

MINUTES OF A REGULAR MEETING OF THE ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY GOVERNING BOARD HELD IN THE CITY HALL COUNCIL CHAMBER OF THE CITY OF LONG BEACH AT 333 W. OCEAN BOULEVARD, LONG BEACH, CALIFORNIA, ON JANUARY 14, 2016 AT 9:00 A.M.

Members present:

Joe Buscaino, City of Los Angeles
Don R. Knabe, Los Angeles County
Metropolitan Transportation Authority
Rich Dines, Port of Long Beach
Edward Renwick, Port of Los Angeles
Jon Slangerup, Port of Long Beach

Alternate Members present:

Tony Gioiello, Port of Los Angeles

Members absent:

Lena Gonzalez, City of Long Beach

Also present:

John T. Doherty, ACTA, Chief Executive Officer
James P. Preusch, ACTA, Chief Financial Officer
Charles Gale, ACTA, Co-General Counsel
Heather McCloskey, ACTA, Co-General Counsel
Lauren Misajon, Deputy City Attorney, City of Long Beach

VICE-CHAIR BUSCAINO PRESIDED.

The meeting was called to order at 9:15 a.m. Roll call was taken.

CONSENT CALENDAR - ITEMS NOS. 1-4

1. MINUTES - ACTA GOVERNING BOARD MEETING OF NOVEMBER 12, 2015 - APPROVED.

Minutes of the regular meeting of November 12, 2015 of the Governing Board of the Alameda Corridor Transportation Authority were presented to the Governing Board.

2. MONTHLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED OCTOBER 31, 2015 – RECEIVED AND FILED.

Communication from James P. Preusch, Chief Financial Officer, dated January 14, 2016, recommending that the monthly financial reports for the period ended October 31, 2015, be received and filed, was presented to the Governing Board.

3. VASQUEZ & COMPANY, LLP – AMENDMENT TO AGREEMENT NO. 840 FOR FY16 AUDIT SERVICES & EXPANDED AUDIT SERVICES – APPROVED.

Communication from James P. Preusch, Chief Financial Officer, dated January 14, 2016, recommending the authorization for the Chief Executive Officer or Chief Financial Officer to issue an amendment to Agreement No. 840 with Vasquez & Company, LLP for completion of FY 2016 scope and expanded audit services increasing the authorized contract value by \$29,000 from \$115,000 to \$144,000, was presented to the Governing Board.

4. MOSS ADAMS – AMENDMENT TO AGREEMENT NO. 855 FOR INDEPENDENT AUDIT SERVICES – APPROVED.

Communication from James P. Preusch, Chief Financial Officer, dated January 14, 2016, recommending the authorization of the Chief Executive Officer or Chief Financial Officer to issue an amendment to Agreement No. 855 with Moss Adams, ACTA's Independent Auditor, in the initial amount of \$30,000 for services to plan and perform an audit of the Railroads' systems used for ACTA fee self-assessment and daily train movement reporting, was presented to the Governing Board.

Board Member Knabe motioned, seconded by Board Member Dines that Item No. 2 be received and filed and that Items Nos. 1, 3, and 4 be approved. Carried by the following vote:

AYES: Members: Buscaino, Knabe, Dines, Slangerup, Gioiello

NOES: None

ABSENT: Gonzalez

5. RESOLUTION APPOINTING ACTA TREASURER – APPROVED.

Communication from James P. Preusch, Chief Financial Officer, dated January 14, 2016, recommending the adoption of Resolution JPA 16-1 appointing Marla Bleavins, the POLA Chief Financial Officer, to the position of ACTA Treasurer, replacing former ACTA Treasurer Betsy Christie of the POLB, was presented to the Governing Board.

Board Member Knabe motioned, seconded by Board Member Dines, that the item be approved as recommended. Carried by the following vote:

AYES: Members: Buscaino, Knabe, Dines, Slangerup, Gioiello

NOES: None

ABSENT: Gonzalez

6. ACTA BOND RESTRUCTURING/REFUNDING - UPDATE - INFORMATION ITEM.

Communication from James P. Preusch, Chief Financial Officer, dated January 14, 2016 providing an update on ACTA's Bond Restructuring/Refunding and tentative schedule to restructure a portion of ACTA's outstanding debt, was presented to the Governing Board.

Mr. Preusch informed the Board that meetings with the rating agencies were held in early

December. The rating agencies response was enthusiastic. All three rating agencies indicated that a Second Subordinate debt offering will be rated at the same level as a First Subordinate debt. That is positive news for ACTA as it will not reduce the rating or increase interest rates. Mr. Preusch also informed the Board that bond insurers are interested in providing insurance and/or providing a surety in lieu of a Debt Service Reserve Fund. There are, however, some concerns about insurers' capacity constraints, particularly National Public Finance Guarantee, which has all the exposure on the outstanding 1999 bonds. Mr. Preusch informed the Board that the rating agencies (particularly Moody's) expressed interest in visiting the Ports and ACTA within the next 60 days in conjunction with the restructuring.

Mr. Preusch provided an update on the yet to be released Mercator San Pedro Bay TEU Forecast (Forecast) sponsored by the Ports. The preliminary results indicate favorable and consistent growth. The official results will be presented to the POLB Harbor Commission on January 25, 2016.

Mr. Preusch presented restructuring results using the preliminary numbers from the San Pedro Bay Ports Case Forecast. He informed the Board that staff will continue to refine the analysis based on additional information as the transaction progresses.

Board Member Knabe asked what would eliminate the \$80 million Net PV Shortfall Advance shown in the status-quo analysis. Mr. Preusch responded that any restructuring at this time would reduce that number.

Mr. Preusch also stated that the best option, Scenario 2, will continue to be monitored and modified for improvement as necessary. Under that Scenario, \$212 million in Shortfall Advances drops to approximately \$17 million. The benefit to the Ports is approximately \$79 million in Net PV Shortfall Advance savings.

Board Member Slangerup then advised that the Forecast has been approved by both executive directors and will be presented to their respective boards in January. Therefore, the preliminary numbers provided to ACTA are the final ones.

Mr. Preusch informed the Board that at this time it appears a Shortfall Advance will be required for the October 2016 debt service payment. Assuming 3.5% loaded TEU growth, the Ports would receive a notice about March 25 for an October 2016 Shortfall Advance of about \$4 million per port.

In concluding, Mr. Preusch stated that the ACTA Debt Restructuring Transaction would likely be presented to the Governing Board for approval on March 10, 2016.

Board Member Slangerup added that if the Ports are successful in moving forward with short-haul rail within the next year, it will have a positive impact on ACTA revenue.

Board Member Dines asked whether the \$4 million Shortfall Advance forecast will be likely. Mr. Doherty responded that shortfalls in subsequent years would be eradicated with the refunding but the refunding would not necessarily take care of the immediate problem in October 2016. Mr. Doherty added that, should there be an October 2016 shortfall payment following restructuring, it would likely be the last Shortfall Advance for the next 8-10 years. He added that short-haul rail service, if it can be implemented as indicated by Board Member Slangerup, would lead to additional revenue that could likely eradicate the residual \$17 million in shortfall in 2026.

Mr. Doherty emphasized that a preliminary estimated \$4 million Shortfall Advance is based on the 3.5% growth assumption and that in the previous year there was a 3.5% growth decline. It's possible that if growth actually averages 5-6% in the first half-of 2016, the October 2016 shortfall amount could significantly decrease.

Mr. Preusch introduced Marla Bleavens, ACTA's new Treasurer. Vice Chair Buscaino thanked her for accepting the position of ACTA Treasurer.

7. UPRR DOLORES YARD CROSSOVER PROJECT LETTER AGREEMENT – APPROVED.

Communication from John T. Doherty, Chief Executive Officer, dated January 14, 2016, recommending that the Board authorize staff to:

- 1) Execute a letter agreement with the Union Pacific Railroad Co. (UPRR), wherein ACTA agrees to perform certain reimbursable advance development services for UPRR's Dolores Yard Crossover Project prior to the execution of the final Memorandum of Agreement; and
- 2) Amend ACTA Agreement Nos. 845 with O'Melveny & Myers, 842 with Bergman Dacey Goldsmith, and 711 with Pacific Railway Enterprises for legal and engineering services to perform and advance services, which are estimated at \$150,000 was presented to the Governing Board.

Board Member Dines motioned, seconded by Board Member Slangerup, that the item be approved as recommended. Carried by the following vote:

AYES: Members: Buscaino, Knabe, Dines, Slangerup, Gioiello

NOES: None

ABSENT: Gonzalez

8. SR-47 PROJECT – SEGMENT 2 EXPRESSWAY CONNECTION – BOARD DIRECTION TO STAFF

Communication from John T. Doherty, Chief Executive Officer, dated January 14, 2016, concerning renewed public interest on the SR-47 Expressway as a result of the City of Long Beach studying the potential permanent closure of the Terminal Island Freeway north of PCH, and requesting Board guidance on ACTA's position on the project, was presented to the Governing Board.

Mr. Doherty gave a brief history of the SR-47 Project from its inception, including the 2009 environmental litigation that deferred the expressway portion of the project, but allowed the bridge replacement portion to proceed. The litigation, which concluded in November 2014, enabled the expressway portion to also proceed. However, by that time \$158 million in State funding (nearly half the cost of the expressway) was lost due to failure to meet a key funding legislation deadline.

Vice Chair Buscaino asked whether the \$158 million in State funding was repurposed for other

regional projects. Mr. Doherty responded that it was.

(Board Member Renwick arrived at 9:42 a.m.)

Vice Chair Buscaino asked whether staff had a funding strategy for the \$300 million project. Mr. Doherty responded that in January 2015 after resolution of the litigation, the Governing Board tabled a recommendation to allow ACTA staff to explore new funding opportunities while the ports' planning staffs reviewed the project in relation to other port project priorities. The subsequent analysis determined that the expressway project was a low priority.

Board Member Dines stated that the expressway has recently generated much interest, because the City of Long Beach is investigating closing the TI Freeway north of PCH, which handles thousands of port trucks daily. The City is evaluating converting the freeway segment to much-needed parkland. He explained that the closure would require further study by the City to determine the impact of diverting trucks to other local roadways. He stated that the TI Freeway is very important to the Ports and its closure would significantly impact access to the ICTF near-dock rail yard.

Mr. Dines said the expressway could have a positive impact on existing and future near-dock facilities, and it would also make Alameda St. a true truck corridor for access to local destinations and major east-west freeways such as I-405 and SR-91. He stated that the project would also provide for future port growth. With the recent passing of the Federal FAST Act's freight funding component, he believes the project would qualify for federal funding.

Mr. Dines made a motion to direct staff to reprogram the project and report back to the Board concerning a path to its development.

Board Member Renwick stated that, based of his previous discussions with POLA staff, the project is of low priority, especially since port capital resources are strained. However, he said the potential freeway closure could change priorities. He reminded members that ACTA has debt service issues and, despite a favorable port growth forecast, there is no guarantee that the ports may not have to commit funds for ACTA debt service further straining port resources. He suggested that the ports be cautious in moving forward.

Vice Chair Buscaino asked Mr. Renwick if he seconded Mr. Dines' motion to re-evaluate the project, but urging caution. Board Member Renwick acknowledged that he did second the motion.

Board Member Gioiello asked whether the \$300 million project estimate had been updated. Mr. Doherty stated that it had not and that it would be part of the re-evaluation. Mr. Gioiello also stated that there have been changes in the project area that should be considered in the new analysis.

Mr. Doherty added that the Union Pacific Railroad has on occasion inquired about the status of the expressway, because it is considering modernization of the ICTF, doubling its capacity on a smaller footprint, and moving the current entrance from Sepulveda Blvd. to Alameda Street. Therefore, the expressway would provide more direct access to the modernized facility.

Board Member Slingerup agreed with Board Member Dines, stating that it is necessary to restudy the expressway, as well as to look at all traffic routing in the port system. He

emphasized that there are consequences to not fixing the system, given the cargo growth anticipated in the next decade.

Board Member Dines reiterated that the FAST Act is dedicating funds to freight corridors and the expressway might likely qualify for Federal funds. The only way to determine the feasibility of the project is for staff to restudy it and report back to the Board.

Board Member Renwick asked whether the City of Long Beach has considered the impact of the closure to port operations. Board Member Dines responded that POLB, whom he represents, does not have a position on the freeway closure, but that he has suggested to City Council that the expressway should be considered as alternate infrastructure.

Vice Chair Buscaino reminded members that he represents the Wilmington community, which has previously voiced objections to the expressway. Therefore, much has to be considered and evaluated to gain project support.

Board Member Dines restated his motion asking staff to re-evaluate the project and report back to the Board. Board Member Renwick made an amended motion to include review of potential funding sources and processes. The motion was approved as amended.

AYES: Members: Buscaino, Knabe, Dines, Slangerup, Gioiello

NOES: None

ABSENT: Gonzalez

Vice Chair Buscaino called to the podium Mr. Floyd Bryan, Legislative Committee Chairman for the International Longshore & Warehouse Union, Southern California District Council, who submitted a card for comment.

Mr. Bryan stated that he has been involved with many projects over the past 20 years. He stated that the SR-47 Expressway, unlike many projects, is ready to go from an environmental standpoint, and that he would be happy to support funding pursuits. He stated that he was a proponent of getting the 2006 State Proposition 1B passed, which had secured much-needed goods movement project funding. He said that the City of Long Beach could decide to close the TI Freeway, making it critical for the expressway to be available. He emphasized that even though the expressway is not currently a priority project, things could change quickly.

9. LEGAL AND PROFESSIONAL SERVICE CONTRACTS – STATUS – INFORMATION ITEM.

Pursuant to a request by Board Member Knabe in June 2015 for periodic expense vs. budget reports for both legal and professional services contracts, Mr. Doherty presented tabular results through approximately November. He stated that indications at this time are that the Board-approved budgets will be sufficient for the current fiscal year.

10. NOVEMBER PERFORMANCE – INFORMATION ITEM.

Mr. Doherty gave an update of Corridor performance statistics including train counts, revenue and cargo volume for November 2015. He reported that, based on statistics through November, the combined volume of loaded containers (imports and exports excluding empties) at

the ports is down 3%. Because 96% of ACTA's revenue is derived from ACTA's 40% share of the ports' loaded containers, ACTA's revenue for CY2016 will be negatively impacted.

11. CLOSED SESSION

At 10:23 a.m., Vice Chair Buscaino recessed the Governing Board meeting to hold a conference with legal counsel regarding existing litigation pursuant to Government Code Section 54956.9, Subdivision [a], (one case).

Board Member Knabe recused himself from closed session.

At 10:36 a.m., the meeting was again called to order.

Ms. Heather McCloskey, ACTA Co-General Counsel, announced there were no reportable actions from the closed session.

At the request of Mr. Doherty, the meeting was adjourned in memory of Cynthia Moore and Jim Wiley, former ACTA and ACET team members. Mrs. Moore, an ACTA employee in Accounts Payable for approximately 9 years, passed away in January 2016. Mr. Wiley, an ACET consultant, who coordinated ACTA right-of-way matters for the past 20 years and was instrumental in securing the properties necessary to build the Alameda Corridor, passed away in December 2015.

Vice Chair Buscaino offered condolences, love and prayers to their respective families.

12. PUBLIC COMMENT

There were no requests by the public to address the Governing Board.

13. ADJOURNMENT

At 10:37 a.m., the meeting was adjourned sine die.