

April 18, 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 Powers Agreements: Toll Roads

POSITION: Support

Dear Chair Aguiar-Curry:

As a resident of the City of San Clemente, I wish to express my full support for 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 except under limited exceptions to eliminate or reduce its debt load.

BACKGROUND

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

The TCA was wrong about the initial cost of the roads; they underestimated 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.

TCA has increased tolls and extended its debt repeatedly to keep pace with expenses and debt payments—at least 12 times since 1996 on the San Joaquin Hills alone. TCA's debt has more than doubled between 1998 and 2018; TCA borrowed \$2.9 billion in 1998. That debt expanded to \$6.4 billion by 2018. The tolls on both corridors are now among the highest in the nation per mile. TCA continues to collect significant development impact fees on some of the nation's most expensive housing for freeways it has not built or has cancelled.

Despite TCA's inability to complete any new highways in 20 years, the agency continues to spend vast amounts on administration, public relations, and freeway designs that are inconsistent with other regional and local transportation plans. For example, it has recently asserted its authority to build improvements on interstate highways and other projects far afield from its original charge to build specific tollways. It spends millions annually to try to garner public support for these unpopular ideas which are designed more to prop up TCA's desperate fiscal situation than to improve transportation.

TCA's planning and development authority is duplicative and redundant. Orange County Transportation Authority (OCTA) serves as Orange County's transportation commission under state law, which gives OCTA the power to plan, design, construct, and operate highways in partnership with the State, the County of Orange, and cities throughout Orange County. TCA's plans and studies are frequently inconsistent with the priorities and master planning of OCTA, the County of Orange, and Orange County cities. TCA uses traffic methodology and modeling that are inconsistent with OCTA's. These redundancies and inconsistencies harm regional planning, destabilize real estate markets, endanger schools, and threaten open space and other natural resources that have been set aside by developers and local agencies as public amenities. TCA imposes antiquated freeway solutions on modern transportation planning needs and deprives areas in Orange County with more acute transportation needs of scarce resources.

For example, in lieu of the statutory alignment of SR-241 that TCA abandoned, TCA is considering an alternative that would require turning a road that people can now travel on for free, Los Patrones Parkway, into the toll road. That is unfair to all the taxpayers who have already paid for this County road and is inconsistent with the County's general plan.

Most recently the Los Angeles Times on March 11, 2019, uncovered that TCA officials allowed for the potential misuse of hundreds of thousands of dollars in public funds. This took the form of gross overpayments to consultants with little demonstrable benefit to the public. Examples from the Times report include payments totaling \$230,000 for TCA's consultants to read "emails of news from transportation stories" and \$14,000 for the agency's own consultants to meet with each other. This waste of taxpayer dollars is at best irresponsible and at worst evidence of greater impropriety.

SOLUTION

The TCA has a long and troubled history, consistently demonstrating an inability to forecast costs, ridership, revenue and an inability to properly manage public funds. Its exercise of authority in these areas is redundant, unnecessary, expensive and duplicative of the function of Orange County's Transportation Authority.

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. Its planning and development functions can be ably performed by other local and regional agencies while TCA remains in existence to retire its significant debt load and to place Orange County's existing toll roads into public use decades behind the original schedule. Just as TCA's Director of Public Affairs Paul Glaab, told the LA Times in 1996, TCA is "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.

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.

For all the above reasons, I respectfully request you vote "YES" on AB 1273.

Sincerely,

San Clemente Resident

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