

December 20, 2019

The Honorable Cecilia Aguiar-Curry
Chair
Assembly Local Government Committee
Room 5144
State Capitol
Sacramento, CA 95814

RE: AB 1273 (Brough) County of Orange: joint exercise of powers agreements: toll roads.

POSITION: Support

Dear Chairwoman Aguiar-Curry:

As a resident of San Clemente, I am writing to request your Aye vote on AB 1273. This bill would limit the authority of the Transportation Corridors Agencies (TCA), a.k.a. The Toll Roads of Orange County, to the maintenance, operation, and financing of toll highway corridors placed in service by January 1, 2020. It would leave vested in other agencies the planning and development functions currently duplicated by TCA. This measure would also limit TCA from incurring new bonded indebtedness.

When the State Legislature authorized the creation of the TCA in the late 80s, it was an experiment to see if the TCA would work. It has not. Although the Legislature adopted legislation to authorize the entity, it does not justify that it continues in perpetuity. Just as TCA's Director of Public Affairs Paul Glaab, told the LA Times in 1996, "We're a single-purpose public agency, [whose purpose] is to finance, design and build the roads and then go out of business." That time has come.

What is TCA's History of Project Delivery & Fiscal Management? - POOR

The TCA opened SR-241 in 1993, SR-73 in 1996, and SR-261 in 1998. It has been 20 years since the TCA has completed any major project, and the TCA has yet to find a feasible construction plan for the extension of SR-241 south.

When it opened during the 1990s, Orange County's \$2.4-billion tollway system was touted as an innovative way to build public highways without taxpayer money. But that initial promise has consistently come up short. There are few proposed transportation fights in California that have been as prolonged or contentious as the plan to now build another toll road in Orange County.

The TCA was wrong about the initial cost of the roads; they missed it by \$3.2 billion, or 400%. TCA, the operator of the largest toll road network in the western United States has been forced to refinance its struggling highways – twice. Since it opened in 1997, the San Joaquin Hills (73) toll road through the coastal foothills of Orange County, failed for years to meet its ridership and revenue projections as debt payments rose. In 2011, ridership on the San Joaquin Hills, which never performed as predicted, was only 43% of original forecasts, and its revenue was 61% of

projections. Wall Street ratings agencies once reduced the San Joaquin Hills toll road's bonds to junk status.

Similar financial problems surfaced earlier this decade for TCA's other highway network, the Foothill-Eastern, which includes part of California 133 in central Orange County as well as California 241 and 261 from Yorba Linda to Rancho Santa Margarita. Motorists on the Foothill-Eastern in 2011 numbered 33% less than projected, and revenue was 75% of forecasts.

Despite the roads' sagging ridership, the agency has increased tolls repeatedly to keep pace with expenses and debt payments—at least 12 times since 1996 on the San Joaquin Hills alone. The tolls on both corridors are now among the highest in the nation per mile.

The TCA places a significant portion of its financial burden on low-income and disadvantaged communities, those who can least afford it. According to the TCA, the average toll for a trip from San Juan Capistrano to the John Wayne Airport using the 73 Toll Road during the peak commute times is \$7.76.

TCA's High Tolls Go to Pay Over Compensated Executives.

In 2018, TCA's CEO receives \$441,489 in total compensation. That's more than the Caltrans director, and the Caltrans budget is fifty-five times the size of the TCA, with over 20,000 more employees.

TCA Adds to the High Cost of Housing

The TCA adds to the cost of housing in Orange County. According to a TCA document titled "Major Thoroughfare and Bridge Fee Program, FY 2019 Rates" the TCA developer fees raise the cost of housing in many parts of Orange County.

How does AB 1237 help?

AB 1237 provides much-needed certainty to transportation planning efforts in Orange County by eliminating unnecessary and confusing redundancies. The bill would not alter the planning and funding authority OCTA has to continue providing critical mobility solutions in South County. Alternative improvements, besides a toll facility, may address future demand.

Conclusion

In light of TCA's history and existing debt, this bill continues the ongoing funding, through tolls, for the repayment of that existing debt. Additionally, it allows for the refunding of existing debt to facilitate the repayment of the debt at commercially better terms thus protecting bondholders and the creditors. Finally, these types of structural changes have been implemented through Cortese-Knox-Hertzberg Act and the dissolution of redevelopment agencies without impairing bond holder and creditor rights and obligations.

I urge your Aye vote on AB 1273.

Thank you for considering my views.

Sincerely,

(Name)

cc: Members, Assembly Local Government Committee
Members, Assembly Orange County Delegation
The Honorable William P. Brough
The Honorable Pat Bates
The Honorable Jim Beall
Jimmy MacDonald, Principal Consultant, Assembly Local Government Committee