



SANDAG STATE ROUTE 125 SOUTH BAY EXPRESSWAY TOLL POLICY

The purpose of this policy is to establish guidelines for maintaining the operational and financial integrity of the South Bay Expressway toll road franchise, which SANDAG operates on a portion of State Route 125 pursuant to the Amended and Restated Development Franchise Agreement (ARDFA) with the State of California, which is the agreement governing the day-to-day operations of the State Route 125 South Bay Expressway (SR 125).

The policy is designed to inform decision making and provide transparency to the Board of Directors and the public when actions are being considered for adjusting toll rates to support operating and maintenance costs, funding current and future capital and rehabilitation projects, paying debt service, ensuring a minimum level of service related to traffic, and meeting legally required covenants and terms in debt financing transactions such as debt service coverage ratios. Nothing in this policy is intended to supersede the requirements of Title VI of the Civil Rights Act.

1. Financing Requirements

SANDAG shall charge and collect tolls that generate enough revenue to maintain the debt service coverage ratios as required in the Master Indenture and subsequent supplemental indentures for SR 125. SANDAG recognizes that it must review and actively manage toll rates in order to satisfy the covenants in the financing documents for the SR 125. The requirement to maintain debt service coverage ratios and comply with covenants in the Indenture (Master Indenture and subsequent supplemental indentures) supersedes the specific policies for setting and modifying tolls and discounts to the extent permitted by law.

2. Operating and Maintenance Expenses

SANDAG shall charge and collect tolls that generate enough revenue to operate and maintain the toll road in a safe condition in accordance with Caltrans standards found in Caltrans Maintenance Manual, maintenance directives, policy and procedure memorandums, and applicable safety orders; and in compliance with the Memorandum of Understanding for Traffic and Incident Management, and as outlined in the ARDFA and all other laws and regulations applicable to operations of SR 125. The sufficiency of toll revenues to satisfy covenants in the financing documents and to meet upcoming funding requirements will be annually reviewed in the context of the SANDAG's Annual Program Budget, with particular attention to the SR 125.

3. Capital Projects

Capital projects will be determined as outlined in the ARDFA. Capital projects deemed necessary to achieve SANDAG's objective of improving mobility in the region will either be funded on a pay-as-you-go basis or with bond proceeds. following any bond issuance. The appropriate financing strategy to meet capital costs will be determined in the context of SANDAG's long-term Financial Plan for the SR 125. The long-term Financial Plan will include forecasted operating costs,

toll revenues, ongoing capital expenditures related to the SR 125, other available funding sources, borrowing needs, if any, etc., through the life of the ARDFA. This Financial Plan will be prepared no less often than every two years and presented to the Board for review and approval. This Financial Plan will demonstrate that forecasted net revenues will be sufficient to satisfy the toll and revenue covenants included in the legal documents securing any toll revenue bonds and obligations. In this context, the Board will review the toll policy and determine the need, if any, to adjust toll rates to meet the financial objectives of SANDAG and satisfy the related legal covenants to bond holders.

4. Minimum Level of Service

As part of the region's broader transportation network, the SR 125 tolls are used by SANDAG to manage traffic congestion and infrastructure needs consistent with the purposes described in California Streets & Highways Code Section 143.1(b); and the ARDFA. SANDAG reserves the right to charge tolls sufficient to meet these objectives, so long as procedures for setting and implementation of the tolls are consistent with all relevant laws, contract terms, covenants, and this policy.

Adopted September 2017