

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 OCTOBER 8, 2015 AT 9:00 A.M.

Members present:

Don R. Knabe, Los Angeles County
Metropolitan Transportation Authority
Rich Dines, Port of Long Beach
Edward Renwick, Port of Los Angeles
Jon W. Slangerup, Port of Long Beach
Gene Seroka, Port of Los Angeles

Members absent:

Lena Gonzalez, City of Long Beach
Joe Buscaino, City of Los Angeles

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

BOARD MEMBER KNABE PRESIDED.

The meeting was called to order at 9:12 a.m. Roll call was taken.

CONSENT CALENDAR - ITEMS NOS. 1-6

1. MINUTES - ACTA GOVERNING BOARD MEETING OF AUGUST 13, 2015- APPROVED.

Minutes of the regular meeting of August 13, 2015 of the Governing Board of the Alameda Corridor Transportation Authority were presented to the Governing Board.

2. MINUTES - ACTA GOVERNING BOARD SPECIAL MEETING OF SEPTEMBER 24, 2015- APPROVED.

Minutes of the special meeting of September 24, 2015 of the Governing Board of the Alameda Corridor Transportation Authority were presented to the Governing Board.

3. DAVID DUTHIE – AMENDMENT TO CONSULTANT SERVICES AGREEMENT NO. 714 FOR UTILITY COORDINATION – APPROVED.

Communication from John T. Doherty, Chief Executive Officer, dated October 8, 2015, recommending authorization for the Chief Executive Officer or Chief Financial Officer to execute an amendment to Agreement No. 714 with Dave Duthie for utility coordination services increasing the contract value by \$25,000, was presented to the Governing Board.

4. FY16 LEGAL SERVICES – CONTINGENCY BUDGET AMOUNT – APPROVED.

Communication from John T. Doherty, Chief Executive Officer, dated October 8, 2015, recommending:

- 1) Authorization for the addition of a \$200,000 contingency for FY16 legal services, increasing the previously approved FY16 Budget amount from \$740,000 to \$940,000 and increasing the current total contract value for the 12 firms from \$1,755,000 to \$1,955,000; and
- 2) Authorization of the Chief Executive Officer or Chief Financial Officer to issue amendments to agreements as necessary using the contingency amount

was presented to the Governing Board.

5. DOLORES YARD CROSS-OVER – INFORMATION ITEM.

Communication from John T. Doherty, Chief Executive Officer, dated October 8, 2015, regarding the proposal from the UPRR to install a new 1200' long cross-over at the south end of Dolores Yard near Watson Crossing, was presented to the Governing Board for information only.

6. INVESTMENT POLICY – APPROVED.

Communication from James P. Preusch, Chief Financial Officer, dated October 8, 2015, recommending the adoption of an updated ACTA Investment Policy to comply with recent changes in the government code, was presented to the Governing Board.

Board Member Renwick motioned, seconded by Board Member Dines that Item No. 5 be received and filed and that Items Nos. 1-4 and 6 be approved as recommended. Carried by the following vote:

AYES: Members: Knabe, Dines, Renwick, Slingerup, Seroka

NOES: None

ABSENT: Gonzalez, Buscaino

7. ACTA BOND RESTRUCTURING/REFUNDING – ITEM CONTINUED.

Communication from James P. Preusch, Chief Financial Officer, dated October 8, 2015 regarding the ACTA Bond Restructuring/Refunding requesting authority for the CEO or CFO to take preliminary actions with the finance team and others to restructure portions of ACTA's outstanding debt, was presented to the Governing Board.

Mr. Doherty provided the Board with background information regarding ACTA's bond

restructuring. In January, the Board authorized ACTA staff to explore opportunities with Port financial staff and ACTA's financial advisors, bankers and attorneys to restructure/refund ACTA's outstanding bonds due to impending shortfalls. In June, the Board appointed a 2015 Bond financing team to work together with ACTA's team to provide financing alternatives for final approval by the Board. In August, a single illustrative example was presented to the Board to highlight opportunities and practical difficulties. The Board at that meeting requested that a range of alternatives be presented at a future meeting. Mr. Doherty stated that three alternatives would be presented today.

Mr. Preusch presented an overview of the Board feedback received from the August Board meeting and the action items for ACTA staff. He discussed the guiding assumptions, baseline restructuring alternatives and comparative metrics. He presented a graph showing the status quo analysis (no refunding) at 3.00% TEU growth and 1.75% inflation and three other scenarios: Scenario 1- restructuring all callable 2004A bonds; Scenario 2- restructuring callable 2004A bonds and 2004A non-callable bonds; and Scenario 4- restructuring 2004A callable/non-callable & selected 2013A bonds.

Mr. Bob Rich, ACTA's Financial Advisor, then showed a table to discuss and compare the refunding savings and benefit to the Ports for each of the scenarios.

Board Member Renwick asked Mr. Rich to discuss the merits or consequences of extending the debt beyond 2037. Mr. Rich responded that the longer the extension, the lower the costs in the early years, but the greater the overall costs. Board Member Renwick asked whether the railroads would have to approve the extension. Mr. Preusch responded that it would require an amendment to the Use & Operating Agreement, which is a five-party agreement between the UPRR and BNSF, POLA, POLB and ACTA.

Board Member Slangerup asked if Scenario 2 had less overall interest than Scenario 4. Mr. Rich responded that Scenario 2 and Scenario 4 are transactions that could be done today with known interest rates. The difference between the two is the type of bonds and their call dates. Scenario 4, which includes later call dates, becomes inefficient due to many years of extra interest.

Board Member Slangerup asked whether the anticipated transaction costs were included in these numbers. Mr. Rich confirmed that they were included. Mr. Preusch added that a comprehensive cost of issuance has to be completed and that an estimate of \$12 per \$1,000 of debt has been included.

Board Member Slangerup asked whether dual tracking is possible so that the TEU study could move to completion at the same time the refunding documents are progressed. Mr. Rich responded that having the study data would be of great benefit to potential buyers. Board Member Slangerup stated that the Ports would have a preliminary TEU forecast and that the numbers exceed what is being used in the baseline scenarios.

Mr. Preusch the discussed the actions and schedule necessary over the next few months.

Board Member Dines and Board Member Knabe expressed the need for additional information regarding debt exchange opportunities previously requested from staff. ACTA Co-Counsel Heather McCloskey stated that discussion of that topic should take place in a closed session

and that counsel would provide a memo to the Board members on the topic.

Board Member Renwick recommended that counsel be directed to prepare the memo while at the same time having the Board select an alternative today so as not to lose time completing a transaction while interest rates are low. However, Board Members Dines and Knabe advocated postponing a decision until the additional requested information was provided. In order to expedite, there was Board consensus to schedule a special meeting on October 14, 2015 at 9 a.m. to further consider the matter. Mr. Dines requested that the law firm of Nixon Peabody be present at the October 14 meeting to discuss the opportunities and process for bond exchange.

8. ACTA GOVERNING BOARD MEETING – NOT APPROVED

Communication from John T. Doherty, Chief Executive Officer, dated October 8, 2015, recommending the consideration for options to pre-schedule future ACTA Governing Board meetings, was presented to the Governing Board.

There was a consensus from the Board members to stay with the monthly meetings. Therefore, no action to implement a change was taken or necessary.

9. TRAIN LENGTH ANALYSIS – INFORMATION ITEM.

Mr. Doherty presented graphical information in response to a request by member Dines a few months ago regarding train lengths on the Corridor. Mr. Doherty explained that train length information from dispatching records has been provided to ACTA by Union Pacific beginning early this year, which can be used going forward. Therefore, quantitative comparisons to past years is not possible. However, he reported that earlier comparative data developed by ACTA indicated the average numbers of containers per train has increased markedly on the Corridor over the years from less than 250 per train to well over 300. Member Seroka suggested that the graphical data include not only percentages by length, but also percentages by volume carried.

10. AUGUST PERFORMANCE – INFORMATION ITEM.

Mr. Doherty gave an update of Corridor performance statistics including train counts, revenue and cargo volume for August 2015. He noted that while combined port import and export container volume has improved markedly over the past few months, the volume through August is 3.5% below last year. ACTA's historical capture share is about 40% of these laden containers. The annual growth rate of port laden containers has averaged less than 2% since 2010, years in which ACTA's debt structure anticipated 5% annual growth, which drives the need to examine debt restructuring to reduce port shortfall payments.

Member Renwick added that, because ACTA's cargo is 100% discretionary cargo, ACTA's share will be highly sensitive to competitive port of entry and market shifts. Members Dines and Slingerup pointed out that short-haul rail opportunities, which are being pursued by the ports, will present considerable opportunity to improve ACTA's share. Mr. Doherty affirmed that the short-haul rail market is very large (perhaps as high as 60% of port imports) and includes not only containers that are now trucked to consolidation warehouses before being railed to national markets, but also containers that are trucked to these same consolidation warehouses before being trucked to local and Pacific Southwest regional markets. ACTA's preliminary estimate is

that each daily round-trip short-haul train could produce \$1.5 million in annual revenue, assuming 200 containers per train.

11. CLOSED SESSION

At 10:29 a.m., Board Member Knabe 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).

Ms. McCloskey stated that case *11 (b) City of Huntington Park vs. County of Los Angeles; Los Angeles County Flood Control District* would not be discussed.

At 10:48 a.m., the meeting was again called to order by Board Member Knabe.

Ms. McCloskey reported that the Board conferred regarding the matters listed under "Closed Session" under Item 11(a) on Page 2 of the Published Agenda and took the following reportable action under the Government Code:

In Closed Session Item No. 11(a) involving Case No. CV12-03653-RSWL(RZx), *Crimson Pipeline Management, Inc. et al. v. Herzog Contracting Corporation*, the board was advised of the final settlement of the case as follows; 1) Crimson will pay \$2.1 million to the Public Entities in settlement of the matter and \$150,000 for future site testing; 2) All parties gave mutual releases of all claims; 3) Crimson will conduct future site work and indemnify the Public Entities; 4) entered into a settlement agreement with the insurance companies; and 5) the Environmental Protection Agency released the Public Entities from the site clean-up order.

12. PUBLIC COMMENT

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

13. ADJOURNMENT

At 10:49 a.m., the meeting was adjourned sine die.