

Discussion Memo: Project History, Financial Plan, and Previous Board Actions

Project History

The State Route 11/Otay Mesa East Port of Entry (SR 11/OME POE) project has been in development since the early 2000s when Caltrans completed a Project Study Report (2003) and SANDAG first studied the economic impacts of border delays (2006 – since [updated 2020](#)). The study revealed that long wait times were resulting in severe economic losses for the region, state, and nation. The losses for the U.S. and Mexico were estimated to be equivalent to losing 18 Super Bowls and 5 Qualcomm companies each year. A 2008 Feasibility Study, done by the U.S. General Service Administration (GSA), showed that even with expansion of existing crossings, a new port was needed to meet future demand. Mitigating economic losses and building future capacity were major drivers to reserve the last remaining border-adjacent land in the County to serve as a relief valve for the other crossings.

The project was envisioned to be self-financed and self-sustaining. Dynamic tolls would be used to manage a 20-30-minute wait time while revenue could help fund the capital build, operations, and maintenance. In 2011, an MOU was signed with federal partners committing to work together on the project and in 2012, the environmental document and Project Report were completed.

In 2016, construction began on the surrounding transportation network. SANDAG and Caltrans sought to avoid challenges of the existing San Ysidro and Otay Mesa Ports of Entry where local roads were not designed to handle traffic for international gateways. The agencies focused on building a right-sized and secure transportation network and over the next decade the roadways were completed as funding became available through state and federal grants and other funding sources. Use of Design Sequencing for construction of the freeway allowed segments to avail of specific funding opportunities and avoid cost increases due to inflation.

In 2024, Mexico's Ministry of Defense (SEDENA) completed construction of their complementary Port of Entry (Mesa de Otay II) and access road (an elevated exclusive highway). Figure 1 (below) shows the construction periods of various segments of the SR 11/OME POE project and Table 1 (below) shows past and future project milestones. A list of past Board of Directors actions related to the project is included below.

Figure 1. Project Map

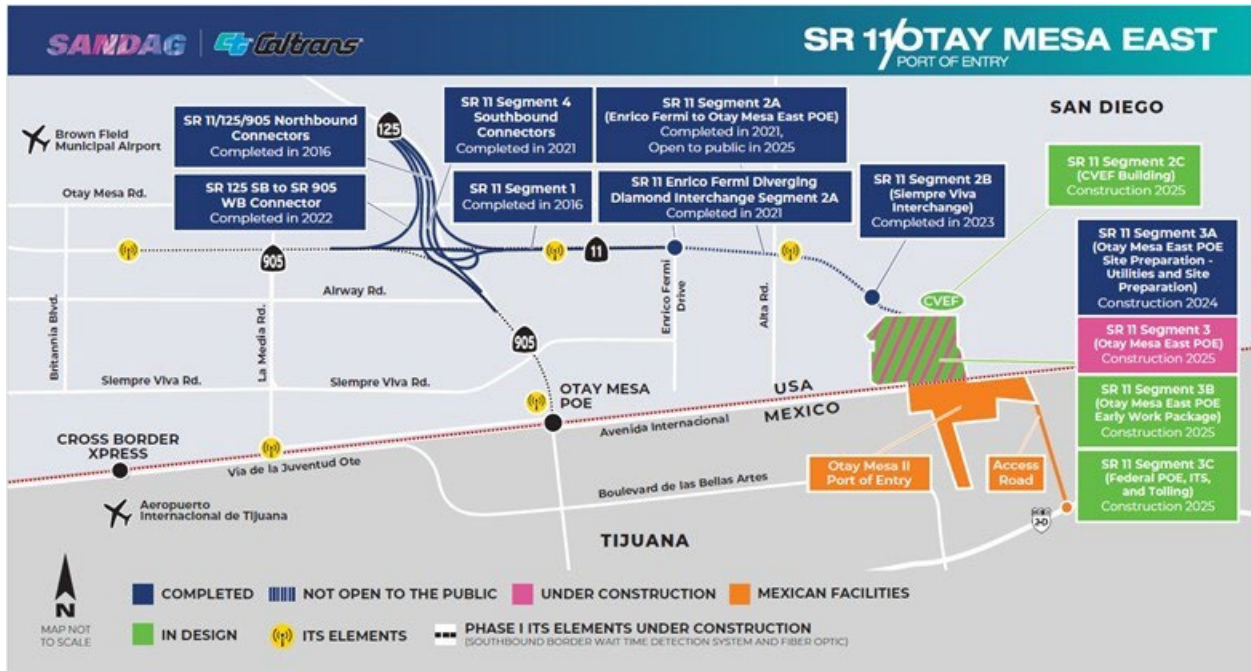


Table 1. Project Milestones*

*Excludes Binational Agreements. For a list of Binational Agreement Milestones, see list of Board Actions (below)

Completed Project Milestones	Year
Project Study Report completed	2003
GSA Feasibility Study, Presidential Permit, passage of SB 1486 Otay Mesa Toll Facility Act; State Route 11 and the Otay Mesa East Port of Entry FINAL Program Environmental Impact Report / Phase I Environmental Impact Statement	2008
State Route 11 and the Otay Mesa East Port of Entry FINAL Tier II Environmental Impact Report / Environmental Impact Statement	2012
Construction completed of northbound connectors from SR 905 to SR125 and SR 11 freeway to Enrico Fermi	2016
Environmental Reevaluation Signed	2017
Renewal of Presidential Permit and SANDAG BOD approval of Design Sequencing for design and construction of the freeway and connectors; Environmental Categorical Exemption for the ITS elements along I-5, 805 and SR 188 and 905 for installing of fiber optic cable to connect to ITS elements and the southbound Border Wait Time Systems.	2018
Environmental Reevaluation signed	2019
Reevaluation for ITS Project signed	2020
Construction completed of southbound freeway connectors from SR 125 to SR 11 and SR 905; construction of Enrico Firme Diverging Diamond Interchange and bridge at Alta Road; SANDAG awarded an Advanced Transportation and Congestion Management Technologies Deployment (ACMTD) grant to build a Regional Border Management System (RBMS) ¹ ; Environmental Reevaluation signed.	2021
Construction completed of westbound connector from SR 125 to SR 905	2022
MOU with GSA and CBP authorizes SANDAG to complete 30% design; construction of second segment of SR 11 to POE	2023
Utility relocations at POE site completed and new wet and dry utilities brought to site perimeter; MOU with federal partners to allow SANDAG to procure contractor and complete design; SANDAG BOD approves CM/GC delivery method and release of CM/GC procurement; Design workshops with Federal partners begin	2024
Federal Project Agreement and Donation Acceptance Agreements executed with CBP and GSA; 65% design completed; SANDAG BOD approved award of CM/GC Pre-Construction Services Agreement; Obligation of Technology Package funding for CBP Notice of request for obligation of funding for Technology Package at California Transportation Commission (CTC); SR 11 open to local traffic;.	2025
Anticipated Project Milestones – 2025	
Request SANDAG BOD award the CM/GC Construction Services Agreement and First Construction Work Package (current action)	
Proposed SANDAG BOD adoption of Building Ordinance for SANDAG to serve as Building Authority for project (Fall 2025)	
Release and award of NII Technology Package procurement	
Rrequest BOD to award Construction Management contract for the project	

¹ The RBMS will serve as the software ‘brain’ for border traffic systems and will integrate functions such as dynamic lane management, traveler information, border wait time estimation, and dynamic tolling.

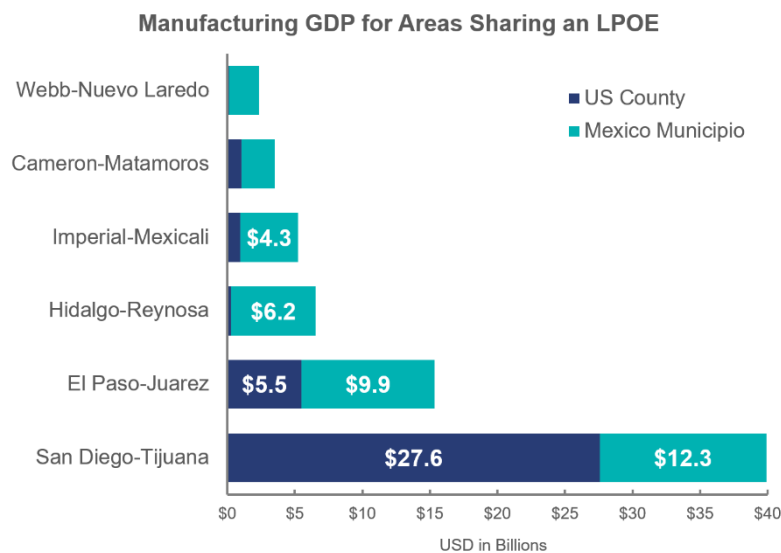
Execute Binational Custodial and Toll Governance Agreements with Mexico

Begin Construction on Port of Entry Facility

Economic Impact

The economic impact of the project for the region, state, and nation continues to be a driving force behind delivery of OME. The San Diego region is strategically located and the only region with land ports of entry that can readily access several marine ports (on the U.S. and Mexico sides) creating resilience and fluidity in U.S. trade corridors and the movement of U.S. manufactured goods to domestic and international markets.

San Diego is also a hub for manufacturing and Research and Development (R&D) that can readily deliver on investment to expand jobs and the U.S. economy – particularly for high-value goods like semiconductors, machinery, precision equipment, and electronics. The San Diego-Tijuana manufacturing center is more than double the size of any other along the U.S.-Mexico border. Combined GDP from the manufacturing sectors is \$40B, over 2.5x bigger than the next largest pair of border cities (see graph below). It offers the combination of a resilient multimodal and transborder network, with a deep pool of talent that businesses seek.



In summary, the project will result in key benefits for the U.S. economy, including:

- Facilitate more than \$60 billion in cross-border trade annually
- Provide a relief valve for national supply chain bottleneck
- Support creation of nearly 50,000 U.S. jobs
- Supply U.S. market demand
- Attract new regional and national FDI to enhance and expand cutting edge manufacturing in fabrication, semiconductors, and bio-medical devices
- Attract more R&D, creating a dynamic advanced manufacturing cluster

Environmental Mitigation

The project design has incorporated a variety of mitigation measures to reduce overall impacts in accordance with the National Environmental Policy Act (NEPA) and California Environmental Quality Act (CEQA). Mitigation efforts occurred off-site at different parcels of land acquired by Caltrans. More than 180 acres of land at Lonestar Canyon were acquired to mitigate impacts on natural communities. For wetlands and other waters, a streambed at Johnson Canyon that drains to Lonestar was restored and preserved. The site serves as a vernal pool habitat for Fairy Shrimp, Quino Checkerspot Butterfly, Burrowing Owl, Raptors, and Golden Eagles that functions as natural habitat in perpetuity. As segments of the freeway and port were designed, there were instances in which project design was altered directly in response to the presence of communities such as vernal pools and fairy shrimp basins. The site acquisition was coordinated with other development mitigation efforts, and together the sites formed contiguous open space habitat.

Under the supervision of a qualified biologist, the Otay Mesa population of burrowing owls were relocated from the project site through passive relocation (installation of one-way doors within the burrows) and are expected to repopulate the Lonestar mitigation site which will also support foraging for a pair of Golden Eagles at O'Neal Canyon. The primary goal is to create, restore, and preserve. Artificial burrows were created at a 5:1 ratio for each burrow impacted.

Mitigation applies not only to immediate conditions but future circumstances as well. A pattern of hotter temperatures and decreasing lifetime of rainfall will force the project design to take wildfires into account. Since 2019 several wild fires have occurred near the project and mitigation sites. As part of mitigation efforts, the OME POE will add an alternative route during disaster preparedness, response, and recovery efforts. Otay Mesa Fire Station #38 has been constructed near the project area and will be served by SR 11, increasing fire safety near the border.

Project Financial Plan

Capital costs for the Project on the U.S. side of the border are ~\$1.333 billion (B), of which more than half has been funded, substantially complete, and in the close out phase. The remaining ~\$276.69 million (M) is needed to construct the POE, CVEF, and supporting facilities. This cost excludes the cost of financing and now includes the \$150M INFRA grant, \$191M Trade Corridor Enhancement Program (TCEP) Cycle 3 grant, \$71M in Surface Transportation Block Grants (STBG) and \$30M in Regional Surface Transportation Program (RSTP) that are now included for remaining Design and Construction. Table 2 shows the funding breakdown for the program.

Table 2. Funding Breakdown for OME POE (in millions) Effective 7/31/25

Phase	Federal	State	Local	Unfunded	Grand Total
PA&ED	\$8.180	\$13.892	\$0.000		\$22.072
Design & Engineering	\$99.642	\$18.731	\$31.337	\$0.505	\$150.215
R/W Supp	\$5.077	\$4.472	\$0.332		\$9.881
R/W Cap	\$99.015	\$33.777	\$6.698		\$139.490
Construction Supp	\$13.070	\$38.555	\$8.590	\$0.680	\$60.895
Construction	\$320.190	\$330.729	\$24.618	\$275.514	\$951.051
Total	\$545.174	\$440.156	\$71.575	\$276.698	\$1,333.604*

* Assumed eligible items only

Table 3 is a summary of sources and uses of funds for the Project. These assumptions are dynamic and can change as SANDAG and Caltrans continue to refine the Plan of Finance.

Table 3. Project Funding Sources and Uses

Funding Uses	Project Cost
Project Approval & Environmental Documentation	\$22,072,000
Design & Engineering	\$150,215,000
ROW Support	\$9,881,000
ROW Capital	\$139,490,000
Construction Support	\$60,895,000
Construction Capital	\$951,051,000
Total Project Costs	\$1,333,604,000*
Funding Sources	Project Funds
Federal Grant Funds	\$545,174,000
State Grant Funds	\$440,156,000
Local Grant Funds	\$71,575,000
Net Bond Proceeds	\$276,699,000**
Total Funding Sources	\$1,333,604,000*

* Proposed Financial Scenario as of July 31, 2025. It is currently under evaluation and subject to change.

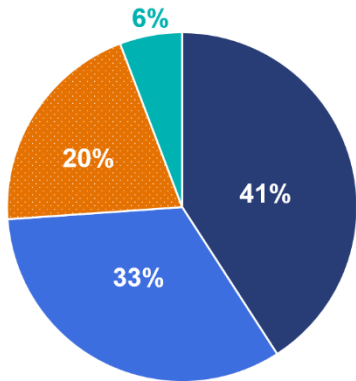
** Net of capitalized interest and deposits to the various reserve funds.

Additionally SANDAG and Caltrans develops a comprehensive Financial Plan for the Project in accordance with the requirements of Section 106, Title 23, and the Financial Plan Guidance issued by the Federal Highway Administration (FHWA). The plan provides detailed project cost estimates and financial resource estimates to be used to fully finance the Project. Below are high level summary graphics showing the project financing strategy.

The most recent report is the 7th Annual Update for the SR-11 project. The Annual Update provides an accurate accounting of costs incurred to date and includes a realistic estimate of future costs based on the engineer's estimates and expected construction cost escalation factors. While the estimates of financial resources rely upon assumptions regarding future economic conditions and demographic variables, they represent realistic estimates of available resources to fully fund the project. To accompany the FPAU, Barclays Bank has provided a Highly Confident Letter to help illustrate assurance of future project financing (included at end of report). Staff also continues to explore diverse project financing opportunities to ensure successful project delivery.

The charts below summarize the Project's current financial plan in graphic format.

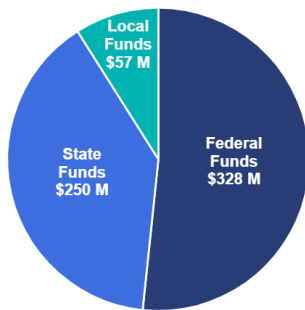
State Route 11/Otay Mesa East Port of Entry
Funding Categories



Fund Category	Dollars (Millions)
Federal	\$545.2
State	\$440.3
Local	\$76.9
Bonds (Future)	\$271.3
Total	\$1,333.7

Completed Elements

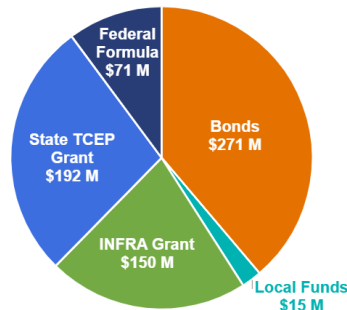
- Right-of-Way Acquisition
- SR-11/SR-905/SR-125 Connectors
- State Route 11



Total Funded to Date: **\$635 M**

In Construction/To Be Constructed

- Otay Mesa East Port of Entry Facilities (POE), including CBP Technology
- Intelligent Transportation System (ITS) and Tolling
- CHP/FMCSA Commercial Vehicle Enforcement Facility (CVEF)



Total Capital Funding Need: **\$699 M**

Previous Board of Directors Actions (2000-2025)

- **September 8, 2006:** The Board of Directors approved the Draft Regional Goods Movement Action Plan. The Otay Mesa East Port of Entry Project was identified among the freight infrastructure improvement projects in the San Diego region Goods Movement Action Plan.
- **September 22, 2006:** The Board of Directors approved the Otay Mesa-Mesa de Otay Binational Corridor Early Action Plan for planning purposes.
- **July 27, 2007:** The Board of Directors approved the funding strategy for implementing key regional goods movement projects, including the SR 11/Otay Mesa East Port of Entry through the Trade Corridors Improvement Fund.
- **October 23, 2009:** The Board of Directors approved Proposed State Route 11/Otay Mesa East Port of Entry Financial Strategy.

- **May 28, 2010:** The Board of Directors failed to concur with the staff's recommendation to complete negotiations with Goldman Sachs as the potential investment banker for the SR 11/Otay Mesa East Port of Entry project.
- **July 27, 2012:** The Board of Directors approved State Route 11/Otay Mesa East Port of Entry Proposed Implementation Strategy.
- **February 28, 2014:** The Board of Directors approved the proposed budget amendment to the FY 2014 Program Budget to add \$800,000 for the right-of-way phase of the State Route 905/125/11 Connectors Project.
- **July 24, 2015:** The Board of Directors approved a solicitation for Roadway Toll Systems in the amount of \$28.9 million over a seven-year period. In 2016, staff identified additional projects that would benefit from this solicitation such as SR 11 in conjunction with the development of the Otay Mesa East Port of Entry and requested to add these to the scope of services.
- **June 22, 2018:** The Board of Directors adopted the Proposed Use of Design Sequencing for the SR 11 Otay Mesa East Port of Entry Project.
- **February 12, 2021:** The Board of Directors approved the Proposed FY 2021 Program Budget Amendment: Otay Mesa East Port of Entry accepting \$42.52 million of state Trade Corridor Enhancement Program funds and transferring \$2.6 million from the existing State Route 11 (SR 11) and Otay Mesa Port of Entry: Segment 2A and SR 905/125/11 Connectors and SR 125/905 Southbound to Westbound Connector projects (Capital Improvement Program Nos. 1201103 and 1390506) to the SR 11 and Otay Mesa East Port of Entry project (Capital Improvement Program No. 1201101).
- **January 14, 2022:** The Board of Directors approved the Proposed FY 2022 Program Budget Amendment: Otay Mesa East Port of Entry accepting \$24.9 million of Surface Transportation Block Grant Program/Coordinated Border Infrastructure funds to construct the State Route 11 and Otay Mesa East Port of Entry project (Capital Improvement Program No. 1201101).
- **June 24, 2022:** The Board of Directors approved Otay Mesa East Port of Entry: Proposed FY 2023 Program Budget Amendment accepting \$10.8 million of Surface Transportation Block Grant Program/Coordinated Border Infrastructure funds for the site preparation for the State Route 11 and Otay Mesa East Port of Entry project (Capital Improvement Program Project No. 1201101) pending approval by the California Transportation Commission at its June 29-30, 2022, meeting.
- **October 14, 2022:** The Board of Directors voted to adopt Resolution No. 2023-05, approving and authorizing the execution and delivery of the Toll Revenue Sharing Agreement with Mexico's Ministry of Infrastructure, Communications, and Transportation. The Board of Directors voted to adopt Resolution No. 2023-05, approving and authorizing the execution and delivery of the Toll Revenue
- **July 28, 2023:** The Board of Directors approved the allocation of \$140,000,000 in Trade Corridor Enhancement Program Funds for the SR 11 / Otay Mesa East Port of Entry Project (FY 2024 Capital Improvement Program Project No. 1201101).
- **October 27, 2023:** The Board of Directors adopted Resolution No. 2024-11, authorizing the use of the Construction Manager/General Contractor (CM/GC) construction delivery method for the Otay Mesa East Port of Entry project.
- **June 28, 2024:** The Board of Directors authorized the Chief Executive Officer to conduct a solicitation for the Otay Mesa East Port of Entry Project Construction Manager/General Contractor Services and approve the proposed evaluation criteria.
- **July 12, 2024:** The Board of Directors adopted Resolution No. 2024-32, approving the Binational Agreements for State Route 11/Otay Mesa East Port of Entry and directed the CEO to develop a temporary working group to address environmental concerns, including but not limited to transborder sewage issues in the border region.

- **November 8, 2024:** The Board of Directors authorized the Chief Executive Officer to conduct a solicitation for Project Management Consultant Services for State Route 11/Otay Mesa East Port of Entry Project.
- **January 10, 2025:** The Board of Directors adopted Resolution No. 2025-09, approving and authorizing the execution and delivery of the Federal Project Agreement, related future amendment to support Project Phasing, and related Donation Acceptance Agreements with Caltrans, U.S. General Services Administration, and U.S. Customs and Border Protection.
- **February 28, 2025:** The Board of Directors authorized the Chief Executive Officer to conduct the solicitation for Construction Management (CM) Services and Award contract for Project Management Consultant (PMC) Services for Route 11/Otay Mesa East Port of Entry Project.
- **May 23, 2025:** The Board of Directors authorized the Chief Executive Officer to release a solicitation for the Technology Systems and Equipment associated with the State Route 11/ Otay Mesa East Port of Entry (OME POE) project.

September 26, 2025

San Diego Association of Governments
1011 Union Street, Suite 400
San Diego, CA 92101

Attn: San Diego Association of Governments Board of Directors
Dawn Vettese, Chief Financial Officer

Dear Dawn:

Barclays Capital Inc. and Barclays Bank PLC (collectively, "Barclays") understands that you intend to enter into a transaction (the "Transaction") in which San Diego Association of Governments ("SANDAG") acting as itself would construct the Otay Mesa East Port of Entry ("OME POE") project along State Road 11 ("SR 11") via the issuance of non-recourse toll revenue bonds generated by future project cash flows. Barclays is committed to supporting SANDAG for key strategic transactions it may consider. We hope this support is valuable to you and will give you further confidence with respect to your overall funding strategy for the potential Transaction, which includes a combination of federal, state and local grants and the issuance of toll revenue bonds.

In preparing this letter Barclays has conducted the following diligence:

- Reviewed the current status of the OME POE work plan and underlying construction and interagency agreements with SANDAG staff
- Discussed recent cross border traffic performance data presented in a deck dated September 9, 2025 and macroeconomic trends affecting projected traffic with CDM Smith and SANDAG staff
- Reviewed the updated OME POE cash flow model output dated September 9, 2025 with PFM Financial Advisors

We are pleased to confirm that, based upon current market conditions and results of our diligence, as of the date hereof it will be feasible for Barclays to arrange and underwrite up to \$400 million, plus fees and expenses, of bond proceeds required to fund completion of the Transaction. Our support is based on continued discussions and finalization of the plan of finance, execution of all underlying agreements and supporting board materials for the Project. These include:

- Execution of the remaining to be executed international agreements with Mexico in accordance with SANDAG's Workplan
- Execution of the remaining to be executed interagency agreements with the GSA, CBP and Caltrans in accordance with SANDAG's Workplan
- Receipt of all planned grant proceeds from the Federal Government and the State of California to fund the balance of the Project cost

Additionally, Barclays' support is based upon current underlying assumptions and developments that were discussed with respect to the traffic & revenue study and the overall financial model that underpin the Project's feasibility. These assumptions include:

- Cross border commercial traffic trends stabilize and continue historic growth patterns as tariff policies become more integrated into international economic activity
- Private vehicle traffic trends begin to increase as travel constraints are eliminated by the Project
- Construction pricing is achieved at levels consistent with those projected in SANDAG's Workplan

Barclays' view as to our ability to arrange and underwrite such portion of the Financing is based upon the assumption that each of the following conditions will be satisfied: (i) Barclays obtaining all required internal approvals; (ii) Barclays' satisfaction with the nature, form, terms and conditions of the Transaction; (iii) the execution and delivery of documentation for the Transaction in form and substance satisfactory to Barclays in

its sole discretion and such documentation being in full force and effect; (iv) Barclays and its representatives having completed and being satisfied with the results of their continuing financial, business, environmental and legal due diligence investigations of SANDAG, OME POE and the Transaction; (v) there not having occurred any material adverse change in the financial condition, results of operations, business or prospects of (a) SANDAG and its subsidiaries or (b) OME POE, in each case since December 31, 2024; (vi) the completion of all documentation relating to the Financing, including preparation of an information memorandum containing the required pro forma projections of the OME POE Project and definitive legal documentation relating to the Financing, in each case in form and substance reasonably satisfactory to Barclays; (vii) in the sole judgment of Barclays, there not having occurred any disruption or material adverse change in the market for new issues of loans or investment grade securities or the financial, municipal or capital markets in general; and (viii) Barclays having a reasonable period of time to market the Financing based on Barclays' experience in comparable transactions.

This letter is rendered to SANDAG solely for your use in connection with the Transaction and does not confer any rights or remedies on any party, including any other party to the Transaction or any financing sources for the Transaction.

This letter does not constitute a legally binding obligation or commitment by Barclays or its affiliates to provide any financing for the Transaction or any representations or warranties in respect of the foregoing. Any such obligation on the part of Barclays will exist only upon the execution of a final, written commitment letter, loan agreement or bond purchase agreement, in form and substance satisfactory to Barclays, and then only in accordance with the terms and conditions thereof.


This letter shall be governed by, and construed in accordance with, New York law.

We value our strong relationship with SANDAG and we look forward to completing the financing for OME POE in 2026.

Very truly yours,

BARCLAYS CAPITAL INC. and BARCLAYS
BANK PLC


By: _____
Name: Stephen Howard


By: _____
Name: Tony Hughes