accordance with this subsection. Bonds for which a redemption date has been established may be purchased by SANDAG on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date SANDAG shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to SANDAG on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to SANDAG the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

(E) Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Bonds become due and payable, shall be repaid by the Trustee to SANDAG, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to SANDAG for the payment of such Bonds.

Section 1202. Evidence of Signatures of Owners and Ownership of Bonds. (A) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Owner or its attorney of such instruments may be proved by a guarantee of the signature thereon by a bank, national banking association or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instruments acknowledged to that person the execution thereof, or by an affidavit of witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of authority.

2. The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the registration book maintained by the Trustee.
(B) Any request or consent by the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by SANDAG or the Trustee in accordance therewith.

Section 1203. Moneys Held for Particular Bonds. The amounts held by the Trustee for the payment of interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto.

Section 1204. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture, shall be retained in its possession and shall be subject at all reasonable times with reasonable notice to the inspection of SANDAG, any other Trustee, and any Owner and their agents and their representatives, any of whom may make copies thereof.

Section 1205. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, and all mutilated Bonds surrendered pursuant to Section 307, shall be delivered to the Trustee when such payment or redemption is made or upon surrender, as the case may be, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be delivered to SANDAG and the other retained by the Trustee.

Section 1206. Parties Interested Herein. (A) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than SANDAG, the Trustee and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of SANDAG shall be for the sole and exclusive benefit of SANDAG, the Trustee, any Bond Insurer, any Credit Bank and the Owners of the Bonds.

(B) To the extent that this Indenture confers upon and gives or grants to a Bond Insurer any right, remedy or claim under or by reason of this Indenture, such Bond Insurer is explicitly recognized as being a third party beneficiary under this Indenture and, subject to the provisions of Section 721 and Section 1208, may enforce any such right, remedy or claim conferred, given or granted under this Indenture.

Section 1207. No Recourse on the Bonds. (A) No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Indenture against any past, present or future member of the Board, officer, employee or agent of SANDAG, or any successor, public body or any person executing the Bonds, either directly or through SANDAG, under any rule of law or equity, statute or constitution or otherwise, and all such liability of any such officers, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.
(B) No member of the Board, officer, agent or employee of SANDAG shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds; but nothing herein contained shall relieve any such officer, director, agent or employee from the performance of any official duty provided by law.

(C) All covenants, stipulations, obligations and agreements of SANDAG contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of SANDAG to the full extent authorized and permitted by the Constitution and laws of the State of California, and no covenants, stipulations, obligations or agreements contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member of the Board, officer, agent or employee of SANDAG in his or her individual capacity, and no officer executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issue thereof. No member of the Board, officer, director, agent or employee of SANDAG shall incur any personal liability in acting or proceeding or in not acting or not proceeding in accordance with the terms of this Indenture.

**Section 1208. Successors and Assigns.** Whenever in this Indenture SANDAG is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in this Indenture contained by or on behalf of SANDAG shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

**Section 1209. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Indenture on the part of SANDAG or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Indenture.

**Section 1210. Notices.** Any notice, demand, direction, request or other instruments authorized or required by this Indenture to be given to, delivered to or filed with SANDAG or the Trustee shall be deemed to have been sufficiently given, delivered or filed for all purposes of this Indenture if and when sent by registered mail, return receipt requested:

To SANDAG, if addressed to: San Diego Association of Governments
401 B Street, Suite 800
San Diego, California 92101
Attention: Andre Douzdjian, Director of Finance
to such other address as may be designated in writing by SANDAG to the Trustee; and

To the Trustee, if addressed to: ______________________________________
_______________________________________
_______________________________________
Attention: ______________________________
or at such other address as may be designated in writing by the Trustee to SANDAG.

**Section 1211. Construction.** This Indenture and all Supplemental Indentures shall be construed in accordance with the provisions of the laws of the State of California.
Section 1212. Headings Not a Part of this Indenture. Any headings preceding the texts of the several Articles and Sections hereof, and any Table of Contents appended to copies hereof, are solely for convenience of reference and do not constitute a part of this Indenture, nor do they affect its meaning, construction or effect.

Section 1213. Multiple Counterparts. This Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the parties hereto have executed this Trust Indenture by their officers thereunto duly authorized as of the date first written above.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

By ________________________________

Executive Director

Countersigned:

______________________________
Clerk of the Board

APPROVED AS TO FORM:

By ________________________________

General Counsel

______________________________

as Trustee

By ________________________________

Authorized Officer
EXHIBIT A

FORM OF 2019 BOND

No. R-1 $_______________

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to San Diego Association of Governments or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
CAPITAL GRANT RECEIPTS REVENUE BOND
(MID-COAST CORRIDOR TRANSIT PROJECT)
SERIES 2019[A][B]

<table>
<thead>
<tr>
<th>INTEREST RATE</th>
<th>MATURITY DATE</th>
<th>DATED DATE</th>
<th>CUSIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____%</td>
<td>November [15],</td>
<td>______, 2019</td>
<td>______</td>
</tr>
</tbody>
</table>

Registered Owner: CEDE & CO.

Principal Amount: ____________________________________________ DOLLARS

The SAN DIEGO ASSOCIATION OF GOVERNMENTS, a public entity, duly organized and existing under and pursuant to the laws of the State of California (the "SANDAG"), for value received, hereby promises to pay (but only out of the sources hereinafter provided) to the Registered Owner identified above or registered assigns, upon presentation and surrender hereof, the Principal Amount identified above on the Maturity Date specified above, unless this Bond shall have been previously called for redemption and payment of the redemption price shall have been duly made or provided for, and to pay (but only out of the sources hereinafter provided) interest on said Principal Amount at the rate per annum specified above from the later of the Dated Date of this Bond or the most recent date to which interest has been paid or provided for. Interest on this Bond (computed on the basis of a 360-day year consisting of twelve 30-day months) is payable on May [15] and November [15] of each year, commencing November [15], 2019, until the payment in full of such Principal Amount, except as provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto.

The principal and Redemption Price of the Bonds shall be payable at the designated corporate trust offices of the Trustee, in the [City of Los Angeles], California, or such other
offices as designated by the Trustee. Interest on the Bonds shall be payable by check or bank draft mailed on the applicable Interest Payment Date or delivered by the Trustee to the Owners as the same appear on the registration books of SANDAG maintained by the Trustee as of the Record Date or, at the option of any Owner of $1,000,000 or more in aggregate principal amount of the Bonds, by wire transfer of Current Funds to such bank in the continental United States as said Owner shall request in writing to the Trustee not later than 15 days prior to the applicable Interest Payment Date.

The Bonds are limited obligations of the SANDAG payable solely from the Grant Receipts and the moneys, securities and funds pledged to the payment of the Bonds under the Indenture. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR THE COUNTY OF SAN DIEGO OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, OTHER THAN SANDAG TO THE EXTENT OF THE AMOUNTS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

This Bond is one of a duly authorized issue of San Diego Association of Governments Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019[A][B] (the “Bonds”) in the aggregate principal amount of $__________, issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of California, particularly Sections 132370.1 et seq. of the California Public Utilities Code (the “Act”), and a Trust Indenture, dated as of ___________ 1, 2019 (the “Indenture”), by and between SANDAG and the Trustee, for the purpose of raising moneys to finance a portion of the costs of the design and construction of an extension of the San Diego Trolley Blue Line from the Santa Fe depot in downtown San Diego, California, north to the UTC Transit Center in University City, California, known as the Mid-Coast Corridor Transit Project (the “Project”) in anticipation of the receipt of certain grants expected to be received from the United States of America, acting through the Department of Transportation, Federal Transit Administration. As provided in the Indenture, the principal or redemption price of and interest on the Bonds are payable from and secured by a pledge of and lien on the Grant Receipts as defined and described in the Indenture and amounts on deposit in certain Funds, Accounts and Sub-Accounts established pursuant to the Indenture. Pursuant to the Indenture and concurrently with the issuance of the Bonds, SANDAG issued $__________ principal amount of its Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project) Series 2019[A][B] (the “Series 2019[A][B] Bonds”), which are payable from and secured by a pledge of and lien on the Grant Receipts on a parity with the Bonds. The Indenture provides that Refunding Bonds may be issued from time to time in the future on a parity with the Bonds and the Series 2019[A][B] Bonds to share ratably and equally in the Grant Receipts upon compliance with certain requirements contained in the Indenture.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee and reference is hereby made to the Indenture for a description of the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of SANDAG, the Trustee and the Registered Owners of the Bonds and the terms upon which the Bonds may be issued and secured.

This Bond is transferable, as provided in the Indenture, only upon the registration books of SANDAG maintained by the Trustee by the Registered Owner hereof in person, or by its duly authorized attorney, upon surrender hereof with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or its duly authorized attorney, and thereupon a new registered Bond or Bonds, in the same aggregate principal amount, maturity and
interest rate, shall be issued to the transferee. SANDAG and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The Bonds are issuable in the form of fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Subject to the conditions and upon the payment of the charges (if any) provided in the Indenture, the Bonds may be surrendered (accompanied by a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or its duly authorized attorney) in exchange for an equal aggregate principal amount of the Bonds of the same maturity and interest rate of any other authorized denominations.

The Trustee shall not be required to make any registration, transfer or exchange of any Bond during the period after such Bond has been called for redemption or, in the case of any proposed redemption of the Bonds, during the 15 days next preceding the date of first giving of notice of such redemption.

[The Bonds are subject, at the option of SANDAG, to redemption prior to their stated maturities on any date on or after the dates set forth in the following table, as a whole or in part in Authorized Denominations, from any moneys that may be provided for such purpose and at the redemption price of 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.]

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<tr>
<th>Maturity (November [15])</th>
<th>Interest Rate</th>
<th>Initial Call Date (November [15])</th>
</tr>
</thead>
</table>

The Bonds are subject to redemption or defeasance from amounts held in the Redemption Account under the terms and provisions set forth in the Indenture.

Notice of the redemption of the Bonds shall be given by the Trustee by first-class mail, postage prepaid, not more than 60 days nor less than 20 days before the date fixed for redemption, to the Registered Owners of the Bonds to be redeemed at their addresses shown on the registration books of SANDAG maintained by the Trustee. With respect to an optional redemption of any Bonds, unless moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of SANDAG, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, SANDAG shall not redeem such Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. If, on the date fixed for redemption, moneys for the redemption of all Bonds or portions thereof to be redeemed, together with interest to such date, shall be held by the Trustee so as to be available therefor on said date and if notice of
redemption shall have been given as aforesaid, then, from and after the date fixed for redemption, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and become payable.

The Indenture provides that if SANDAG shall pay the principal or redemption price, if applicable, and interest due and to become due on all Bonds of a particular series, maturity within a series or portions of a maturity within a series at the times and in the manner stipulated therein and in the Indenture, then the pledge and lien created by the Indenture for such Bonds shall thereupon be discharged and satisfied. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust at or prior to their maturity or redemption date shall be deemed to have been paid if, among other things, SANDAG shall have delivered to the Trustee either moneys in an amount which shall be sufficient or Defeasance Securities (as defined in the Indenture), the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or redemption price, if applicable, of and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be. Defeasance Securities and moneys so deposited with the Trustee shall be held in trust for the payment of the principal or redemption price, if applicable, of and interest on said Bonds.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

It is hereby certified, recited and declared that this Bond is issued in part pursuant to the Act, that all acts and conditions required to be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond have been performed in due time, form and manner as required by law; and that the issuance of this Bond and the series of which it is a part does not exceed or violate any constitutional or statutory limitation.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been duly executed by the Trustee.
IN WITNESS WHEREOF, THE SAN DIEGO ASSOCIATION OF GOVERNMENTS has caused this Bond to be signed in its name and on its behalf as of the ____ day of ______________, 2019.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

By ________________________________
Chair of the Board

Attest:

By ________________________________
Executive Director
CERTIFICATE OF AUTHENTICATION

This Bond is one of the Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019[A][B] of the San Diego Association of Governments, described in the within-mentioned Indenture.

Dated: ____________, 2019

________________________________________,
as Trustee

By ____________________________
Authorized Officer
FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers to

________________________________________________________________________
(Please insert Social Security or Identification Number of Transferee)

________________________________________________________________________/

(Please print or typewrite name and address, including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

______

attorney to register the transfer of the within Bond on the books kept for registration thereof, all
power of substitution in the premises.

Dated:

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the
Securities Transfer Agents Medallion Program or in such other guarantee program acceptable
to the Trustee.

NOTICE: The signature above must correspond with the name of the Registered
Owner as it appears upon the front of this Bond in every particular, without alteration or
enlargement or any change whatsoever.
EXHIBIT B

FORM OF COSTS OF ISSUANCE REQUISITION

$_______________

SAN DIEGO ASSOCIATION OF GOVERNMENTS
CAPITAL GRANT RECEIPTS REVENUE BONDS
(MID-COAST CORRIDOR TRANSIT PROJECT)

$_______________
Series 2019A

$_______________
Series 2019B

REQUISITION NUMBER 1 FOR COSTS OF ISSUANCE

The undersigned hereby directs and certifies that:

(a) ______________________________________, as trustee (the “Trustee”) under that certain Trust Indenture, dated as of _________ 1, 2019 (the “Indenture”) by and between the San Diego Association of Governments (“SANDAG”) and the Trustee, is hereby directed to pay from the Costs of Issuance Account of the Construction Fund established under the Indenture, to each of the persons, firms or corporations designated as “Payee” in Exhibit A attached hereto an amount not to exceed the sum set forth opposite such designation, in payment or reimbursement of the costs of issuance of $_______________ aggregate principal amount of SANDAG’s Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project) Series 2019A and $_______________ aggregate principal amount of its Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project) Series 2019B for the purpose listed on said Exhibit A, in each case upon receipt of an invoice, bill or statement therefor;

(b) each item to be paid with the funds requisitioned hereunder represents an incurred or due and payable cost of issuance in accordance with the Indenture;

(c) no amount set forth in this requisition has been paid from other funds withdrawn from the Costs of Issuance of the Construction Fund; and

(d) to the best of my knowledge, no Event of Default has occurred and is continuing under the Indenture.
IN WITNESS WHEREOF, the undersigned has executed this Certificate as of __________, 2019

SAN DIEGO ASSOCIATION OF GOVERNMENTS

By _____________________________________
Authorized Representative

[Signature page to the Requisition for Costs of Issuance]
<table>
<thead>
<tr>
<th>Payee</th>
<th>Purpose</th>
<th>Maximum Amount</th>
</tr>
</thead>
</table>

NEW ISSUE—BOOK-ENTRY ONLY

Ratings: [____]: “[____]”
[____]: “[____]”
(See “RATINGS” herein.)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
CAPITAL GRANT RECEIPTS REVENUE BONDS
(MID-COAST CORRIDOR TRANSIT PROJECT)

Series 2019A
(Green Bonds)

Series 2019B
(Green Bonds)

*Preliminary; subject to change.
# MATURITY SCHEDULE*

BASE CUSIP†: ______

$[___________________]∗

SAN DIEGO ASSOCIATION OF GOVERNMENTS
CAPITAL GRANT RECEIPTS REVENUE BONDS
(MID-COAST CORRIDOR TRANSIT PROJECT)

$ [____________]∗ Serial Series 2019A Bonds

<table>
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<th>Maturity (November 15)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Redeemable On or After†</th>
<th>CUSIP Number††</th>
</tr>
</thead>
</table>

$______ ____% Series 2019B Bond due November 15, 20___ – Yield ____% - CUSIP Number† __

† See “THE BONDS – Redemption Prior to Maturity.”
†† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of SANDAG, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

* Preliminary; subject to change.
SAN DIEGO ASSOCIATION OFGOVERNMENTS
BOARD MEMBERS

Chair
Hon. Steve Vaus

Vice Chair
Hon. Catherine Blakespear

City of Carlsbad
Hon. Cori Schumacher, Councilmember
(A) Hon. Barbara Hamilton, Councilmember
(A) Hon. Priya Bhat-Patel, Mayor Pro Tem

City of Chula Vista
Hon. Mary Salas, Mayor
(A) Hon. Steve Padilla, Deputy Mayor
(A) Hon. John McCann, Councilmember

City of Coronado
Hon. Richard Bailey, Mayor
(A) Hon. Bill Sandke, Mayor Pro Tem
(A) Hon. Mike Donovan, Councilmember

City of Del Mar
Hon. Ellie Haviland, Deputy Mayor
(A) Hon. Dwight Worden, Councilmember
(A) Hon. Dave Drucker, Mayor

City of El Cajon
Hon. Bill Wells, Mayor
(A) Hon. Steve Goble, Deputy Mayor

City of Encinitas
Hon. Catherine Blakespear, Mayor
(A) Hon. Tony Kranz, Councilmember
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Hon. Paul McNamara, Mayor
(A) Hon. Olga Diaz, Councilmember
(A) Hon. Mike Morasco, Councilmember

City of Imperial Beach
Hon. Serge Dedina, Mayor
(A) Hon. Mark West, Councilmember
(A) Hon. Paloma Aguirre, Councilmember

City of La Mesa
Hon. Kristine Alessio, Councilmember
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City of Lemon Grove
Hon. Raquel Vasquez, Mayor
(A) Hon. Jennifer Mendoza, Councilmember
(A) Hon. Jerry Jones, Councilmember

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(A) Hon. Ron Morrison, Vice Mayor

City of Oceanside
Hon. Jack Feller, Deputy Mayor
(A) Hon. Christopher Rodriguez, Councilmember
(A) Hon. Esther Sanchez, Councilmember

City of Poway
Hon. Steve Vaus, Mayor
(A) Hon. John Mullin, Councilmember
(A) Hon. Jaylin Frank, Councilmember

City of San Diego
Hon. Kevin Faulconer, Mayor
(A) Hon. Mark Kersey, Councilmember
(A) Hon. Chris Cate, Councilmember
Hon. Georgette Gomez, Council President
(A) Hon. Barbara Bry, Council President Pro Tem
(A) Hon. Monica Montgomery, Councilmember

City of San Marcos
Hon. Rebecca Jones, Mayor
(A) Hon. Sharon Jenkins, Mayor Pro Tem
(A) Hon. Maria Nunez, Councilmember

City of Santee
Hon. John Minto, Mayor
(A) Hon. Ronn Hall, Councilmember
(A) Hon. Rob McNelis, Councilmember

City of Solana Beach
Hon. David A. Zito, Mayor
(A) Hon. Jewel Edson, Deputy Mayor
(A) Hon. Kristi Becker, Councilmember

City of Vista
Hon. Judy Ritter, Mayor
(A) Hon. Amanda Rigby, Councilmember
(A) Hon. John Franklin, Deputy Mayor

County of San Diego
Hon. Jim Desmond, Supervisor
(A) Hon. Dianne Jacob, Chair
Hon. Kristin Gaspar, Supervisor
(A) Hon. Greg Cox, Vice Chair
(A) Hon. Nathan Fletcher, Supervisor

Advisory Members

Imperial County
(Advisory Member)
Hon. Jesus Eduardo Escobar, Supervisor
(A) Mark Baza, Imperial County Transportation Commission

California Department of Transportation
(Advisory Member)
Laurie Berman, Director
(A) Cory Binns, District 11 Director
(A) Ann Fox, Deputy Director

Metropolitan Transit System
(Advisory Member)
Hon. Tony Kranz
(A) Hon. Priya Bhat-Patel
(A) Hon. Jewel Edson

North County Transit District
(Advisory Member)
Hon. Tony Kranz
(A) Hon. Priya Bhat-Patel
(A) Hon. Jewel Edson

United States Department of Defense
(Advisory Member)
Joe Stuyvesant, Navy Region Southwest, Executive Director
(A) Steve Chung, Navy Region Southwest

San Diego Unified Port District
(Advisory Member)
Hon. Garry Bonelli, Chairman
(A) Hon. Michael Zucchet, Commissioner

San Diego County Water Authority
(Advisory Member)
Ron Morrison, Director
(A) Gary Croucher, Vice Chair
(A) Mel Katz, Director

Southern California Tribal Chairmen's Association
(Advisory Member)
Hon. Cody Martinez, Chairman, Sycuan Band of the Kumeyaay Nation
Hon. Robert Smith, Chairman, Pala Band of Mission Indians

Mexico (Consulate General of Mexico)
(Advisory Member)
Hon. Marcela Celorio, Cónsul General de Mexico
(A) Gaspar Orozco, Deputy Cónsul General de Mexico
(A) Hon. Ruth Alicia López, Vice Consul

San Diego County Regional Airport Authority
(Advisory Member)
April Boling, Chair
(A) Vacant
SAN DIEGO ASSOCIATION OF GOVERNMENTS

MANAGEMENT

Executive Director
Hasan Ikhrata

Chief Deputy Executive Director
Kim Kawada

General Counsel
John F. Kirk

Director of Finance
André Douzdjian

TransNet Director
Jose Nuncio

Chief Economist and Director of Data, Analytics and Modeling
Ray Major

Director of Mobility Management and Project Implementation
Jim Linthicum

SPECIAL SERVICES

BOND COUNSEL

Norton Rose Fulbright US LLP
Los Angeles, California

DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

MUNICIPAL ADVISOR

PFM Financial Advisors, LLC
San Francisco, California

TRUSTEE

[____________________________
[___________], [____________

[ ] [ ]
In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside cover page of the Official Statement, and such public offering prices may be changed from time to time by the Underwriters.

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by SANDAG or the Underwriters to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement contains forecasts, projections and estimates that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Grant Receipts received, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by SANDAG that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of Grant Receipts received include, among others, receipt of the required local share under the Grant Agreement, changes in political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, seismic events, and various other events, conditions and circumstances, many of which are beyond the control of SANDAG. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the captions “THE GRANT AGREEMENT” and “FEDERAL TRANSIT PROGRAM” and such statements speak only as of the date of this Official Statement. SANDAG disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in SANDAG’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, United States Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”).
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OFFICIAL STATEMENT

SAN DIEGO ASSOCIATION OF GOVERNMENTS CAPITAL GRANT RECEIPTS REVENUE BONDS (MID-COAST CORRIDOR TRANSIT PROJECT)

Series 2019A
(Green Bonds)

Series 2019B
(Green Bonds)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover page, and appendices hereto (the “Official Statement”), is to provide certain information concerning the issuance by the San Diego Association of Governments (the “SANDAG”) of $[_______] aggregate principal amount of its Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019A (Green Bonds) (the “Series 2019A Bonds”) and $[_______] aggregate principal amount of its Capital Grant Receipts Revenue Bonds (Mid-Coast Corridor Transit Project), Series 2019B (Green Bonds) (the “Series 2019B Bonds” and together with the Series 2019A Bonds, the “Bonds”).

The Bonds are to be issued pursuant to the laws of the State of California (the “State”), including Section 132370.1 of the California Public Utilities Code. The Bonds are authorized by a resolution adopted by SANDAG Board on [_______], 2019, and are issued under and secured by a Trust Indenture, dated as of [_______] 1, 2019 (the “Indenture”), between SANDAG and [___________], as trustee (the “Trustee”).

The Bonds are being issued to provide funds to finance a portion of the costs of the design and construction of a 10.92 mile extension of the Metropolitan Transit System’s San Diego Trolley Blue Line from the Santa Fe Depot in downtown San Diego to the University Town Center Transit Center in the University City community of San Diego, California, known as the Mid-Coast Corridor Transit Project (the “Project”). For more information, see “THE PROJECT” herein.

San Diego Association of Governments

SANDAG is a consolidated regional transportation agency organized and existing pursuant to the San Diego Regional Transportation Consolidation Act, Section 132350 et seq. of the California Public Utilities Code (the “Act”). SANDAG is governed by a Board of Directors composed of mayors, councilmembers, and county supervisors from the County of San Diego (the “County”) and each city in the County. SANDAG serves as a regional decision-making forum for the San Diego area for issues including transportation, environmental management, housing, open space, air quality, energy, fiscal management, economic development, and public safety. See “SANDAG” herein.

* Preliminary; subject to change.
Use of Bond Proceeds

The proceeds of the Bonds will be applied to finance a portion of the costs of the Project, to fund a Debt Service Reserve Fund under the Indenture, to fund capitalized interest on the Bonds, and to pay certain costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PROJECT.”

Security for the Bonds

The Bonds are limited obligations of SANDAG payable solely from and secured solely by Grant Receipts (as herein defined), amounts on deposit in the funds and accounts under the Indenture (except the Rebate Fund), and investment earnings thereon. See “SECURITY FOR THE BONDS,” “THE GRANT AGREEMENT,” “FEDERAL TRANSIT PROGRAM” and “APPENDIX A—THE GRANT AGREEMENT.”

The Bonds are not a general obligation of SANDAG, and the revenues of SANDAG (other than as described herein) are not pledged for the payment of the Bonds or the interest thereon. The Bonds are not an indebtedness or obligation of the State or any political subdivision of the State (other than SANDAG) or of any municipality within the State.

Federal Transit Programs

Under the Capital Investment Grant and Loan Program, 49 U.S.C. 5309 (“Section 5309”), the Secretary of Transportation may make grants to assist state and local governmental authorities in financing capital projects for new fixed guideway systems and extensions to existing guideway systems, including light rail, rapid rail (heavy rail), commuter rail, automated fixed guideway systems, busway/high occupancy vehicle facilities, or extensions of such projects. Pursuant to Section 5309, SANDAG in September 2016 entered into a Full Funding Grant Agreement (the “Grant Agreement”) with the U.S. Department of Transportation, Federal Transit Administration (the “FTA”), which provides for federal financial assistance in the form of grants to SANDAG (as more fully defined in the Indenture, the “Grant Receipts”) to fund a portion of the costs of the Project. The Grant Agreement sets forth the requirements that must be satisfied by SANDAG to receive and retain the Grant Receipts and the conditional nature of the award of such funds. Pursuant to the Grant Agreement, FTA has committed a total of $1,043,380,000 of Grant Receipts to the Project, of which $330,024,740 has been received by SANDAG to date. SANDAG expects to receive the remaining balance of the Grant Receipts under the Grant Agreement (in the aggregate amount of $713,355,260) in installments over the next seven years from Federal Fiscal Year (October 1 through September 30) (“FFY”) 2019 through FFY 2026. Pursuant to the Indenture, SANDAG will deposit Grant Receipts with the Trustee within one business day of receipt to pay debt service on the Bonds and replenish the Debt Service Reserve Fund, among other purposes. See “SECURITY FOR THE BONDS,” “THE PROJECT,” “THE GRANT AGREEMENT,” “FEDERAL TRANSIT PROGRAM,” “INVESTMENT CONSIDERATIONS” and “APPENDIX A—THE GRANT AGREEMENT.”

Plan of Finance for the Project

SANDAG expects to fund less than half of the Project’s estimated cost of $2,171,200,545 from moneys received pursuant to the Grant Agreement and Bond proceeds. SANDAG expects to fund the remaining portion of the Project from local funding sources, which include sales tax revenues of the San Diego County Regional Transportation Commission (the “Commission”) and the proceeds of certain debt obligations issued by the Commission and secured by such sales tax revenues, as further described herein. See “THE PROJECT – Funding of Project Costs.”
Bond Insurance

[To be determined.]

Certain References

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in “APPENDIX B—SUMMARY OF THE INDENTURE—Definitions of Certain Terms” or, if not defined therein, in the Indenture.

THE BONDS

[All Bond provisions to be conformed to final Indenture.]

General Provisions of the Bonds

The Bonds will be dated the date of delivery thereof and will bear interest from their dated date at the rates per annum set forth on the inside front cover of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), payable on November 15, 2019 and semiannually thereafter on May 15 and November 15 (each an “Interest Payment Date“) of each year to the registered owners thereof as of the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date (the “Record Date“). The Series 2019A Bonds will mature on November 15 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. The Series 2019B Bonds will mature on November 15 on the year and in the principal amount set forth on the inside cover page of this Official Statement. The Bonds will be issued as fully registered bonds in authorized denominations of $5,000 or in any integral multiple thereof (“Authorized Denominations”).

Redemption Prior to Maturity

Optional Redemption of Series 2019A Bonds. The Series 2019A Bonds are subject, at the option of SANDAG, to redemption prior to their stated maturities on any Business Day on or after the dates set forth in the following table, as a whole or in part in Authorized Denominations, from any moneys that may be provided for such purpose and at the redemption price of 100% of the principal amount of the Series 2019A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

<table>
<thead>
<tr>
<th>Maturity (November 15)</th>
<th>Interest Rate</th>
<th>Initial Call Date (November 15)</th>
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Optional Redemption of Series 2019B Bonds. The Series 2019B Bonds are subject, at the option of SANDAG, to redemption prior to their stated maturity on any Interest Payment Date as a whole or in
part in Authorized Denominations, from any moneys that may be provided for such purpose and at the redemption price of 100% of the principal amount of the Series 2019B Bonds to the redeemed, plus accrued interest to the date fixed for redemption. **Notwithstanding the foregoing, no Series 2019B Bonds shall be optionally redeemed prior to the maturity or redemption in full of all Series 2019A Bonds.**

**Redemption or Defeasance by Operation of the Redemption Account**

Whenever the amount held in the Redemption Account exceeds $1,000,000, the Trustee shall notify SANDAG and apply the moneys held therein as follows:

**First:** to the redemption of Outstanding Series 2019A Bonds then subject to optional redemption in the current or immediately succeeding Federal Fiscal Year (exclusive of any such Series 2019A Bonds maturing within 30 days or previously selected for redemption) on the first date such Series 2019A Bonds may be redeemed that is at least 60 days after such notification;

**Second:** to the redemption of Outstanding Series 2019B Bonds (exclusive of Series 2019B Bonds previously selected for redemption) on the next Interest Payment Date that is at least 60 days after such notification; and

**Third:** if all of the Series 2019B Bonds have been redeemed in full, to the redemption of any remaining Outstanding Series 2019A Bonds (exclusive of any such Series 2019A Bonds maturing within 30 days or previously selected for redemption), in order of maturity, on the first date such Series 2019A Bonds may be redeemed that is at least 60 days after such notification.

**Current Refunding.** In connection with any redemption of Bonds as described in first through third above in a current refunding, the Trustee shall apply the amounts held in the Redemption Account to pay the Redemption Price of such Bonds called for redemption. The accrued interest on such Bonds to the date fixed for their redemption shall be paid from the Interest Account; provided, however, that if the amount then held in the Interest Account is not sufficient to pay such accrued interest then, at the direction of SANDAG expressed in a certificate of an Authorized Officer filed with the Trustee, such accrued interest may be paid from moneys in the Capitalized Interest Account or from moneys in the Redemption Account. The Trustee shall redeem the principal amount of such Bonds that will reduce the balance in the Redemption Account to less than $5,000. If the amount then held in the Redemption Account is not sufficient to redeem all of the Bonds of any maturity then eligible for redemption by operation of the Redemption Account in a current refunding, then the Trustee shall proceed to select the Bonds to be redeemed by lot within such maturity. The Trustee shall file with SANDAG a notice specifying the Bonds called for redemption pursuant to this subsection and shall send notices of redemption to holders of the affected Bonds as described in “– Notice of Redemption” below.

**Advance Refunding.** In connection with any redemption of Bonds as described in first through third above in an advance refunding, the Trustee shall apply the amounts held in the Redemption Account to defease the principal amount of such Bonds that will reduce the balance in the Redemption Account to less than $5,000. If the amount then held in the Redemption Account is not sufficient to defease all of the Bonds then Outstanding, the Trustee shall proceed to select the Bonds to be defeased from moneys then held in the Redemption Account by designating for defeasance any Outstanding Series 2019B Bonds, and thereafter, the Outstanding Series 2019A Bonds in order of maturity, and if the amount then held in the Redemption Account is not sufficient to defease all of such Bonds of any maturity, by lot within such maturity. The Trustee shall file with SANDAG a notice specifying the Bonds defeased pursuant to this subsection. In order to effect such defeasance, either (a) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the
Bonds to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case may be, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be defeased, or (b) Defeasance Securities as directed by SANDAG in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of the Indenture. The Trustee shall send such notices and take such other actions in connection with the defeasance of such Bonds in accordance with the Indenture.

If Grant Receipts are received as anticipated, a substantial portion of the Series 2019A Bonds and the Series 2019B Bonds will be redeemed prior to maturity. There can be no assurance that Grant Receipts will be redeemed prior to maturity. See “SECURITY FOR THE BONDS – Projected Grant Receipts” and “Flow of Funds” and “INVESTMENT CONSIDERATIONS – Uncertainties in Federal Funding.”

Selection of Bonds to Be Redeemed

If less than all of the Bonds of like maturity and interest rate of any Series shall be called for prior redemption, the particular Bonds or portion of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than the minimum Authorized Denomination for the Bonds of such Series to be redeemed shall be in the principal amount of an Authorized Denomination for the Bonds of such Series and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of said minimum Authorized Denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by said minimum Authorized Denomination. If all Bonds of any Series are Book-Entry Bonds, the particular Bonds or portions thereof of such Series to be redeemed shall be selected by the Securities Depository for such Series of Bonds in such manner as such Securities Depository shall determine.

Notice of Redemption

When the Trustee shall receive notice from SANDAG of its election or direction to redeem Bonds pursuant to the Indenture and when redemption of Bonds is authorized or required pursuant to the Indenture, the Trustee shall give notice, in the name of SANDAG, of the redemption of such Bonds, which notice shall specify the Series and maturities and interest rates of the Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the Bonds of any like Series and maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the Redemption Price of each Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption, to the Owners of the Bonds to be redeemed at their addresses as shown on the registration books of SANDAG maintained by the Trustee. If the Trustee mails notices of redemption as herein provided, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any Bonds, unless moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of
SANDAG, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, SANDAG shall not redeem such Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

**Book-Entry-Only System**

As noted above, DTC will act as securities depository for the Bonds. See “APPENDIX D—DTC AND THE BOOK-ENTRY-ONLY SYSTEM.”

Payments of interest on and principal of the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of SANDAG or the Trustee with respect to interest on and principal of the Bonds to the extent of the sum or sums so paid.

SANDAG and the Trustee cannot and do not give any assurances that DTC Participants or DTC Indirect Participants will distribute to the beneficial owners (i) payments of interest and principal with respect to the Bonds, (ii) confirmation of ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Owner of the Bonds, or that they will do so on a timely basis.

**SECURITY FOR THE BONDS**

The Bonds are limited obligations of SANDAG and are payable solely from and secured solely by Grant Receipts (as herein defined), amounts on deposit in the funds and accounts established under the Indenture (except the Rebate Fund), and investment earnings thereon. The Bonds are not a general obligation of SANDAG and the revenues of SANDAG (other than as described above) are not pledged for the payment of the Bonds or the interest thereon. The Bonds are not an indebtedness or obligation of the State or any political subdivision of the State (other than SANDAG) or of any municipality within the State.

**Pledge of Grant Receipts**

The Indenture pledges for the payment of the principal and Redemption Price of, and interest on, the Bonds and Refunding Bonds in accordance with their terms and the provisions of the Indenture, and a lien is thereby granted for such purpose, subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (i) the Grant Receipts (as described below), (ii) amounts on deposit in all funds, accounts and sub-accounts established under the Indenture (except the Rebate Fund), and (iii) the Additional Security, which is defined under the Indenture as any and all moneys and securities furnished from time to time to the Trustee by SANDAG or on behalf of SANDAG by any other persons, in each case at SANDAG’s sole and absolute discretion, to be held by the Trustee under the terms of the Indenture.

The term “Grant Receipts” is defined in the Indenture to mean any amount received by SANDAG from Section 5309 New Starts funds pursuant to the Grant Agreement. See “THE GRANT AGREEMENT” and “APPENDIX A—THE GRANT AGREEMENT.”
Flow of Funds

**Grant Receipts.** The Indenture requires all Grant Receipts received by SANDAG to be transferred promptly to the Trustee and deposited in the Grant Receipts Fund. The Trustee is then required, as soon as practicable, to deposit all amounts in the Grant Receipts Fund into the following funds, accounts and subaccounts established under the Indenture:

**First:** Into the Interest Account, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the Interest Requirement for all Outstanding Bonds for the current and succeeding Federal Fiscal Year.

**Second:** Into the Principal Account, to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirement for all Outstanding Bonds for the current and succeeding Federal Fiscal Year.

**Third:** Into the Debt Service Reserve Fund, to the extent, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Requirement.

**Fourth:** To SANDAG, an amount specified by SANDAG in a certificate of an Authorized Officer filed by the Trustee as needed to reimburse a provider of a Debt Service Reserve Credit Facility for disbursements thereunder.

**Fifth:** Into the Rebate Fund, an amount specified by SANDAG in a certificate of an Authorized Officer filed with the Trustee directing the Trustee to withdraw such amount from the Construction Fund or to provide from such deposit from the application of Grant Receipts.

**Sixth:** Into the Grant Receipts Construction Fund, an amount specified by SANDAG in a certificate of an Authorized Officer filed with the Trustee certifying that the total amount deposited therein will not exceed [$___] in the aggregate or such greater amount if SANDAG certifies that the remaining amount that SANDAG expects to receive under the Grant Agreement after such deposit will be equal to at least 100% of the sum of (i) the principal amount of the Outstanding Bonds, plus (ii) the Interest Requirement on the Outstanding Bonds assuming such Bonds are paid on their stated maturity dates, minus (iii) moneys in the Debt Service Reserve Fund and investment earnings thereon, to the extent such earnings may be determined precisely, and moneys in the Debt Service Fund.

**Seventh:** Into the Redemption Account, any remaining amounts. See “THE BONDS–Redemption Prior to Maturity–Mandatory Redemption from Amounts in Redemption Account.”
Grant Receipts Indenture Flow of Funds

SANDAG

Grant Receipts

Trustee

Full Funding Grant Receipts Fund

Interest Account

Principal Account

Debt Service Reserve Fund

Rebate Fund

Grant Receipts Construction Fund

Redemption Account

See “APPENDIX B—SUMMARY OF THE INDENTURE.”
Projected Grant Receipts

SANDAG receives Grant Receipts from FTA pursuant to the Grant Agreement to fund a portion of the costs of the Project. The Grant Agreement sets forth the requirements that must be satisfied by SANDAG in order to receive and retain the Grant Receipts. Pursuant to the Grant Agreement, FTA has committed a total of $1,043,380,000 of Grant Receipts to the Project, of which $330,024,740 has been received by SANDAG to date. The following table outlines SANDAG’s projections for Grant Receipts from and after FFY 2019. From FFY 2019 through 2026, SANDAG projects receiving $793,280,000 in Grant Receipts (including the $80,024,740 SANDAG has already received in FFY 2019 that was attributable to the FFY 2018 apportionment). SANDAG’s actual receipt of Grant Receipts is, however, subject to the conditions set forth in the Grant Agreement and annual appropriation by Congress. SANDAG cannot provide any assurance that Congress will appropriate the amounts anticipated in total or in any given year, or SANDAG will otherwise receive Grant Receipts as projected in Table 1. See “THE GRANT AGREEMENT,” “FEDERAL TRANSIT PROGRAM” and “INVESTMENT CONSIDERATIONS.”

### TABLE 1

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<th>Anticipated Grant Receipts (1)</th>
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<td>$100,000,000 (2)</td>
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<td>2021</td>
<td>100,000,000</td>
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<td>100,000,000</td>
</tr>
<tr>
<td>2024</td>
<td>100,000,000</td>
</tr>
<tr>
<td>2025</td>
<td>100,000,000</td>
</tr>
<tr>
<td>2026</td>
<td>13,355,260</td>
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</tbody>
</table>

(1) Projected Grant Receipts shown as scheduled in the Grant Agreement, except for FFY 2026. The Grant Agreement reflects $18,380,000 of grant funding in FFY 2026. However, through the final FFY 2018 appropriation, SANDAG received excess Grant Receipts in the amount of $5,024,740. As a result, projected Grant Receipts for FFY 2026 have been adjusted downward by an equal amount. [The actual amount of Grant Receipts SANDAG receives in each Federal Fiscal Year will be net of costs relating to the appointed Project Management Oversight Consultant and any rescission of grant funding enacted by Congress, all of which withheld and rescinded amounts will be paid to SANDAG following completion of the Project. See “THE GRANT AGREEMENT” and “TABLE 9—RECEIVED AND ANTICIPATED GRANT RECEIPTS.”]

(2) To date in FFY 2019, SANDAG has received $80,024,740 in a FFY 2018 appropriation that was in addition to the initial FFY 2018 $100,000,000 appropriation. SANDAG anticipates receiving the full $100,000,000 FFY 2019 prior to the end of the FFY 2019.
Stated Debt Service Requirements

The following table sets forth the minimum stated debt service on the Bonds, assuming no prior redemption from excess Grant Receipts. SANDAG expects that a substantial portion of the Series 2019A and Series 2019B Bonds will be redeemed prior to their stated maturity.

TABLE 2
SEMI-ANNUAL STATED DEBT SERVICE SCHEDULE*

<table>
<thead>
<tr>
<th>Date</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Debt Service</th>
</tr>
</thead>
</table>

Debt Service Based on Projected Grant Receipts and Early Redemption

Table 3 on the following page illustrates the expected debt service schedule for FFY 2019 through FFY 2028 assuming Grant Receipts are received on the schedule set forth in Table 1. However, SANDAG cannot provide any assurance that Congress will appropriate, or that SANDAG will otherwise receive, the full amount anticipated in total or in any given year. See “THE GRANT AGREEMENT,” “FEDERAL TRANSIT PROGRAM” and “INVESTMENT CONSIDERATIONS—Uncertainties in Federal Funding.”

[Reminder of page intentionally left blank.]

* Preliminary; subject to change.
TABLE 3
SEMI-ANNUAL EXPECTED DEBT SERVICE SCHEDULE*
FFY 2019 THROUGH FFY 2028

* Preliminary; subject to change.
Debt Service Reserve Fund

A Debt Service Reserve Fund is established under the Indenture and the balance therein is required to be maintained in an amount at least equal to the Debt Service Reserve Requirement. “Debt Service Reserve Requirement” means [Final Indenture Definition]. As of the date of issuance of the Bonds, the Debt Service Reserve Requirement for the Bonds is expected to be $[______________]. Although the Debt Service Reserve Fund is expected to be fully funded with cash on the date the Bonds are issued, SANDAG may satisfy the Debt Service Reserve Requirement by delivering to the Trustee in lieu of such deposit a Debt Service Reserve Credit Facility. Any deficiencies in the Debt Service Reserve Fund may be replenished only from Grant Receipts or by the deposit of a Debt Service Reserve Credit Facility. See “APPENDIX B—SUMMARY OF THE INDENTURE—Debt Service Reserve Fund.”

Capitalized Interest Account

On the date of issuance of the Bonds, SANDAG will deposit into the Capitalized Interest Account an amount of Bond proceeds sufficient, together with anticipated interest earnings, to meet the Interest Requirement with respect to the Bonds through May [15], 2020. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Refunding Bonds

No additional bonds other than Refunding Bonds may be issued under the Indenture. One or more Series of Refunding Bonds may be issued on a parity with the Bonds, but only for refunding purposes and only upon compliance by SANDAG with certain provisions of the Indenture, which include, among other things, the requirement that SANDAG deliver to the Trustee a certificate evidencing that for each Bond Year ending on or prior to the latest maturity date of any then outstanding Bond or Additional Bond, the Annual Debt Service Requirements for any such Bond Year on account of all Bonds and Refunding Bonds, including the Refunding Bonds then being issued, after the redemption or provision for payment of the Bonds to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds and Refunding Bonds outstanding, including the Bonds to be refunded, immediately prior to the issuance of such Refunding Bonds. See “APPENDIX B—SUMMARY OF THE INDENTURE—Refunding Bonds.”

[To be revised based on Indenture.] Nothing in the Indenture shall prohibit or prevent SANDAG from issuing bonds, certificates or other evidences of indebtedness payable as to principal and interest from Grant Receipts, but only if such indebtedness is junior and subordinate in all respects to any and all Bonds issued and outstanding under the Indenture.

Investments

All amounts held under the Indenture are invested at the direction of SANDAG in Permitted Investments, as defined in the Indenture, and are subject to certain limitations contained therein. See “APPENDIX B—SUMMARY OF THE INDENTURE—Investment of Certain Moneys.”

BOND INSURANCE

[To be determined.]
ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Bonds is summarized in the following table.

<table>
<thead>
<tr>
<th>Sources of Funds:</th>
<th>Series 2019A Bonds</th>
<th>Series 2019B Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Principal Amount of Bonds</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>[Plus/Less] [Net] Original Issue [Premium/Discount]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds:</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit to Construction Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized Interest Account(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underwriters’ Discount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of Issuance(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

(1) The Interest Requirement with respect to the Bonds will be funded through May 15, 2020 with Bond proceeds deposited in the Capitalized Interest Account and interest earnings thereon.

(2) Includes bond counsel fees, disclosure counsel fees, municipal advisor fees, rating agency fees, bond insurance premium, printing fees and other miscellaneous expenses.

THE PROJECT

General

The Project consists of the design and construction of a 10.92 mile dual-track LRT extension of the San Diego Metropolitan Transit System’s (“MTS”) existing San Diego Trolley Blue Line (the “Blue Line”) from the Santa Fe Depot in downtown San Diego to the University Town Center Transit Center in the University City community of San Diego, California. The Project uses the existing Blue Line trolley tracks for approximately 3.5 miles from the Santa Fe Depot to a point just north of the Old Town Transit Center and south of the San Diego River. The Project includes nine stations (four at-grade and five elevated), three park-and-ride facilities, two shared use parking lots with a total of 1,170 spaces, two transfer centers, and 36 light rail vehicles. As described in more detail below, the Project will connect the County’s universities, including University of California, San Diego, its biotech and innovation hub in University Town Center, and major hospitals and medical centers. See “‘Green Bond’ Designation of the Project – Use of Proceeds” below.

Construction of the Project began in fall 2016 and revenue service is anticipated to begin in November 2021. As of [February 28, 2019, 47%] of the work is complete on the Project. Once completed, the Project will provide an effective alternative to congested freeways and roadways for travelers, improve public transit services, and enhance travel options by connecting the corridor with areas served by the existing trolley system. MTS will be responsible for operating the Project upon completion.
**“Green Bond” Designation of the Project**

**Use of Proceeds.** The Project is an extension of the existing light rail system that would provide long-term congestion relief, more easily expandable transportation options for future growth and link major activity centers around the County. The Project will serve major activity and employment centers such as the University of California, San Diego (“UC San Diego”), University Town Center (“UTC”), a number of biotech, computer and financial companies in addition to major hospitals. The Project, once completed, would link four major universities from north to south: California State University, San Marcos, UC San Diego, University of San Diego, and San Diego State University, as well as several community colleges to the east. Additionally, due to its connectivity, the Project also would link lower income communities in the southern and eastern parts of the county to important research, employment, health care and activity centers in the University City community. The Project extends the current Blue Line services that would share the existing tracks with the San Diego Trolley Green Line trains which run to the eastern cities of the County.

**Process for Project Evaluation and Selection.** The Project is one of the major transportation projects identified by the SANDAG Board in its long-range plan to improve mobility and relieve congestion while promoting sustainability and enhancing the region’s quality of life. The Project complements existing heavy rail (Coaster commuter rail, intercity AMTRAK service that operate along the LOSSAN corridor), light rail (Sprinter that runs east-west along the SR 78 corridor in north cities of the County and the San Diego Trolley that runs east and south from Downtown), bus service (both Bus Rapid Transit and local routes), local street and roads and the major interstate and state highways. The purpose of the Project is to provide long-term congestion relief, more easily expandable transportation options for future growth and link major activity centers around the County.

To meet the region’s goals most effectively, the Project is designed to provide a frequency of service, speed and reliability that would better serve existing transit riders and attract new riders. In addition, one-seat rides (trips that do not require a transfer) would be available from the U.S.-Mexico international border to University City, and between communities in south San Diego County, Downtown San Diego, and University City, making transit an attractive alternative to travel by automobile. This new service will enhance direct public access to other regional activity centers and improve travel options to employment, education, medical, and retail centers for corridor residents, commuters, and visitors.

**Land Use Benefits.** The City of San Diego has developed the “City of Villages” strategy of integrating land use and transit to address potential growth. All nine of the proposed stations under the Refined Build Alternative are located in Smart Growth Opportunity Areas, as identified in the SANDAG Regional Comprehensive Plan.

**Transit Benefits.** Implementation of the Project would improve accessibility and connectivity as a result of the new transit service. Nine new stations would provide increased opportunities to access the transit system for the communities and neighborhoods within the study area. As a result, environmental justice populations (as such term is defined in [insert citation]) within the corridor would have the opportunity to access the transit system in the corridor as well as region-wide. Five of the nine identified environmental justice populations in the corridor are located within one-half mile of the Project alignment. The Project would be fully compliant with the Americans with Disabilities Act, thus ensuring equitable service to persons with disabilities. More than 60 percent of user benefits would accrue to low-income groups both inside and outside the corridor, thereby supporting equity goals. In addition, the VA Medical Center Station would provide convenient access for veterans—disabled and otherwise—seeking medical treatment.
• The faster transit travel times and increased transit speeds result in transportation system user benefits, measured in terms of equivalent hours of travel-time savings. There would be approximately 11,500 hours per day in travel time savings.

• Linked transit trips in 2030 are estimated to increase by 13,400 trips per day (four percent). These are trips that would not be made by automobile on congested roadways. The system-wide ridership on the Trolley would increase by 28,600 boardings per day from 152,420 to 180,710 (19 percent).

• The Project would provide a more reliable transit system within the Mid-Coast Corridor. By year 2030, a 54-percent increase in vehicle hours of delay is projected, representing increased congestion on corridor roadways. As highway congestion increases, the reliability of buses operating in mixed traffic is expected to decline. The 10.9-mile extension of the Blue Line would be operated in exclusive right-of-way completely separate from roadway congestion, thus offering much greater reliability for transit riders.

• Operations for expansion of the Trolley line would add 33 direct and 97 indirect jobs from ongoing operating and maintenance expenditures, as well as $7.2 million in earnings and $33.3 million in total output.

Regional Air Quality Benefits. The Project would help reduce vehicle miles traveled (VMT). Since emissions of air pollutants and greenhouse gases (GHG) decrease as VMT decreases, the Project would result in reductions in air pollutants, including sulfur dioxide, NOX, particulate matter, and GHG.

Energy Benefits. Transportation sources account for nearly 40 percent of California’s energy consumption. The Project would reduce regional VMT by 137,977 miles daily and reduce daily regional roadway energy usage by 3,100 million British thermal units.

Economic Benefits. Economic benefits include:

• Approximately 10 percent of all jobs in San Diego County are located in the Mid-Coast Corridor, making the corridor a significant employment base for the county.

• There is the potential to increase property values and associated property tax revenues as a result of higher-density development around some of the proposed stations, as well as from the effects of improved mobility and accessibility on station-area properties.

• Construction would generate short-term employment and spending, which would have a substantial beneficial effect on the regional and local economy. Approximately 50,000 jobs would be created by the Project construction with an average annual wage for jobs higher than the San Diego County mean annual wage. The indirect fiscal impacts associated with the Project’s wage generation during construction would include increases in sales tax revenues (approximately $150 million) and income (approximately $1.77 billion).

Management of Proceeds. SANDAG will deposit the net proceeds of the Bonds into the Grant Receipts Construction Fund. SANDAG will track the net proceeds as these funds are expended for the Project.

Reporting. Annually, until the net proceeds of the Bonds are fully expended, SANDAG intends to provide disclosure regarding the amount of net proceeds expended on the Project. Disclosures will be made through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.
Board, accessible at [www.emma.msrb.org](http://www.emma.msrb.org), and the annual disclosure will be made when SANDAG provides its Annual Report (defined herein). See “CONTINUING DISCLOSURE” herein. Once all net proceeds of the Bonds are expended and disclosure regarding such expenditure is made, no further such disclosures will be provided. SANDAG has committed to a number of design and operational characteristics of the Project in order to advance SANDAG’s long-range plan to improve mobility and relieve congestion while promoting sustainability and enhancing the region’s quality of life. SANDAG may provide reports and updates to this end; however, such reports and updates are provided on a voluntary basis and are not included as part of the Continuing Disclosure Agreement for the Bonds.]

**Baseline Cost Estimate**

In the Grant Agreement, SANDAG provided a total cost estimate for the Project (the “Baseline Cost Estimate”). The Baseline Cost Estimate for the various components of the Project totals $2,171,200,545, as summarized below in Table 5.

**TABLE 5**

**BASELINE COST ESTIMATE OF PROJECT COMPONENTS**

[To be updated.]

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guideway and Track Elements</td>
<td>$326,818,825</td>
</tr>
<tr>
<td>Stations</td>
<td>82,838,589</td>
</tr>
<tr>
<td>Siteworks &amp; Special Conditions</td>
<td>502,814,371</td>
</tr>
<tr>
<td>Systems</td>
<td>171,350,363</td>
</tr>
<tr>
<td>Right-of-Way</td>
<td>101,233,011</td>
</tr>
<tr>
<td>Vehicles</td>
<td>178,478,010</td>
</tr>
<tr>
<td>Professional Services</td>
<td>381,254,046</td>
</tr>
<tr>
<td>Unallocated Contingency</td>
<td>69,013,709</td>
</tr>
<tr>
<td>Finance Charges</td>
<td>357,399,622</td>
</tr>
</tbody>
</table>

**Baseline Cost Estimate Total** $2,171,200,545

This Baseline Cost Estimate is used by FTA to monitor SANDAG’s compliance with certain terms and conditions of the Grant Agreement. Although financing costs may be higher than initial projections, SANDAG currently expects the total cost of the Project will be within the Baseline Cost Estimate. Table 6 on the following page sets for the Baseline Cost Estimate by category and the known and projected variances and estimates of costs to complete the Project.

[Reminder of page intentionally left blank.]
### TABLE 6
SUMMARY OF BASELINE COST ESTIMATE, EXPENDITURES PAID, AND ESTIMATES OF COSTS TO COMPLETION
(as of February 28, 2019)

[To be updated.]

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>A</th>
<th>B</th>
<th>C = A + B</th>
<th>D</th>
<th>E = C + D</th>
<th>F</th>
<th>G</th>
<th>H = G – E</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECT BUDGET</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TITLE</td>
<td>BASELINE - Base Estimate</td>
<td>BASELINE - Contingencies</td>
<td>TOTAL BASELINE</td>
<td>Transfers</td>
<td>CURRENT</td>
<td>AUTHORIZATION FOR EXPENDITURE (AFE)</td>
<td>Current Forecast</td>
<td>Variance from CURRENT BUDGET</td>
<td>Through 02/2019</td>
</tr>
<tr>
<td>GUIDEWAY &amp; TRACK ELEMENTS</td>
<td>311,221,738</td>
<td>15,597,087</td>
<td>326,818,825</td>
<td>0</td>
<td>326,818,825</td>
<td>323,581,753</td>
<td>326,818,825</td>
<td>0</td>
<td>190,804,710</td>
</tr>
<tr>
<td>STATIONS</td>
<td>78,863,894</td>
<td>3,974,695</td>
<td>82,838,589</td>
<td>0</td>
<td>82,838,589</td>
<td>78,233,894</td>
<td>82,838,589</td>
<td>0</td>
<td>7,033,158</td>
</tr>
<tr>
<td>SITEWORKS &amp; SPECIAL CONDITIONS</td>
<td>475,544,503</td>
<td>27,269,868</td>
<td>502,814,371</td>
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<td>502,814,371</td>
<td>478,373,795</td>
<td>502,814,371</td>
<td>0</td>
<td>324,899,897</td>
</tr>
<tr>
<td>SYSTEMS</td>
<td>161,817,012</td>
<td>9,533,351</td>
<td>171,350,363</td>
<td>0</td>
<td>171,350,363</td>
<td>147,569,395</td>
<td>171,350,363</td>
<td>0</td>
<td>50,836,494</td>
</tr>
<tr>
<td>CONSTRUCTION – Subtotal</td>
<td>1,027,447,147</td>
<td>56,375,000</td>
<td>1,083,822,147</td>
<td>0</td>
<td>1,083,822,147</td>
<td>1,027,758,838</td>
<td>1,083,822,147</td>
<td>0</td>
<td>573,574,258</td>
</tr>
<tr>
<td>RIGHT-OF-WAY</td>
<td>86,731,200</td>
<td>14,501,810</td>
<td>101,233,011</td>
<td>9,700,000</td>
<td>110,933,011</td>
<td>98,891,425</td>
<td>110,933,011</td>
<td>0</td>
<td>95,719,393</td>
</tr>
<tr>
<td>VEHICLES</td>
<td>169,979,057</td>
<td>8,498,952</td>
<td>178,478,010</td>
<td>(5,000,000)</td>
<td>173,478,010</td>
<td>163,680,691</td>
<td>173,478,010</td>
<td>0</td>
<td>45,853,187</td>
</tr>
<tr>
<td>PROFESSIONAL SERVICES</td>
<td>352,867,318</td>
<td>28,386,728</td>
<td>381,254,046</td>
<td>2,000,000</td>
<td>383,254,046</td>
<td>348,844,586</td>
<td>383,254,046</td>
<td>0</td>
<td>286,102,545</td>
</tr>
<tr>
<td>UNALLOCATED CONTINGENCY</td>
<td>----</td>
<td>69,013,709</td>
<td>69,013,709</td>
<td>(6,700,000)</td>
<td>62,313,709</td>
<td>----</td>
<td>62,313,709</td>
<td>0</td>
<td>---</td>
</tr>
<tr>
<td>SUBTOTAL - SCCs</td>
<td>1,637,024,723</td>
<td>176,776,200</td>
<td>1,813,800,923</td>
<td>0</td>
<td>1,813,800,923</td>
<td>1,639,175,539</td>
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<td>0</td>
<td>1,001,249,383</td>
</tr>
<tr>
<td>FINANCE CHARGES</td>
<td>357,399,622</td>
<td>0</td>
<td>357,399,622</td>
<td>0</td>
<td>357,399,622</td>
<td>29,126,691</td>
<td>357,399,622</td>
<td>0</td>
<td>29,126,691</td>
</tr>
<tr>
<td>TOTAL PROJECT COST</td>
<td>1,637,024,723</td>
<td>176,776,200</td>
<td>2,171,200,545</td>
<td>0</td>
<td>2,171,200,545</td>
<td>1,668,301,840</td>
<td>2,171,200,545</td>
<td>0</td>
<td>1,030,375,684</td>
</tr>
</tbody>
</table>
**Construction Contracts**

A Project Management Plan (“PMP”) was developed by SANDAG for managing and controlling the Project as it progresses through environmental clearance, project development, engineering, construction, testing, start-up, and ultimately, revenue service. SANDAG is using a Construction Manager/General Contractor (“CM/GC”) method of project delivery for construction of the Project related to the guideway, stations, trackwork and systems. The CM/GC delivery method provides SANDAG with the ability to select a contractor based on demonstrated experience with large, complex transit construction projects and takes advantage of that experience by engaging the contractor to complete important constructability analysis during the pre-construction services phase, while SANDAG maintains control of the design and design products. The CM/GC delivery method also has a schedule benefit to SANDAG. FTA required that the Grant Agreement be in place prior to awarding construction contracts for the Project. With the CM/GC delivery method, SANDAG had the flexibility to negotiate a guaranteed maximum price (“GMP”) prior to the execution of the Grant Agreement and move forward with the construction phase of the contract immediately after execution of the Grant Agreement. Further, the CM/GC delivery method significantly improves the cost certainty for SANDAG and FTA by having the GMP negotiated prior to finalization of the Grant Agreement and prior to authorizing of the construction phase of the contract.

SANDAG completed negotiation of a GMP in April 2016 and provided a revised cost estimate for the Project, based on the GMP, to FTA at that time. The Grant Agreement was executed by FTA and SANDAG on September 14, 2016. Following approval of the Grant Agreement, on September 14, 2016, SANDAG executed Supplement 4 to the CM/GC contract authorizing construction of the Project.

The final design and conformed documents for construction are being prepared by SANDAG’s Final Design Consultant. The purchase, delivery, testing, and acceptance of the new light rail vehicles (“LRVs”) are being done by the Project operator, MTS. Other owner-supplied materials, including for example, traction power substations and fare vending equipment, will be done by SANDAG in coordination with MTS. The PMP defines management responsibility and the roles of Project staff; identifies interactions among Project staff and between Project staff and other agencies and organizations; and specifies general procedures and management tools that are used to promote effective project control and successful project completion.

SANDAG also has developed a Risk Management Program that identifies the decision-making process for risk identification, risk assessment, risk analysis, risk management, risk mitigation and risk monitoring and reporting. It includes processes for documenting the Project’s status, as well as changes and potential risks.

The Risk Manager and supporting staff are responsible for examining the Project’s elements and requirements and for identifying each critical technical process for purposes of addressing associated risks. Each identified risk area is analyzed in more detail to isolate the causes and assess the impacts. This phase includes risk rating and prioritization in which risk events are defined in terms of their probability of occurrence, severity of consequences/impacts, and relationship to other risk areas or processes.

The SANDAG Risk Management Program also addresses coordination processes that provide for advanced notification of potential issues to all appropriate agencies and for timely resolution via regular progress reports that provide the current status of the Project. These reports, identify major issues that may potentially impact the progress of the Project, and propose mitigation plans needed to reduce the risk of not achieving the key milestone dates.
Funding of Project Costs

SANDAG expects to fund less than half of the Project’s estimated cost of $2,171,200,545 from moneys received pursuant to the Grant Agreement and the Bond proceeds. As shown on Table 7 below, the remaining portion of the Project will be funded by local funds in the amount of $1,127,691,422, which include funds from the TIFIA Loan (as defined below) and the proceeds of bonds issued by San Diego County Regional Transportation Commission (the “Commission”) and secured by sales tax revenues – derived from a one-half of one percent (0.5%) retail transactions and use tax (the “Sales Tax”). Such local funds are fully committed. Only moneys received pursuant to the Grant Agreement and the proceeds from the Bonds are needed to complete the Project under the current funding plan.

The Commission is responsible for providing improvements to the transportation system and other public infrastructure systems in the County funded with the Sales Tax. To carry out this responsibility, the Commission adopted in 1987 the initial San Diego County Transportation Improvement Program Ordinance (Commission Ordinance 87-1 – Proposition A, 1987) (referred to herein as the “1987 Ordinance”). In 2004, the Commission adopted the San Diego County Transportation Improvement Program TransNet Ordinance and Expenditure Plan (Commission Ordinance 04-01), referred to herein as the “2004 Sales Tax Extension Ordinance,” which provides for an extension of the retail transactions and use tax implemented by the initial 1987 Ordinance for a 40-year period commencing on April 1, 2008 (“TransNet”). The Commission Board is composed of the SANDAG Board of Directors. However, the liabilities of SANDAG are not liabilities of the Commission. SANDAG employees carry out the work of the Commission. The Commission has no employees.

In order to provide local funds for the Project, on April 18, 2018, the Commission issued the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A (the “Short Term Notes”) in the aggregate principal amount of $537,480,000, maturing on April 1, 2021, which are secured by revenues from the Sales Tax.

On June 27, 2017, the Commission entered into a loan agreement in the aggregate principal amount of up to $537,484,439 with the United States Department of Transportation, acting by and through the Executive Director of the Build America Bureau (the “TIFIA Loan”). The TIFIA Loan is payable from and secured by a pledge of the Commission’s sales tax revenues that is junior and subordinate to the pledge of sales tax revenues to repay the Short Term Notes. SANDAG expects to draw on the TIFIA Loan prior to completion of the Project and apply such funds to retire the Short Term Notes. Although SANDAG expects the Short Term Notes to be paid at maturity by drawing on the TIFIA Loan, the Short Term Notes are limited obligations of the Commission payable from and secured by a pledge of sales tax revenues that is junior and subordinate to the pledge of the Commission’s sales tax revenues to repay its senior sales tax revenue bonds.
TABLE 7
PROJECT FUNDING
($ in millions)

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Total Funding Amount</th>
<th>Amount Expended</th>
<th>Percentage of Total Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Agreement (Section 5309 Grant Receipts)</td>
<td>$1,043,380,000</td>
<td>$330,024,740</td>
<td>48.06%</td>
</tr>
<tr>
<td>Other FTA Funds</td>
<td>129,123</td>
<td>129,123</td>
<td>-</td>
</tr>
<tr>
<td>Local Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TransNet Sales Tax Revenues</td>
<td>559,410,135</td>
<td>199,560,684</td>
<td>25.77%</td>
</tr>
<tr>
<td>The Short Term Notes (1)</td>
<td>568,281,287</td>
<td>500,661,137</td>
<td>26.17%</td>
</tr>
<tr>
<td>Local Funds Subtotal</td>
<td>$1,127,691,422</td>
<td>$700,221,821</td>
<td>51.94%</td>
</tr>
<tr>
<td>Project Total</td>
<td>$2,171,200,545</td>
<td>$1,030,375,684</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

(1) SANDAG expects to draw on the TIFIA Loan on [_______], 20[____], and apply the proceeds to the repayment in full of the Short Term Notes.
Source: SANDAG

Status of Project

In fall 2014, the SANDAG Board of Directors and FTA gave final environmental clearance to the Project. Pre-construction activities, consisting of the relocation of underground utilities, began in early 2016, and primary construction activities started in fall 2016. Construction is currently underway along the entire 11-mile segment. The [table][chart] that follows shows the baseline schedule and the elements that have been completed as of [_______], 2019.

As of [September 2016], SANDAG’s original estimate for the date for the Project’s commencement of revenue operation was September 27, 2021. Currently, SANDAG projects commencement of revenue operation on November 5, 2021, as shown in Table 8 below. As noted in Table 8, the Grant Agreement requires SANDAG to commence revenue operation at the Project no later than November 23, 2022 (the “Required Revenue Service Date”). See “THE GRANT AGREEMENT” and “INVESTMENT CONSIDERATIONS – Default Under Grant Agreement.”

TABLE 8
PROJECT MILESTONES, BASELINE SCHEDULE AND CURRENT PROJECTION
(as of February 28, 2019)

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Baseline Schedule</th>
<th>Current Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Construction Duration</td>
<td>56 months</td>
<td>57.4 months</td>
</tr>
<tr>
<td>Reach 14 Track Construction Finish</td>
<td>August 6, 2020</td>
<td>November 19, 2020</td>
</tr>
<tr>
<td>MTS Integrated Testing Start</td>
<td>April 20, 2021</td>
<td>June 1, 2021</td>
</tr>
<tr>
<td>Final Completion by Construction Manager/General Contractor</td>
<td>July 16, 2021</td>
<td>August 26, 2021</td>
</tr>
<tr>
<td>Anticipated Date of Revenue Service</td>
<td>September 27, 2021</td>
<td>November 5, 2021</td>
</tr>
<tr>
<td>Required Revenue Service Date</td>
<td>November 23, 2022</td>
<td>November 23, 2022</td>
</tr>
</tbody>
</table>

SANDAG has completed right of way acquisitions for 30 of the total 42 properties, although SANDAG has permission to advance construction on 38 of the 42 properties. SANDAG is currently in
negotiations with the remaining property owners. Right of way impacts for the four remaining properties needed for construction are minor and acquisition will not affect the anticipated Revenue Service Date or other construction milestones shown in Table 8 above.

SANDAG currently expects the Project to be completed within the Baseline Cost Estimate. Although costs associated with right-of-way acquisitions and construction are above the original budget, they have been offset by savings in financing costs such that the Project is expected to be completed within budget. The total project budget is currently $2.17 billion, of which $1.03 billion has been spent as of February 28, 2019. As of [February 28, 2019, 47%] of the work is complete on the Project. Change orders for the Project totaling $39.9 million have been approved or are pending as of February 28, 2019.

THE GRANT AGREEMENT

General

The primary program under which FTA provides funding for major transit capital investments, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit, is the Capital Investment Grant Program, as authorized under Section 5309. Pursuant to Section 5309, in September 2016, SANDAG entered into the Grant Agreement with FTA, which provides for federal financial assistance in the form of grants to SANDAG to fund a portion of the costs of the Project. The execution of the Grant Agreement was the result of a multi-year process undertaken by SANDAG, beginning with the adoption of the Project into the long-range transportation plan in October 2010. For more information on the Project’s progression through the various phases of the grant approval process, see “FEDERAL TRANSIT PROGRAM – New Starts Projects – Grant Approval Process” herein.

In September 2016, FTA signed the Grant Agreement with SANDAG to provide the federal match needed to fund the project and allow construction to immediately start in 2016. The Grant Agreement contains FTA’s contingent commitment to provide a grant under Section 5309 of the New Starts program to SANDAG to fund a portion of the costs of the Project. The Grant Agreement sets forth an annual schedule of the grant amounts that FTA expects to provide for the Project. The Grant Agreement also specifies the requirements that SANDAG must satisfy in order to receive and retain the Grant Receipts. Pursuant to the Grant Agreement, FTA has committed a total of $1,043,380,000 of Grant Receipts to the Project, of which $330,024,740 has been received by SANDAG to date. SANDAG expects to receive the remaining balance of the Grant Receipts under the Grant Agreement (in the aggregate amount of $713,355,260) in installments over the next seven years between FFY 2019 and 2026.

The Grant Agreement provides that the award of these funds is contingent upon the future availability of appropriated funds from future budget authority specified in law and the continued performance of SANDAG under the Grant Agreement. This contingent commitment of funds does not constitute an obligation of the United States. However, to date, Congress has fully funded all FFGA commitments, but such funding may not have been provided in accordance with the funding schedule set forth in each FFGA. When preparing funding recommendations for the upcoming fiscal year, FTA’s priority is to honor the commitments made in existing FFGAs. See “FEDERAL TRANSIT PROGRAM” below for a discussion of the New Starts program.

SANDAG expects to obtain the Grant Receipts in single annual appropriations, which SANDAG may draw on throughout the FFY in one or more draws. SANDAG has received $330,024,740 to date under the New Starts program for the Project. The following table sets forth the grant commitment by FTA and the grant amounts received and anticipated under the Grant Agreement. SANDAG expects to receive additional grant amounts under the Grant Agreement resulting in total funding for the Project
under the New Starts program of $1,043,380,000, assuming full appropriation by Congress and continued funding approval by FTA. See “INVESTMENT CONSIDERATIONS – Uncertainties in Federal Funding.”

Receipt of federal funding under the Grant Agreement is subject to annual appropriation by Congress each FFY as part of the federal budget process. Each FFY, FTA prepares an “Annual Report on Funding Recommendations,” which includes the appropriation recommendations for each Project and serves as a companion document to the President’s budget for such FFY. In FFY 2017, Congress appropriated less than the full amount initially scheduled for the Project in the Grant Agreement, although in FFY 2018 Congress appropriated more than the scheduled amount as shown above to compensate for the shortfall in FFY 2017. As a result of the excess Grant Receipts received in FFY 2018, SANDAG’s expectations for FFY 2026 have been adjusted downward, as shown in Table 9, to stay within the total amount of the Grant Agreement.

**TABLE 9**

<table>
<thead>
<tr>
<th>Federal Fiscal Year</th>
<th>Original Grant Commitment(1)</th>
<th>Grant Receipts Received and/or Anticipated(2)</th>
<th>Cumulative Subtotal of Grant Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$100,000,000</td>
<td>$100,000,000(3)</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>2017</td>
<td>125,000,000</td>
<td>50,000,000(4)</td>
<td>150,000,000</td>
</tr>
<tr>
<td>2018</td>
<td>100,000,000</td>
<td>180,000,000(5)</td>
<td>330,000,000</td>
</tr>
<tr>
<td>2019</td>
<td>100,000,000</td>
<td>100,000,000(6)</td>
<td>430,000,000</td>
</tr>
<tr>
<td>2020</td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>530,000,000</td>
</tr>
<tr>
<td>2021</td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>630,000,000</td>
</tr>
<tr>
<td>2022</td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>730,000,000</td>
</tr>
<tr>
<td>2023</td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>830,000,000</td>
</tr>
<tr>
<td>2024</td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>930,000,000</td>
</tr>
<tr>
<td>2025</td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>1,030,000,000</td>
</tr>
<tr>
<td>2026</td>
<td>18,380,000</td>
<td>13,355,260(7)</td>
<td>1,043,355,260</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,043,380,000</strong></td>
<td><strong>$1,043,355,260</strong></td>
<td><strong>1,043,355,260</strong></td>
</tr>
</tbody>
</table>

(1) Grant Receipts as scheduled in the Grant Agreement.
(2) Actual amounts received and/or anticipated [The actual amount of Grant Receipts SANDAG receives in each Federal Fiscal Year will be net of costs relating to the appointed Project Management Oversight Consultant and any rescission of grant funding enacted by Congress, all of which withheld and rescinded amounts will be paid to SANDAG following completion of the Project.]
(3) [Date(s) received FFY 2016 Grant Receipts.]
(4) [Date(s) received FFY 2017 Grant Receipts.]
(5) [Date(s) received Grant Receipts.] In [____], 2019, SANDAG received $80,024,740 in a FFY 2018 appropriation that was in addition to the anticipated FFY 2018 $100,000,000 appropriation.
(6) [Date(s) received FFY 2019 Grant Receipts.] To date in FFY 2019, SANDAG has received $80,024,740 in a FFY 2018 appropriation that was in addition to the initial FFY 2018 $100,000,000 appropriation. SANDAG anticipates receiving the full $100,000,000 FFY 2019 prior to the end of the FFY 2019.
(7) Grant Agreement reflects $18,380,000 of grant funding in FFY 2026. However, through the final FFY 2018 appropriation, SANDAG received excess Grant Receipts in the amount of $5,024,740. As a result, Grant Receipts for FFY 2026 have been adjusted downward by an equal amount.

Source: SANDAG

In addition to the maximum federal New Starts financial contribution for the Project of $1,043,380,000 (the “Maximum Federal New Starts Financial Contribution”), the Grant Agreement also established a maximum percentage of New Starts participation of 48.06% of total Project costs (the “Maximum New Starts Participation Rate”). In the event that the total cost of the Project comes in less than anticipated such that the Maximum Federal New Starts Financial Contribution set forth in the Grant
Agreement exceeds the Maximum New Starts Participation Rate, then the grant amount would be reduced to a level equal to the Maximum New Starts Participation Rate and Grant Receipts would correspondingly be adjusted downward.

SANDAG currently expects to receive the full amount scheduled under the Grant Agreement. In the event that SANDAG’s construction of the Project is more efficient than the original Baseline Cost Estimate for the Project, SANDAG plans to identify additional eligible expenditures in order to maximize its Grant Receipts under the Grant Agreement and achieve the Maximum Federal New Starts Financial Contribution.

SANDAG expects that sufficient funds will be available from the Bonds and other sources to meet cash flow needs for the Project. In order to receive the Grant Receipts, SANDAG agreed to complete the Project and to secure any additional funds in excess of the Maximum Federal New Starts Financial Contribution that are necessary to complete the Project. As a condition of FTA’s execution of the Grant Agreement, SANDAG developed and adopted a financing plan (the “Financing Plan”) that is incorporated as a part of the Grant Agreement for the financing of all costs necessary to complete the Project. The Financing Plan includes, in addition to the Maximum Federal New Starts Financial Contribution, a statement of the State and local sources of funding that will be committed to the Project. The Grant Agreement sets forth SANDAG’s commitment to provide funds as set forth in the Financing Plan in an amount sufficient, together with the federal contribution, to assure timely and full payment of the costs necessary to complete the Project. The Financing Plan contemplates a number of funding sources and financing mechanisms to complete the Project, as summarized above in “TABLE 7—PROJECT FUNDING.”

The Grant Agreement includes a Baseline Cost Estimate for the Project. The Baseline Cost Estimate of $2,171,200,545 is used by FTA to monitor SANDAG’s compliance with certain terms and conditions of the Grant Agreement. SANDAG expects the total cost of the Project to remain within the Baseline Cost Estimate.

SANDAG also developed a funding plan for the future operation and maintenance of the Project (the “O&M Funding Plan”) that is incorporated as a part of the Grant Agreement. The O&M Funding Plan has been developed to assure that SANDAG has stable and dependable funding sources, sufficient in amount and in degree of commitment, to provide the Metropolitan Transit System, as owner and operator of the project once completed, to operate and maintain the Project at an adequate and efficient level of service, including the future operation and maintenance of the Project. See “SANDAG – Transit Operators Within the County – San Diego Metropolitan Transit System.”

Noncompliance

Certain failures to comply with the terms of the Grant Agreement will constitute a default under the Grant Agreement, including but not limited to, a failure by SANDAG to complete the Project in accordance with the Grant Agreement.

SANDAG agreed in the Grant Agreement to a Required Revenue Service Date of November 23, 2022. Failure to achieve the Required Revenue Service Date would constitute such a default under the Grant Agreement. The Grant Agreement provides, however, that upon SANDAG’s request, FTA may determine at its sole discretion to waive a breach or an anticipatory breach of the Grant Agreement and to extend the Required Revenue Service Date (a) if there is an unavoidable delay in achieving the operational goals of the Project result from an event or circumstance beyond SANDAG’s control, or (b) if FTA determines that allowing the delay is in the best interest of FTA and the success of the Project. Any such request to waive the breach and extend the Required Revenue Service Date must be submitted
promptly to FTA, and FTA will take into consideration the actions and measures taken by SANDAG to ensure adherence to its promise to achieve the operational goals of the Project on or before the Required Revenue Service Date. See “EXHIBIT A – THE GRANT AGREEMENT” and “INVESTMENT CONSIDERATIONS—Construction Risk.”

In the event of a breach of the Grant Agreement by SANDAG and prior to taking any action provided under the Grant Agreement, FTA will provide SANDAG with ninety (90) days written notice that FTA considers a breach to have occurred and will provide SANDAG a reasonable period of time to respond and take necessary corrective action. In the event of default, FTA will have all remedies at law and equity, including the right to specific performance without federal financial assistance, and the right to terminate or suspend all or a part of the federal financial assistance. FTA may also demand that all Grant Receipts provided to SANDAG for the Project be returned to FTA. See “APPENDIX A—THE GRANT AGREEMENT” for a copy of the Grant Agreement.

SANDAG works closely with FTA to prevent any breach or default from occurring. SANDAG provides monthly reports and participates in quarterly meetings with FTA to provide updates on Project status.

FEDERAL TRANSIT PROGRAM

The FAST Act

Congress has authorized funding for federal transportation programs for many years and through many different legislative acts, alternating between reauthorizations of various lengths as well as short-term extensions of those programs. The Section 5309 Capital Investment Grant Program (the “Section 5309 CIG Program”) evolved from Section 3 of the Urban Mass Transportation Act of 1964 (P.L. 88-365). In 1994, Section 3 became Section 5309 in a revision without substantive change to Title 49 of the United States Code. Beginning in the 1970s, as the commitment of, and demand for, federal funding began to grow, the U.S. Department of Transportation issued a series of policy statements on the principles by which it would distribute discretionary money to so-called “new starts.” These statements, issued in 1976, 1978, 1980, and 1984, introduced a series of principles that were later written into federal law, including long-range planning, alternatives analysis incorporating a baseline alternative, cost-effectiveness, local financial commitment, multi-year contracts specifying the limits of federal participation, supportive local land use planning, and a ratings system.

Congress inserted many of these principles into law in the Surface Transportation and Uniform Relocation Assistance Act of 1987 (“STURAA”; P.L. 100-17). STURAA established the criteria by which capital improvement grant projects would be judged in order to be eligible for federal funding, and also required DOT’s recommendations for funding in the subsequent fiscal year to be detailed in an annual report to Congress. The criteria enacted in STURAA required a capital investment grant project to be based on an alternatives analysis and preliminary engineering, to be cost-effective, and to be supported by an acceptable amount of local financial commitment that is stable and dependable.

The most recent congressional authorization for federal transportation programs is Public Law 114-94, the Fixing America's Surface Transportation Act (the “FAST Act”). The FAST Act became law on December 4, 2015, and authorizes funding for surface transportation programs, including mass transit programs, for FFY 2016 through FFY 2020.

Federal transportation program funding must be reauthorized periodically by Congress; historically, Congress has often authorized funding through multi-year reauthorization legislation. Prior to the enactment of the FAST Act, the last multi-year authorization of federal transportation funding was
the “Moving Ahead for Progress in the 21st Century Act,” (“MAP 21”), which provided funding for two FFYs, 2012-2014. In periods between multi-year authorizations, Congress consistently has used short-term extensions to fund federal transportation programs at the previously authorized funding levels. For example, between August 2014 and December 2015, Congress enacted five short-term extensions to provide continued funding for federal transportation programs, including the programs that fund the Grant Receipts.

Congressional authorization of federal funding for the Grant Receipts is not, by itself, sufficient to allow SANDAG to receive the Grant Receipts. Appropriations acts are necessary in order to create budget authority for federal expenditures such as the expenditure of the funds that comprise the Grant Receipts. Other federal actions must also take place to allow SANDAG to receive Grant Receipts.

No assurance can be given that Congress will continue to appropriate the funding authorized by the FAST Act or subsequent authorizing legislation, that Congress will authorize funding after FFY 2020, that Congress will not change the current authorization for the federal transportation programs, or that Congress and the federal government will take all actions necessary for SANDAG to receive Grant Receipts in amounts sufficient to pay the Bonds. See “INVESTMENT CONSIDERATIONS—Uncertainties in Federal Funding.”

Section 5309 Capital Investment Grant Program

**General.** Under the Section 5309 CIG Program, the Secretary of Transportation may make discretionary capital investment grants to assist public bodies in financing capital projects for the construction of new fixed-guideway public transportation systems and the expansion of existing systems (“New Starts”). Eligible projects include transit rail, such as subway/elevated rail, light rail, and commuter rail, as well as bus rapid transit and ferries. The discretionary nature of the Section 5309 Program makes it unique from other federal transit funding programs that apportion funds by formula. Unlike other federal funding, the funding for the Section 5309 CIG Program comes from the general fund of the U.S. Treasury—not the mass transit account of the Highway Trust Fund. Therefore, funding for the Section 5309 CIG Program is subject to appropriation each year.

There are four types of Section 5309 CIG Programs:

- **New Starts:** an operable segment of a new fixed-guideway system or an extension of an existing system that costs $300 million or more and receives $100 million or more in Section 5309 CIG Program funding.

- **Small Starts:** a new fixed-guideway project or a corridor-based bus rapid transit that costs less than $300 million and receives less than $100 million of Section 5309 CIG Program funding.

- **Core Capacity:** expansion of an existing fixed-guideway corridor to increase capacity by 10% or more.

- **Program of Interrelated Projects:** the simultaneous development of two or more New Starts, Small Starts, or Core Capacity projects, or a combination thereof.

**Federal Funding of Section 5309 CIG Program.** Under Section 5309, FTA is permitted to make commitments for all of the authorized funding during the period provided by the FAST Act (FFY 2016 to FFY 2020), which is approximately $2.3 billion per year – about 19% of the overall federal public transportation program budget. This is an increase from the funding under MAP 21, as shown in the table below.
The congressional authorization of federal funding under the FAST Act is not, by itself, sufficient to allow grant recipients to receive funds under an FFGA. Appropriations acts are necessary in order to create budget authority for federal expenditures such as the expenditure of the funds that comprise the grant payments by FTA under an FFGA. The following table sets forth the total congressional appropriations for the Section 5309 CIG Program for FFY 2010 through 2019.

### TABLE 10

**SECTION 5309 GRANTS**

(in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY15 (MAP 21)</th>
<th>FFY16</th>
<th>FFY17</th>
<th>FFY18</th>
<th>FFY 19</th>
<th>FFY 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,120.0</td>
<td>$2,301.8</td>
<td>$2,301.8</td>
<td>$2,301.8</td>
<td>$2,301.8</td>
<td>$2,301.8</td>
<td>$2,301.8</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Transportation, Federal Transit Administration.

FTA’s commitment to provide grant funding equal to the authorized funding levels for a New Starts project results in FTA’s reservation of available commitment authority from authorized funds for the New Starts project over the specified funding term. In any Federal Fiscal Year, however, available New Starts funds may be less than the funds requested by grant applicants. FTA assigns first priority for available funds to New Starts projects for which FTA has awarded an FFGA. In other words, when preparing funding recommendations for the upcoming fiscal year, FTA’s priority is to honor the commitments made in existing FFGAs. Next, FTA performs an evaluation and ranking of authorized projects submitted by new grant applicants to determine New Starts recommendations. FTA recommends new projects not yet under FFGAs for funding only if the proposed Section 5309 CIG Program funding levels are sufficient. Congress considers the funding allocations proposed by FTA and in most cases provides the annual amounts scheduled in the FFGA. However, Congress has the ultimate authority to adjust these annual amounts and, in some cases, has done so in the past. FTA’s existing commitments for New Starts projects are detailed in the annual report to Congress each February through the inclusion of the grant funding schedule contained in each FFGA for the coming year. The Secretary of Transportation also must submit a supplemental report to Congress on each August 31 as an update on projects that have completed planning or preliminary engineering.

To date, Congress has fully funded all FFGA commitments (except for those relating to projects subsequently cancelled), but such funding may not have been provided in accordance with the funding 

schedule set forth in each FFGA. Fully funding an FFGA commitment can mean either funding to the “not to exceed” amount of New Start funding or to the “New Start participation rate.” Each FFGA includes a “not to exceed” amount of New Start funding as well as a “New Start participation rate,” both of which are set at the time the FFGA is entered into by FTA and the recipient. If the total project cost came in at less than anticipated by the FFGA, then the participation rate would control, and the final amount of the FFGA that was paid would be adjusted downward, to stay within the New Start participation rate. See “THE GRANT AGREEMENT – General” and “INVESTMENT CONSIDERATIONS—Uncertainties in Federal Funding.”

New Starts Projects

New Starts Projects. Eligible New Starts projects involve the design and construction of new fixed-guideways or extensions to fixed guideways (projects that operate on a separate right-of-way exclusively for public transportation, or that include a rail or catenary system) and are defined under the FAST Act as projects with a total estimated capital cost of $300 million or more, or that are seeking $100 million or more in Section 5309 capital investment grant program funds. Under the FAST Act, New Starts projects are limited to a maximum Section 5309 CIG Program share of 60 percent. The maximum federal contribution from all federal sources to a New Starts project is 80 percent.

Grant Approval Process. Federal funding for New Starts is typically committed in a Full Funding Grant Agreement (“FFGA”), which is a multi-year agreement between FTA and a transit agency. See “ – Full Funding Grant Agreement” below. Under the Section 5309 CIG Program, the process of obtaining an FFGA and carrying out the project involves three main phases: development, engineering, and construction, which are described more fully below. In order to advance from one phase to the next, the project must achieve an overall rating of at least “medium” on a five-point scale (low, medium-low, medium, medium-high, high) on each of the project justification and local financial commitment summary ratings.

Development Phase. To enter the project development phase, a transit agency or other applicant must apply to FTA and initiate the review process required by the National Environmental Policy Act of 1969 (“NEPA”). In addition to the NEPA work, the grant applicant must develop the information needed by FTA to review the project’s justification and local financial commitment. The project development process is designed to identify regional transportation needs and to develop strategies to meet these needs; to provide local decision makers a logical structure for the development of regional transportation plans from conception through design and construction; to provide to local decision makers technical information on costs, benefits and impacts; and to provide a forum for collaborative decision making by local transportation, land use, and resource agencies, with appropriate involvement by the public. Generally, the applicant has two years to complete project development, although an extension may be granted in certain situations.

The Project was initially approved by FTA under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users in August 2011. At the time Congress adopted MAP 21, the Project was in the development phase since environmental review associated with the Project was not yet complete. The draft supplemental environmental impact study (“EIS”) was issued in May 2013, followed by the final supplemental EIS in October 2014. FTA approved the Project into the engineering phase (as described below) in April 2015.

Engineering Phase. A project can enter the engineering phase once the NEPA process is concluded, the project is selected as the locally preferred alternative, the project is adopted into the metropolitan plan, and the project is justified on its merits, including an acceptable degree of local financial commitment. The amount of New Start funding requested by the grant applicant is fixed when
the project is approved for entry into engineering. This means that if a project’s cost increases after entry into engineering, the extra cost must be borne by the grant applicant from funding sources outside of the Section 5309 CIG Program.

Construction Phase. After engineering work is completed, FTA determines whether to sign an FFGA allowing the project to enter construction. FTA retains some oversight of a project as it is constructed to ensure compliance with the terms of the FFGA. Moreover, FTA must request the funding that is to be provided under the terms of the FFGA for each approved project from Congress each fiscal year. In some cases, FTA may assure a grant applicant of its intention to obligate funds for a project through what is known as a Letter of Intent. FTA may also obligate some of the funding expected to be provided in an FFGA through an Early Systems Work Agreement. Although not a guarantee of full funding, an Early Systems Work Agreement provides funding so that work can begin before an FFGA is awarded.

Project Rating Criteria. In order to progress through each phase of the process, FTA computes an overall project rating based on project justification criteria and the evaluation of local financial commitment for the project. The project justification criteria include:

- **Mobility improvements** - measured by the number of trips on the project, with trips by the transit-dependent population counting double. A high rating for New Starts projects is awarded to those that generate 30 million linked trips or more annually.

- **Environmental benefits** - measured by the monetized value of benefits in air quality, greenhouse gas emissions, energy use, and safety in relation to the cost of the project. Benefits are calculated based on the estimated reduction in vehicle miles traveled resulting from the project.

- **Congestion relief** - measured by the number of new weekday linked transit trips resulting from implementation of the new project. This is calculated by comparing total weekday linked transit trips for the no-build alternative with total weekday linked transit trips with the new project in place. A high rating is awarded to New Starts projects that generate 18,000 new weekday trips.

- **Economic development effects** - measured by the likely effects of the project on development in the nearby area. The rating is based on FTA’s qualitative analysis of supportive plans and policies.

- **Land use** - based on station area population density, employment served, affordable housing in the corridor, and the amount and cost of downtown parking. The extent and quality of pedestrian infrastructure near stations also is used in the evaluation.

- **Cost effectiveness** - measured by the annual capital amortized over asset lifetimes and operating cost per trip. A high rating is awarded for projects where the cost per trip is less than $4 for a New Starts project.

The criteria for evaluating the local financial commitment include:

- **Reliability/financial capacity** - measured by the reasonableness of the capital and operating cost estimates and planning assumptions; and capital funding capacity to cover cost increases or funding shortfalls through debt issuance, cash reserves, or other committed funds.
Current capital and operating condition - measured by the average age of the vehicle fleet, bond rating issued within the previous two years, current ratio of assets to liabilities, and recent service history.

Commitment of funds - measured by the share of funds committed or budgeted versus planned. Significant private contributions may increase the commitment-of-funds rating by one level.

Once a project achieves at least a medium rating at the end of the engineering phase and has complied with other federal requirements, it is typically recommended for funding. However, in any given year, FTA first funds commitments made in existing FFGAs. After that, within the context of the available funds, FTA considers project readiness in signing new agreements and allocating funds.

The Secretary of Transportation is required under Section 5309 to make several specific findings concerning a grant applicant’s planning for a project and a grant applicant’s capability to carry out the project. The Secretary of Transportation has delegated authority to make these findings to FTA.

FTA will not make any grants under Section 5309 unless it finds that:

1. the project proposed is a product of the project development process,
2. the grant applicant has or will have the legal, financial, and technical capacity to carry out the project,
3. the grant applicant has or will have satisfactory continuing control over the use of the equipment or facilities, and
4. the grant applicant has or will have the capability to maintain the equipment or facilities, and will maintain the equipment or facilities.

Full Funding Grant Agreement

FTA provides funding for a project approved under the Section 5309 New Starts program pursuant to a full funding grant agreement (an “FFGA”). The FFGA defines the scope of the project, including cost and schedule; commits FTA to a maximum level of federal financial assistance under the New Starts program; establishes the terms and conditions of federal financial participation; specifies the date for completion of the project; and establishes the local funding commitment. The FFGA also contains an acknowledgment that FTA’s commitment of financial assistance is contingent upon the appropriation of funds and that the commitment of funds does not constitute an obligation of the United States. At least 60 days before entering into an FFGA, the Secretary of Transportation must notify the Committee on Transportation and Infrastructure of the House of Representatives (the “Transportation Committee”), the Committee on Banking, Housing and Urban Affairs of the Senate (the “Banking Committee”) and the House and Senate Committees on Appropriations of the proposed FFGA. The Secretary must include with the notification a copy of the proposed FFGA as well as the evaluations and ratings for the project.

SANDAG completed the development and engineering phases for the Project under Section 5309 and in September 2016, prior to entering the construction phase, executed the Grant Agreement, which sets forth the terms and conditions for the award of Grant Receipts for the Project. See “SECURITY FOR THE BONDS,” “THE GRANT AGREEMENT” and “APPENDIX A—THE GRANT AGREEMENT.”
SANDAG

General

SANDAG is a consolidated regional transportation agency organized and existing pursuant to the Act. SANDAG consists of 19 local government members, and is governed by a Board of Directors composed of mayors, councilmembers, and county supervisors from the County of San Diego (the “County”) and each city in the County. With the passage of SB 1703 in 2002, SANDAG became the consolidated regional transportation agency effective January 1, 2003. Transit planning, programming, project development, and construction were consolidated into SANDAG, with responsibility for operation of regional transit systems left with local operators MTS (formerly known as the Metropolitan Transit Development Board) and North County Transit District (“NCTD”) (formerly known as the North County Transit Development Board). See “—Toll and Transit Operations; Toll Revenue Debt—San Diego Metropolitan Transit System,” and “—North County Transit District.” SANDAG serves as a regional decision-making forum for the San Diego area for issues including transportation, environmental management, housing, open space, air quality, energy, fiscal management, economic development, and public safety.

SANDAG and the San Diego County Regional Transportation Commission (the “Commission”) share the same Board of Directors. The Commission imposes a half-cent sales tax within the County and has issued several series of sales tax revenues bonds. The Bonds do not constitute a debt or liability of the Commission and are not secured by sales tax revenues of the Commission.

Executive Staff

Key staff members, the position held by each and a brief statement of the background of each staff member are set forth below.

Hasan Ikhrata, Chief Executive Director. Hasan Ikhrata is the Executive Director of the San Diego Association of Governments (SANDAG). Mr. Ikhrata has more than 30 years of experience in the arena of Transportation Planning in the Southern California Region, in both the private and public sector. As Executive Director of SANDAG, Mr. Ikhrata directs day-to-day operations of the agency and implements policies set by its governing board. In addition, he is the Chief Executive Officer of the SANDAG Service Bureau, the nonprofit public benefit corporation chartered by SANDAG. Mr. Ikhrata holds a Bachelor’s and a Master’s Degree in Civil and Industrial Engineering from Zaporozhye University in the former Soviet Union, a Master’s Degree in Civil Engineering from UCLA, and a PhD Candidacy in Urban Planning and transportation from the University of Southern California in Los Angeles. Mr. Ikhrata is an adjunct professor in the business school at California State University, Northridge. Prior to joining SANDAG in 2018, Mr. Ikhrata worked for Southern California Association of Governments (SCAG), Los Angeles County Metropolitan Transportation Authority (MTA) and South Coast Air Quality Management District (SCAQMD).

Kim Kawada, Chief Deputy Executive Director. Ms. Kawada's major responsibilities include managing the ongoing operations of SANDAG. She is responsible for overseeing the day-to-day activities of an agency with more than a $1 billion budget and nearly 400 employees, including the Administration, Finance, Land Use and Transportation Planning, Mobility Management and Project Implementation, Operations, Data, Analytics and Modeling, and TransNet Departments. She joined SANDAG in 1995, serving in a variety of leadership roles at the agency for more than 24 years. Ms. Kawada works with other local, regional, state, and federal agencies on regional infrastructure planning, programming and implementation issues. She has extensive experience working with elected leaders throughout the region to build consensus to achieve wide-ranging regional goals. Prior to her current role, Ms. Kawada served
as TransNet and Legislative Affairs Program Director managing and directing the operations of the SANDAG TransNet program and federal and state legislative affairs. Ms. Kawada has played an instrumental role in many of the agency's programs and projects, ranging from long-term transportation planning to budgeting to setting public policy priorities. Her leadership on legislative efforts enabled SANDAG to operate new toll and managed lanes to expand travel choices, and to use innovative project delivery methods to save money and accelerate completion. She is a graduate of Brown University with a Bachelor of Arts in American History.

**John F. Kirk, General Counsel.** Mr. Kirk was appointed General Counsel for SANDAG in January 2012. Mr. Kirk was originally hired by SANDAG as Deputy General Counsel in June 2006. Between 1990 and 2006 Mr. Kirk served the City of San Diego as a Deputy City Attorney. Mr. Kirk holds a Bachelors' degree from Wabash College and a Juris Doctorate from Pepperdine University's School of Law.

**André Douzdjian, Director of Finance.** Mr. Douzdjian serves as SANDAG's Chief Financial Officer and directs all financial and budgeting functions for SANDAG. Mr. Douzdjian returned to SANDAG in June of 2012. During the previous 12 years, Mr. Douzdjian worked in the capacity of Chief Financial Officer for two privately-held staffing companies, where he was a co-founder and shareholder of those businesses. Prior to that, Mr. Douzdjian was the Financial Services Manager at SANDAG, a position that he held for almost 10 years, from 1991 to 2000. Prior to his employment at SANDAG, Mr. Douzdjian was a Senior Accountant for KPMG, LLP, a certified accounting firm. Mr. Douzdjian received a Bachelor of Business Administration (B.A.) degree in Accounting in 1988 from the University of San Diego and a Master's degree in Business Administration (M.B.A.) with an emphasis in Finance in 1996 from San Diego State University and is a Certified Public Accountant. Mr. Douzdjian is a member of the Government Finance Officers Association.

**José A. Nuncio, TransNet Director.** Mr. Nuncio manages and directs the operations of the SANDAG TransNet Department and is responsible for the programming of federal, state, local and TransNet funds, revenue forecasts for the agency’s long-range transportation plans, internal and external accountability and communication through the TransNet Dashboard and staffing for the Independent Taxpayer Oversight Committee. Mr. Nuncio joined SANDAG in April 2002 after spending more than 10 years with the California Department of Transportation at its San Diego Office where he gained experience in the areas of programming, project management and development, and international border affairs. Mr. Nuncio received a Bachelor of Science (B.S.) in Aerospace Engineering from the University of Michigan in 1989 and a Master of Science (M.S.) in Structural Engineering in 1991 from the University of California at San Diego. Mr. Nuncio has been a Registered Civil Engineer in the State of California since 1995.

**Ray Major, Chief Economist and Director of Data, Analytics and Modeling.** Mr. Major originally joined SANDAG in 1987 as a Research Analyst and economist responsible for SANDAG's econometric and economic impact models, custom analytic research projects, and for developing the San Diego region's comprehensive Economic Prosperity Strategy. He left SANDAG in 1994 and joined the Nielsen companies where he served as a senior executive holding numerous positions including Chief Marketing Officer, Chief Customer Officer, and product strategist. Mr. Major oversaw the product development of Claritas, a major provider of demographic and segmentation data. As General Manager of Integras, he ran the division of Claritas specializing in Business Intelligence (BI) and predictive analytics, geo-spatial and economic modeling services. In 2010, Mr. Major moved to Halo BI, a state-of-the-art business intelligence and predictive modeling software and service provider where he served as CMO, COO, and CEO. Mr. Major rejoined SANDAG in 2015 where he now serves as the Director of Technical Services. Mr. Major holds both graduate and undergraduate degrees in economics from San Diego State University, with an emphasis in developmental economics and econometrics.
Jim Linthicum, Director of Mobility Management and Project Implementation. Mr. Linthicum is directly responsible for the implementation of all capital improvement projects, including TransNet funded projects, under the control of the Commission. He is accountable for the scope, schedule, and cost of regional transportation projects and coordinates these efforts with federal, State, and local transportation agencies. Mr. Linthicum transferred to SANDAG from MTS in 2003 as a result of the consolidation of project development and construction functions into SANDAG. Prior to his employment at MTS, Mr. Linthicum worked for the California Department of Transportation for 24 years. Mr. Linthicum holds a B.S. degree in Civil Engineering from Pennsylvania State University.

Toll Operations; Toll Revenue Debt

SANDAG operates the South Bay Expressway, an approximately 10-mile contiguous tolled segment of State Route 125 from Otay Mesa Road/State Route 905/State Route 11 in the south to State Route 54 in the north. The South Bay Expressway is owned by the California Department of Transportation (“Caltrans”) and was originally developed and constructed by South Bay Expressway, LLC (together with its predecessor entities, “SBX”), a private entity that filed for bankruptcy in April 2010. SANDAG acquired the franchise rights to and lease of the South Bay Expressway from the SBX bankruptcy estate in December 2011.

SANDAG operates, maintains and tolls the South Bay Expressway pursuant to an Amended and Restated Development Franchise Agreement between Caltrans and SANDAG dated February 1, 2013. In 2017, SANDAG issued its South Bay Expressway Toll Revenue First Senior Lien Bonds, 2017 Series A (the “Toll Revenue Bonds”) in the aggregate principal amount of $194,140,000, secured by a trust estate (collectively, the “Toll Revenue Bond Trust Estate”) established under that certain Master Indenture, dated as of November 1, 2017 (as amended and supplemented, the “Toll Indenture”), by and between SANDAG and U.S. Bank National Association, as trustee. The Toll Revenue Bond Trust Estate consists of, among other things, toll revenues and similar charges payable for use of the South Bay Expressway (collectively, “Toll Revenues”). SANDAG applied proceeds of the Toll Revenue Bonds, together with other available funds, to, among other purposes, refinance certain indebtedness it had incurred in connection with SANDAG’s prior acquisition of the franchise relating to the South Bay Expressway.

Toll Revenues and the Toll Revenue Bond Trust Estate do not secure repayment of the Bonds. Grant Receipts are not available to fund the operations of the South Bay Expressway or to pay debt service on the Toll Revenue Bonds. See “INVESTMENT CONSIDERATIONS—Financial and Operating Risks of the South Bay Expressway.”

Transit Operators Within the County

San Diego Metropolitan Transit System. SANDAG and MTS are independent legal entities established by statute. What is now known as MTS started as the Metropolitan Transit Development Board (“MTDB”), which was created in 1975 by the passage of California Senate Bill 101 and came into existence on January 1, 1976. In 1984, the Governor signed Senate Bill 1736, which expanded the MTDB Board of Directors from 8 to 15 members. In 2002, Senate Bill 1703 merged MTDB’s long-range planning, financial programming, project development and construction functions into SANDAG. In 2005, MTDB changed its name to the Metropolitan Transit System.

MTS operates light rail, bus, and freight services over roughly 570 square miles of the urbanized areas of San Diego County as well as the rural parts of East County, totaling 3,240 square miles and serving approximately 3 million people in the County. MTS owns assets of: San Diego Trolley, Inc. (“SDTI”), San Diego Transit Corporation, and the San Diego & Arizona Eastern Railway Company (“SD&AE”), which owns 108 miles of track and right-of-way.
MTS provides bus and rail services directly or by contract with private operators. MTS coordinates all its services and determines the routing, stops, frequencies and hours of operation. Light rail service is operated by SDTI on four lines (the UC San Diego Blue, Orange, Sycuan Green and San Diego Gas & Electric Silver Lines) with a total of 53 stations and 54.3 miles of rail. MTS also operates almost 100 fixed bus routes and Americans with Disabilities Act (ADA) complementary paratransit service. Fixed route bus service includes local, urban, express, premium express and rural routes. MTS contracts with the San Diego & Imperial Valley Railroad and the Baja California Railroad, Inc. to provide freight service to San Diego shippers over SD&AE right-of-way. MTS currently generates 88 million annual passenger trips or 300,000 trips each weekday.

MTS has an annual operating budget of approximately $278 million, $96 million of which is derived from fares. Fare revenue accounts for 34.5% of annual operating cost. MTS also receives funding from various federal, state, and local sources, primarily the California Transportation Development Act, FTA grants (sections 5307, 5337 and 5339), and local sales tax.

MTS will own, operate, and maintain the Project upon commencement of revenue operations of the Project pursuant to a Memorandum of Understanding, dated March 25, 2015, by and between SANDAG, MTS and UCSD. Grant Receipts are not eligible to fund the operations of MTS.

North County Transit District. SANDAG and NCTD are also separate legal entities established by statute. NCTD started as the North San Diego County Transit Development Board (“NSDCTDB”) when created in 1975 by Senate Bill 802. It was created to plan, construct and operate – directly or through a contractor – public transit systems in its area of jurisdiction. On January 1, 2003, Senate Bill 1703 transferred future transit planning, programming, development and construction to SANDAG. On August 30, 2005, Assembly Bill 1238 was passed, which renamed NSDCTDB as the North County Transit District effective January 1, 2006.

NCTD operates buses, trains, hybrid rail, and paratransit services to a geographic area of approximately 1,020 square miles, in North County, from the Pacific Ocean east to Ramona, and from the County of Orange border south to Del Mar, with connections extending to downtown San Diego. NCTD serves approximately 11 million passengers annually through transit services that include: the COASTER commuter rail service, the SPRINTER light rail, the Breeze bus system, Flex rural and on-demand service and Lift paratransit.

NCTD maintains and controls right-of-entry between the Old Town Transit Center and north of SR 52, where the Project would transition to the I-5 right-of-way. The Project requires a right-of-entry permit for construction of the Project within the railroad right-of-way and requires the relocation of the NCTD railroad tracks in the vicinity of the SR 52. As such, the Project was subject to review and approval by NCTD. However, NCTD is not expected to operate any aspect of the Project. Grant Receipts are not eligible to fund the operations of NCTD.

INVESTMENT CONSIDERATIONS

Limited Obligations

The Bonds are limited obligations of SANDAG payable solely from and secured solely by Grant Receipts (as herein defined), amounts on deposit in the funds and accounts established under the Indenture (except the Rebate Fund), and investment earnings thereon. The Bonds are not a general obligation of SANDAG and the revenues of SANDAG (other than as described above) are not pledged for the payment of the Bonds or the interest thereon. The Bonds are not an
indebtedness or obligation of the State or any political subdivision of the State (other than SANDAG) or of any municipality within the State.

Uncertainties in Federal Funding

**General.** There can be no assurance that sufficient Grant Receipts will be received by SANDAG to pay the debt service on the Bonds. While SANDAG believes that sufficient Grant Receipts will be received to pay debt service on the Bonds to their maturity, various factors beyond the control of SANDAG may affect such receipts, including, without limitation, non-reauthorization of future federal transportation legislative programs, federal budgetary limitations, sequestration and government shutdowns, other possible changes in the Section 5309 Program, and SANDAG’s continued eligibility for such funding.

**Congressional Authorization and Appropriation.** Federal transportation program funding must be reauthorized periodically by Congress. The most recent authorization is the FAST Act, which became law on December 4, 2015, and authorizes funding for surface transportation programs, including mass transit programs, for FFY 2016 through FFY 2020. **THERE CAN BE NO ASSURANCE THAT ANY SUCH AUTHORIZATIONS WILL BE PROVIDED AFTER THE FAST ACT, OR ANY LEGISLATION THAT FOLLOWS OR REPLACES THE FAST ACT, EXPIRES.**

Congressional authorization of federal funding for the Grant Receipts is not, by itself, sufficient to allow SANDAG to receive the Grant Receipts. Appropriations acts are necessary in order to create budget authority for federal expenditures such as the expenditure of the funds that comprise the Grant Receipts. The amount of Grant Receipts available to SANDAG for the Project is subject to annual appropriation by Congress and to approval on an annual basis by FTA. As such, SANDAG competes for such funds with other transit funding priorities. The Grant Agreement specifically provides that the eligibility of SANDAG for funds does not create an obligation on the part of the United States to provide funds for the Project. Other federal actions must also take place to allow SANDAG to receive Grant Receipts. If sufficient funds are not so available, sufficient Grant Receipts will not be received to pay the debt service on the Bonds. See “THE GRANT AGREEMENT” and “FEDERAL TRANSIT PROGRAM.”

To date, Congress has fully funded all FFGA commitments, but such funding may not have been provided in accordance with the funding schedule set forth in each FFGA. Fully funding the Grant Agreement can mean either funding to the Maximum Federal New Starts Financial Contribution or to the Maximum New Starts Participation Rate. There is a possibility that the total cost of the Project may come in less than anticipated such that the Maximum Federal New Starts Financial Contribution would exceed the Maximum New Starts Participation Rate; in this case, the Maximum New Starts Participation Rate would control, and SANDAG’s Grant Receipts would be adjusted downward.

**Federal Sequestration and Government Shutdown.** The Budget Control Act of 2011 (the “Budget Control Act”) provided for increases in the federal debt limit and established procedures designed to reduce the federal budget deficit. The Budget Control Act provided that a failure by Congress to otherwise reduce the deficit would result in sequestration: automatic, generally across-the-board spending reductions. The Bipartisan Budget Act of 2013 extended and made certain modifications to sequestration. However, the potential impact of sequestration to federal programs, such as the New Starts program, is the same. Grant Receipts may be reduced as a result of the congressionally-mandated sequestration process, and may continue to be reduced or delayed if federal spending reductions continue as a result of the sequestration or ongoing shutdowns of the federal government occur.
Default Under Grant Agreement

Pursuant to the Grant Agreement, SANDAG agreed to a Required Revenue Service Date of on or before November 23, 2022. Failure to achieve the Required Revenue Service Date as set forth in the Grant Agreement constitutes a default of the Grant Agreement. As a result of such default, unless the Required Revenue Service Date is extended by FTA, FTA may exercise all remedies at law and equity, including the right to specific performance without federal financial assistance, and the right to terminate or suspend all or a part of the federal financial assistance. FTA may also demand that all grant funds provided to SANDAG for the Project be returned to FTA. SANDAG currently estimates that the Project will commence revenue operation on or about November 5, 2021. See “—Construction and Project Funding Risk.”

Limitations on Remedies of Bondholders

The remedies available upon an event of default under the Indenture are limited, [particularly in instances resulting from a failure of FTA to transfer Grant Proceeds to SANDAG in amounts sufficient to pay principal and interest when due on the Bonds]. See “—Uncertainties in Federal Funding.” Such remedies are also in many respects dependent upon judicial actions, which may be subject to discretion and delay. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various documents by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally. See “—Bankruptcy Risks.”

Financial and Operating Risks of the South Bay Expressway

SANDAG operates the South Bay Expressway. See “SANDAG-- Toll and Transit Operations; Toll Revenue Debt—South Bay Expressway.”

Toll Revenues and the Toll Revenue Bond Trust Estate do not secure repayment of the Bonds. However, while SANDAG’s financial obligations with respect to the South Bay Expressway and the Toll Revenue Bonds are limited to the Toll Revenue Bond Trust Estate, including Toll Revenues, any defaults or other operational or financial issues affecting the South Bay Expressway may also affect SANDAG as a whole, including, for example, were the South Bay Expressway to experience financial difficulty severe enough to justify protection under the Bankruptcy Code. In that case, SANDAG would be the entity filing for Chapter 9 bankruptcy. See “Bankruptcy Risks” below.

Bankruptcy Risks

SANDAG is authorized under State and federal law to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”), subject to certain requirements set forth in State law and the Bankruptcy Code. Were SANDAG ever to file for bankruptcy, there could be adverse effects on the holders of the Bonds.

If SANDAG is in bankruptcy, the parties (including the Trustee and the holders of the Bonds) may be prohibited from taking any action to collect any amount from SANDAG or to enforce any obligation of SANDAG, unless the permission of the bankruptcy court is obtained. In particular, the Trustee may be prevented from foreclosing on the Grant Receipts or any other collateral that secures the Bonds. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee’s possession.

SANDAG as a debtor in bankruptcy may be able to borrow additional money that is secured by a lien on any of its property (including Grant Receipts), which lien could have priority over the lien of the
Indenture, or to cause some Grant Receipts to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy court determines that the rights of the Trustee and the holders of the Bonds will be adequately protected. SANDAG may also be able, without the consent and over the objection of the Trustee and the holders of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

The lien of the Indenture will likely not attach to any Grant Receipts that SANDAG receives after the filing of a bankruptcy petition. Under such circumstances, it is not clear whether the holders of the Bonds would be treated as general unsecured creditors of SANDAG or whether the holders of the Bonds would have no further claim against any assets of SANDAG. In either case, the holders of the Bonds could suffer substantial losses.

SANDAG is permitted to hold Grant Receipts for one day before turning them over to the Trustee. If SANDAG were to go into bankruptcy, the Trustee and the holders of the Bonds may not have a valid or priority interest in any Grant Receipts that are in the possession of SANDAG or that have not been remitted to the Trustee at the time of the commencement of the bankruptcy. SANDAG may not be required to remit to the Trustee any Grant Receipts that are in its possession or under its control at the time it enters bankruptcy.

Actions could be taken in a bankruptcy of SANDAG that could adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

There may be delays in payments on the Bonds while the bankruptcy court considers any of these issues. There may also be other possible effects of a bankruptcy of SANDAG that could result in delays or reductions in payments on, or other losses with respect to, the Bonds. Regardless of any specific adverse determinations in a SANDAG bankruptcy proceeding, the fact of a SANDAG bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

[Insolvency of Insurer]/To be included only if Bond Insurance]

[Should the Insurer encounter financial difficulties, there could be adverse effects on the holders of the Bonds. The applicable regulators can order an insurance company to stop paying claims, or to pay claims only with the permission of the regulators, even before the insurance company becomes the subject of a formal insolvency proceeding. An insolvent financial guaranty insurer may be able to retain its rights to control remedies and direct the trustee, and its rights to consent to amendments of the documents, even though it is insolvent or not paying claims as required by the financial guaranty policy. An insolvent financial guaranty insurer may also be able to require the issuer to reimburse the insurer before paying amounts due on the bonds, regardless of what the documents provide. There may be other possible effects of the financial distress of the Insurer that could result in delays or reductions in payments on the Bonds, or result in losses to the holders of the Bonds. Regardless of any specific adverse determinations, the fact of the financial distress of the Insurer could have an adverse effect on the liquidity and value of the Bonds.]

Bonds Subject to Redemption Prior to Maturity

[The maturities of the Bonds have been structured on the basis of certain assumptions as to the amount and timing of the receipt of Grant Receipts by SANDAG including an assumption that may accommodate certain delays in the anticipated receipt of Grant Receipts. If Grant Receipts are received by SANDAG in the amounts and at the times anticipated, all or a portion of the Bonds may be redeemed]
prior to maturity at a redemption price equal to the principal amount thereof without penalty. See “SECURITY FOR THE BONDS—Projected Grant Receipts” and “THE BONDS—Redemption Prior to Maturity.”]

No Acceleration

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a default in the payment of principal and interest on the Bonds when due. In the event of a default under the Indenture, each Bondholder will have the right to exercise the remedies provided in the Indenture, subject to the rights of the Bond Insurer. See “APPENDIX B—SUMMARY OF THE INDENTURE—Events of Default and Remedies.”

Construction and Project Funding Risk

Construction of the Project has not yet been completed, and as with any major construction effort, the completion of the Project involves many risks, including shortages of materials and labor, work stoppages, labor disputes, weather interferences, earthquakes, unforeseen engineering, environmental or geological problems, seismic events, power outages, and unanticipated cost overruns in excess of contingencies, any of which could increase the cost or delay the construction of the Project. See “Risk of Earthquake” and “Risk of Wildfire” below. There can be no assurance that the Project will be completed on the timetable projected by SANDAG or within the budget and other assumptions used by SANDAG.

In the Grant Agreement, SANDAG has covenanted to pay for any Project budget shortfall out of its own funding sources. See “—Default Under Grant Agreement” and “THE GRANT AGREEMENT—Noncompliance.”

Risk of Earthquake

The Rose Canyon Fault Zone near the Project could generate large magnitude earthquakes that could affect the Project structures and alignment as a result of strong seismic ground shaking. The Project incorporates State seismic design standards to prevent structural collapse at these locations and reduce the exposure of people to harm from fault rupture hazards. Project structures are expected to remain standing during a strong earthquake, although they may be subject to damage that results in their closure or replacement. If an earthquake occurred prior to the Required Revenue Service Date of the Project, the impact could cause delays in construction. See “Construction and Project Funding Risk.”

Risk of Wildfire

The San Diego region is subject to both urban and wildland fires. In urbanized areas of the San Diego region, the land is highly developed with buildings, streets, and hardscape. In most of these urbanized areas, there are canyons and other strips or areas of native vegetation that are susceptible to wildland fires. The Project lies within an urbanized area and a portion of the alignment runs through the Rose Canyon area where native vegetation exists. A wildfire in this area could cause delays in construction. See “Construction and Project Funding Risk.”

Cybersecurity

In the course of its daily business, SANDAG collects and stores sensitive data, including financial information, security information, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to certain of SANDAG’s
operations, including operations of the South Bay Expressway. Despite security and other technical measures currently in place and those which may be adopted in the future, information technology and infrastructure may be vulnerable to attacks by hackers or other breaches, including as a result of employee error, malfeasance or other disruptions or failures. Any such breach, disruption or other failure could compromise networks, and the information stored there could be accessed, disrupted, publicly disclosed, lost or stolen. Any such access, disruption, disclosure, theft or other loss of information could result in disruptions to SANDAG’s operations and financial or other activities, including as they relate to the Project or the Grant Agreement or otherwise, or legal claims or proceedings, including pursuant to laws that protect the privacy of personal information, or regulatory penalties.

State Legislation

SANDAG was created in the 1970s as a Joint Powers Authority composed of various cities in the County of San Diego that desired to voluntarily carry out regional planning activities as a joint enterprise. SANDAG’s governance structure was codified into State law by State statute in 2002. The State Legislature can alter the governance and structure of SANDAG. In 2017, AB 805 was enacted which changed the voting mechanisms of the Board of Directors of SANDAG and provides for additional audit requirements. The State Legislature can adopt statutory changes that could materially impact the composition of the Board of Directors or composition of management, or impose new requirements or standards, any of which could cause material changes for SANDAG policy objectives or how it operates. Any of these changes, in turn, could affect how SANDAG approaches its management of the Project and the Grant Agreement.

Loss of Federal Tax Exemption

Interest on the Bonds could become includable in federal gross income, possibly from the date of issuance of the Bonds, as a result of acts or omissions of SANDAG subsequent to the issuance of the Bonds. Should interest become includable in federal gross income, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption. See “TAX MATTERS.”

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to SANDAG. Bond Counsel expects to deliver an opinion with respect to the Bonds at the time of issuance substantially in the form set forth in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for SANDAG by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to SANDAG and by the General Counsel to SANDAG, and for the Underwriters by Nixon Peabody LLP, Underwriters’ Counsel.

TAX MATTERS

Federal Tax-Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to SANDAG, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by SANDAG with certain covenants in the Indenture and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of
the Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture or in other documents pertaining to the Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP, or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP, with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Bond Counsel’s opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of SANDAG described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Bonds is commenced, under current procedures the IRS is likely to treat SANDAG as the “taxpayer,” and the owners of the Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the Bonds, SANDAG may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the examination, regardless of its ultimate outcome.

**Tax Accounting Treatment of Bond Premium and Original Issue Discount**

**Bond Premium.** To the extent that a purchaser of a Bond acquires that Bond at a price in excess of the amount payable at maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation’s yield to maturity (or shorter period in the case of certain callable obligations); that the amount of premium so amortized reduces the owner’s basis in such obligation for federal income tax purposes; and that such amortized premium is not deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the
amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation.

**Original Issue Discount.** The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner of such Bond for federal income tax purposes under the same conditions and limitations as are applicable to interest on such Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering accrues on a semiannual basis over the term of the Bond on the basis of a constant yield and, within each semiannual period, accrues on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of owners of Bonds that have purchased such Bonds other than at the initial offering price and pursuant to the initial offering.

Bond Counsel are not opining on the accounting for or consequence to a Bond purchaser of bond premium or original issue discount on the Bonds. Persons considering the purchase of Bonds with bond premium or original issue discount should consult with their own tax advisors with respect to the determination of bond premium or original issue discount on such Bonds for federal income tax purposes, and with respect to the state and local tax consequences of owning and disposing of such Bonds.

**Information Reporting and Backup Withholding**

Interest paid on the Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner’s federal income tax liability so long as the required information is furnished to the IRS.

**State Tax Exemption**

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

**Future Developments**

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or of the exemption of interest on the Bonds from State of California personal income taxation. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.
A copy of the form of opinion of Bond Counsel relating to the Bonds is included in APPENDIX E hereto.

LITIGATION

To the knowledge of SANDAG, there is no litigation pending or threatened that would in any way (i) restrain or enjoin the issuance, sale or delivery of the Bonds or (ii) question the validity of the Bonds or the authority of SANDAG to make principal and interest payments or to collect Grant Receipts to pay the Bonds.

[SANDAG is a defendant in various legal actions resulting from normal transit operations. Although the outcome of such actions cannot presently be determined, it is the opinion of management and legal counsel that settlement of these matters will not have a material adverse effect on SANDAG’s ability to pay debt service on the Bonds, or on SANDAG’s financial position, results of operations or cash flows.]

RATINGS

The Bonds have been assigned ratings of “[__]” and “[__]”, by [________] and [____________], respectively. Rating agencies generally base their ratings on their own investigations, studies and assumptions as well as information and materials furnished to them (which may include information and materials from SANDAG, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. Neither the Underwriters nor SANDAG has undertaken any responsibility after the offering of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

MUNICIPAL ADVISOR

PFM Financial Advisors, LLC has served as Municipal Advisor to SANDAG in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM Financial Advisors, LLC is an independent registered municipal advisory firm and is not engaged in the business of underwriting municipal bonds or other securities.

CONTINUING DISCLOSURE

SANDAG will execute a continuing disclosure agreement (the “Continuing Disclosure Agreement”), pursuant to which SANDAG will covenant for the benefit of the owners of the Bonds to provide annually certain financial information and operating data by not later than six months after the end of the prior fiscal year, commencing with fiscal year 2018-19 (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events (the “Notice Events”) in a timely manner. The Annual Reports and Notice Events will be filed with the Municipal Securities Rulemaking Board Electronic Municipal Market Access system. These covenants will be made to assist the Underwriters in complying with Rule 15c2-12, as amended, adopted by the SEC under the Securities Exchange Act of 1934, as amended. See APPENDIX C –“FORM OF CONTINUING DISCLOSURE AGREEMENT.”
UNDERWRITING

The Bonds are being purchased for reoffering to the public by Wells Fargo Securities, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC, (collectively, the “Underwriters”) pursuant to the terms of a bond purchase agreement executed on __________, 2019 (the “Purchase Agreement”), by and between SANDAG and the Underwriters. The Underwriters have agreed to purchase the Bonds at a price of $__________ (which represents the aggregate principal amount of the Bonds, [plus/less] [net] original issue [premium/discount] of $__________, and less Underwriters’ discount in the amount of $__________). The Purchase Agreement provides that the Underwriters will purchase all of the Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

[Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Securities Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), the sole underwriter of the Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities; LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Certain subsidiaries of Wells Fargo & Company (parent company of Wells Fargo Bank, National Association, serving as underwriter for the Bonds through the Wells Fargo Bank, N.A. Municipal Products Group) have provided, from time to time, investment banking services or commercial banking services to SANDAG, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for SANDAG in the ordinary course of their respective businesses.]

[Citigroup Global Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the Bonds.]
[J.P. Morgan Securities LLC (“JPMS”), an Underwriter of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.]

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between SANDAG and the purchasers, holders or beneficial owners of any of the Bonds. All of the summaries of the Bonds, the Indenture, the Grant Agreement, applicable legislation and other agreements and documents in this Official Statement are made subject to the provisions of the Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with SANDAG for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the Executive Director of SANDAG has been duly authorized by SANDAG.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

By ________________________________

Executive Director
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PROPOSED FORM OF BOND COUNSEL OPINION