



Board of Directors Agenda

Friday, November 18, 2022

9 a.m.

Welcome to SANDAG. The Board of Directors meeting scheduled for Friday, November 18, 2022, will be held in person in the SANDAG Board Room. While Board members will attend in person, members of the public will have the option of participating either in person or virtually.

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Persons who wish to address the members on an item to be considered at this meeting, or on non-agendized issues, may email comments to the Clerk at clerkoftheboard@sandag.org (please reference Board meeting in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. the business day before the meeting will be provided to members prior to the meeting. All comments received prior to the close of the meeting will be made part of the meeting record.

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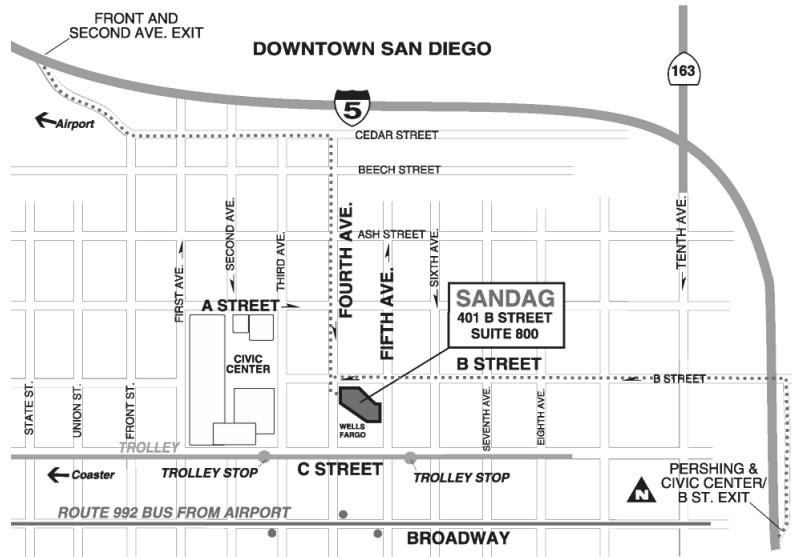
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SANDAG

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This meeting will be conducted in English, and simultaneous interpretation will be provided in Spanish. Interpretation in additional languages will be provided upon request to ClerkoftheBoard@sandag.org at least 72 business hours before the meeting.

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Free Language Assistance | Ayuda gratuita con el idioma | Libreng Tulong sa Wika | Hỗ trợ ngôn ngữ miễn phí | 免費語言協助 | 免費語言協助 | مساعدة لغوية مجانية | 무료 언어 지원 | کمک زبان رایگان | 無料の言語支援 | Бесплатная языковая помощь | Assistência linguística gratuita | मुफ्त भाषा सहायता | Assistance linguistique gratuite | ផ្លូវការណ៍ឥតគិតថ្លៃ | ఉచిత భాషా సహాయం | ภาษช่วยเหลือฟรี | Kaalmada Luqadda ee Bilaashka ah | Безкоштовна мовна допомога | sandag.org/LanguageAssistance | (619) 699-1900

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Vision Statement: Pursuing a brighter future for all

Mission Statement: We are the regional agency that connects people, places, and innovative ideas by implementing solutions with our unique and diverse communities.

Our Commitment to Equity: We hold ourselves accountable to the communities we serve. We acknowledge we have much to learn and much to change; and we firmly uphold equity and inclusion for every person in the San Diego region. This includes historically underserved, systemically marginalized groups impacted by actions and inactions at all levels of our government and society.

We have an obligation to eliminate disparities and ensure that safe, healthy, accessible, and inclusive opportunities are available to everyone. The SANDAG equity action plan will inform how we plan, prioritize, fund, and build projects and programs; frame how we work with our communities; define how we recruit and develop our employees; guide our efforts to conduct unbiased research and interpret data; and set expectations for companies and stakeholders that work with us.

We are committed to creating a San Diego region where every person who visits, works, and lives can thrive.



Board of Directors

Friday, November 18, 2022

Item No.		Action
1.	Public Comments/Communications Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG that is not on this agenda. Public speakers are limited to three minutes or less per person. If the number of public comments under this agenda item exceeds five, additional public comments will be taken at the end of the agenda. Subjects of previous agenda items may not again be addressed under public comments.	
2.	Chief Executive Officer's Report <i>Hasan Ikhmeta, SANDAG</i> Chief Executive Officer Hasan Ikhmeta will present an update on key programs, projects, and agency initiatives.	Discussion
3.	Updates from the Miami-Dade Transportation Planning Organization Executive Director Aileen Bouclé <i>Executive Director Aileen Bouclé, Miami-Dade Transportation Planning Organization</i> Executive Director Bouclé will present an update on projects and agency initiatives from the Miami-Dade region.	Information
Chair's Report		
4.	Litter Abatement and Regional Housing Equity Subcommittees Chair Blakespear will present a final update on the Litter Abatement and Regional Housing Equity Subcommittees.	Information
Consent		
+5.	Approval of Meeting Minutes <i>Francesca Webb, SANDAG</i> +5A. September 23, 2022, revised meeting minutes +5B. October 28, 2022, meeting minutes	Approve

- | | | |
|------|---|-------------|
| +6. | <p>Annual Review and Proposed Amendments to Board Policies
 <i>Amberlynn Deaton, SANDAG</i></p> <p>The Executive Committee recommends that the Board of Directors approve the proposed amendments to the SANDAG Board Policies.</p> | Approve |
| +7. | <p>TransNet Environmental Mitigation Program: Annual Update and FY 2023-2024 Work Plan and FY 2023 Funding*
 <i>Kim Smith, SANDAG</i></p> <p>The Board of Directors is asked to approve the FY 2023-2024 Work Plan for regional management and biological monitoring and allocate \$4 million in funding for FY 2023.</p> | Approve |
| +8. | <p>Personnel Panel – Establishment and Appointment of Members
 <i>Chair Catherine Blakespear, City of Encinitas</i></p> <p>The Board of Directors is asked to approve the establishment of a Personnel Panel consisting of three Board members to consider matters of employee discipline.</p> | Approve |
| +9. | <p>Regional Early Action Planning Funds: Regional Housing Acceleration Program
 <i>Allison Wood, SANDAG</i></p> <p>The Board of Directors is asked to adopt Resolution No. 2023-08, authorizing staff to submit a request for, and accept, Regional Early Action Planning Grant funds from the Department of Housing and Community Development.</p> | Adopt |
| +10. | <p>New Grant Funding: Project Safe Neighborhoods Fiscal Agent 2022
 <i>Dr. Cindy Burke, SANDAG</i></p> <p>The Board of Directors is asked to approve a budget amendment to the FY 2023 Overall Work Program and Budget to accept \$1.47 million in funding on behalf of three U.S. Attorney's Offices in California from the U.S. Department of Justice.</p> | Approve |
| +11. | <p>Chief Executive Officer Delegated Actions*
 <i>Beth Lupu, SANDAG</i></p> <p>In accordance with various Board Policies, this report summarizes certain delegated actions taken by the Chief Executive Officer.</p> | Information |

+12. Meetings and Events Attended on Behalf of SANDAG
Francesca Webb, SANDAG Information

This report summarizes external meetings and events attended by Board members on behalf of SANDAG.

+13. Overview of Developments in the Financial Markets, Quarterly Finance Report as of September 30, 2022*
André Douzdjian and Ray Major, SANDAG Information

This report provides an update on the latest developments in the financial markets, economy, sales tax revenues, and strategies being explored and implemented to minimize possible impacts to the TransNet Program.

Reports

14. Regional Economic Update*
Ray Major, SANDAG Information

Staff will present an update on the regional economy.

~~+15. First Reading of Proposed Amendments to TransNet Extension Ordinance*
Chair Jonathan Frankel, TransNet Independent Oversight Committee Chair
Zara Sadeghian, SANDAG Conduct First Reading~~

~~The Board of Directors, acting as the San Diego County Regional Transportation Commission, is asked to conduct the first reading of Ordinance No. CO-2023-01, related to Independent Taxpayer Oversight Committee membership and selection process, by reading the title and waiving full recitation of the ordinance for this and all future readings.~~

This item has been removed from this agenda and will be heard at a future meeting.

+16. Access For All Cycle 1 Call for Projects
Benjamin Gembler, SANDAG Approve

The Board of Directors is asked to approve the proposed funding recommendations for the Access for All Grant Program Cycle 1 call for projects.

+17. Purchase Card Audit **Information**
+17A. Action Plan Final Progress Report
André Douzdjian, SANDAG

Staff will present a report summarizing recent actions including an update on the full completion of the Purchase Card Audit Action Plan.

+17B. Corrective Action Plan Reporting Results
Mary Khoshmashrab, Independent Performance Auditor

The Board of Directors is presented this report as information.

+18. The Office of the Independent Performance Auditor Contracts and Procurement Operational and System Control Audit Report (Part I) Results **Discussion/
Possible Action**
Mary Khoshmashrab, Independent Performance Auditor

The Board of Directors is asked to discuss and provide input on the review results, and other required next steps.

19. Member Comments

Board members shall have the opportunity to provide information and announcements on any issue within the jurisdiction of SANDAG that is not on this agenda. Subjects of previous agenda items may not again be addressed under member comments.

20. Upcoming Meetings

The Board of Directors meetings scheduled for Friday, December 2, 2022, and Friday, December 16, 2022, are canceled.

The next Board of Directors meeting is scheduled for Friday, January 13, 2023, at 9 a.m.

21. Adjournment

+ next to an agenda item indicates an attachment

* next to an agenda item indicates that the Board of Directors also is acting as the San Diego County Regional Transportation Commission for that item



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of the Clerk of the Board

ITEM TYPE: Information

AGENDA SECTION: Comments and Communications

SUBJECT: Public Comments and Communications

SUGGESTED ACTION: Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG that is not on this agenda. Public speakers are limited to three minutes or less per person. If the number of public comments under this agenda item exceeds five, additional public comments will be taken at the end of the agenda. Subjects of previous agenda items may not again be addressed under public comments.



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Executive Office

ITEM TYPE: Discussion

AGENDA SECTION: Comments and Communications

SUBJECT: Chief Executive Officer's Report

SUGGESTED ACTION: Chief Executive Officer Hasan Ikhata will present an update on key programs, projects, and agency initiatives.



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Executive Office

ITEM TYPE: Information

AGENDA SECTION: Comments and Communications

SUBJECT: Updates from the Miami-Dade Transportation Planning Organization
Executive Director Aileen Bouclé

SUGGESTED ACTION: Executive Director Bouclé will present an update on projects, and agency initiatives of the Miami-Dade region.



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of the Clerk of the Board

ITEM TYPE: Information

AGENDA SECTION: Chair's Report

SUBJECT: Litter Abatement and Regional Housing Equity Subcommittees

SUGGESTED ACTION: Chair Blakespear will present a final update on the Litter Abatement and Regional Housing Equity Subcommittees.



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of the Clerk of the Board

ITEM TYPE: Minutes

AGENDA SECTION: Consent

SUBJECT: Approval of Meeting Minutes

SUGGESTED ACTION: +5A. September 23, 2022, Revised Meeting Minutes
+5B. October 28, 2022, Meeting Minutes

ATTACHMENTS:

[A - 092322 BOD Minutes_Revised.pdf](#)
[B - 102822 BOD Minutes.pdf](#)

September 23, 2022, Meeting Minutes (Revised)

[View Meeting Video](#)

Chair Catherine Blakespear (City of Encinitas) called the meeting of the Board of Directors to order at 9 a.m.

Action: **Approve**

The Board of Directors is asked to approve the minutes from its September 23, 2022, meeting.

1. Public Comments/Communications

Mary D., member of the public, spoke in support of the roll call and regarding the use of data in projections.

Alex Wong, member of the public, spoke regarding transit ridership and frequency.

Katheryn Rhodes, member of the public, spoke regarding greenhouse gas emissions reduction and homelessness issues.

2. Chief Executive Officer's Report (Discussion)

Chief Executive Officer (CEO) Hasan Ikhata and Deputy CEO Coleen Clementson presented an update on key programs, projects, and agency initiatives.

Katheryn Rhodes spoke regarding issues discussed in the CEO report.

Action: Discussion only.

Report

3. Options for Removing the Road Usage Charge from the 2021 Regional Plan

Senior Director of Regional Planning Antoinette Meier, Senior Director of Data Science Dr. Cindy Burke, Regional Planning Program Manager Keith Greer, and Transportation Modeling Director Dr. Wu Sun presented options for removing the road usage charge from the 2021 Regional Plan.

Mary D. spoke in opposition to a road usage charge and regarding greenhouse gas emission targets.

Carolina Martinez, Environmental Health Coalition, spoke regarding the need for community engagement and education on specifics of the road usage charge concept, and in support of improvements to transit frequencies.

Dr. Tim Bilash, member of the public, spoke in support of policies that mitigate climate change and support immigrant communities.

Bee Mittermiller, San Diego 350, spoke in support of the road usage charge.

Katheryn Rhodes, member of the public, spoke regarding greenhouse gas emissions reduction goals in the Regional Plan, as well as the road usage charge.

Steve Gelb, San Diego 350, spoke in support of the road usage charge.

Corrinna Contreras, Climate Action Campaign, spoke regarding the need for community engagement and education on specifics of the road usage charge concept, as well as the requirements for CARB approval of the Regional Plan.

David Grubb, member of the public, spoke in support of the road usage charge.

Braceda Cisneros, member of the public, spoke regarding public awareness and needed engagement on the topics of the gas tax and potential road usage charges.

Vice Chair Gloria made a motion, seconded by Chair Blakespear, that the Board of Directors direct staff to move forward with Option 2.

Action: Upon a substitute motion by Mayor Hall, and a second by Mayor Bailey, the Board of Directors voted whether to stop all work on the road usage charge and remove the road usage charge from all future Regional Plans; staff to return with options for the 2025 Regional Plan to replace the road usage charge; staff to update the financial assumptions with the current year data and without the road usage charge or a possible sales tax measure; and that staff works with each jurisdiction to gather input for future funding options.

The substitute motion failed.

Yes: Mayor Hall, Mayor Bailey, Supervisor Anderson, Councilmember Goble, Councilmember Rodriguez, Mayor Vaus, Mayor Jones, and Councilmember Franklin.

No: Chair Blakespear, Vice Chair Gloria, Second Vice Chair Sotelo-Solis, Mayor Salas, Councilmember Gaasterland, Councilmember Spriggs, Councilmember Shu, Mayor Vasquez, and Mayor Heebner.

Abstain: None.

Absent: City of Escondido and City of Santee.

Action: Upon an alternative substitute motion by Councilmember Terry Gaasterland (City of Del Mar), and a second by Supervisor Joel Anderson (County of San Diego), the Board of Directors voted whether to pursue Option 4: directing staff to do a major update to the Regional Plan using 2022 data and updated modeling tools and a new CEQA analysis over the next 36 months returning with new scenarios for Board consideration in spring 2023.

The alternative substitute motion failed.

Yes: Mayor Richard Bailey (City of Coronado), Supervisor Anderson, Councilmember Gaasterland, Councilmember Ed Spriggs (City of Imperial Beach), and Councilmember Christopher Rodriguez (City of Oceanside).

No: Chair Blakespear, Vice Chair Todd Gloria (City of San Diego), Second Vice Chair Alejandra Sotelo-Solis (City of National City), Mayor Matt Hall (City of Carlsbad), Mayor Mary Salas (City of Chula Vista), Councilmember Steve Goble (City of El Cajon), Councilmember Jack Shu (City of La Mesa), Mayor Racquel Vasquez (City of Lemon Grove), Mayor Steve Vaus (City of Poway), Mayor Rebecca Jones (City of San Marcos), Mayor Lesa Heebner (City of Solana Beach), and Councilmember John Franklin (City of Vista).

Abstain: None.

Absent: City of Escondido and City of Santee.

Action: Upon the original motion by Vice Chair Gloria, and a second by Chair Blakespear, the Board of Directors voted whether to direct staff to move forward with Option 2 by preparing a focused amendment of the 2021 Regional Plan without the regional road usage charge and a supplemental California Environmental Quality Act analysis for Board consideration within one year, and to have staff come back to the Board at the earliest opportunity possible

should staff find in completing this work any issues that arise which could impact the timeline in implementing Board direction on this issue.

The motion passed.

Yes: Chair Blakespear, Vice Chair Gloria, Second Vice Chair Sotelo-Solis, Mayor Salas, Mayor Bailey, Supervisor Anderson, Councilmember Goble, Councilmember Spriggs, Mayor Vasquez, Councilmember Rodriguez, Mayor Vaus, Mayor Jones, Mayor Heebner, and Councilmember Franklin.

No: Mayor Hall, Councilmember Gaasterland, and Councilmember Shu.

Abstain: None.

Absent: City of Escondido and City of Santee.

Consent

4. Approval of Meeting Minutes (Approve)

The Board of Directors was asked to approve the minutes from its September 9, 2022, meeting.

5. Policy Advisory Committee Actions (Approve)

The Board of Directors was asked to ratify the actions taken by the Policy Advisory Committees since the last Board meeting.

6. Acceptance of Grant Funding: Transportation Network Companies Access for All Grant Program (Approve)

The Transportation Committee recommended that the Board of Directors approve an amendment to the FY 2023 Program Budget, accepting \$1,798,113 in grant funding from the California Public Utilities Commission to be utilized in the Access for All Cycle 2 call for projects (Overall Work Program No. 3322100).

7. Acceptance of Grant Funding: Buena Vista Lagoon Enhancement Project (Approve)

The Board of Directors was asked to approve an amendment to the FY 2023 Program Budget, accepting \$1 million in grant funding from the California Department of Fish and Wildlife for the advancement of the Buena Vista Lagoon Enhancement Project (Capital Improvement Program Project No. 1200260).

8. Federal Performance Management Targets: Congestion Mitigation and Air Quality (Adopt)

The Transportation Committee recommended that the Board of Directors adopt the two- and four-year targets for Congestion Mitigation and Air Quality as required by federal planning regulations.

9. Proposed FY 2023 Program Budget Amendment: Grant Awards (Approve)

The Board of Directors was asked to approve the proposed amendments to the FY 2023 Program Budget, accepting \$1,542,150 in Caltrans Transportation Planning Grant funds.

10. Approval of Draft Board of Directors Meeting Agenda (Approve)

The Board of Directors was asked to approve the draft agenda for an October 14, 2022, Special Joint Board of Directors and Policy Advisory Committees meeting.

11. Chief Executive Officer Delegated Actions (Information)

In accordance with various Board Policies, this report summarized delegated actions taken by the Chief Executive Officer.

12. Meetings and Events Attended on Behalf of SANDAG (Information)

This report summarized external meetings and events attended by Board members on behalf of SANDAG.

There were no public comments on the Consent agenda items.

Action: Upon a motion by Vice Chair Sotelo-Solis, and a second by Mayor Bailey, the Board of Directors voted to approve Consent Items Nos. 3 through 10.

The motion passed.

Yes: Chair Blakespear, Vice Chair Gloria, Second Vice Chair Sotelo-Solis, Mayor Hall, Mayor Salas, Mayor Bailey, Supervisor Anderson, Councilmember Gaasterland, Mayor Wells, Councilmember Spriggs, Councilmember Shu, Mayor Vasquez, Councilmember Rodriguez, Mayor Vaus, Mayor Jones, and Councilmember Franklin.

No: None.

Abstain: None.

Absent: City of Escondido, City of Santee, and City of Solana Beach.

Reports

13. Final 2023 Regional Transportation Improvement Program (Adopt)

Associate Financial Analyst Richard Radcliffe presented the item.

There were no public comments on this item.

Action: Upon a motion by Second Vice Chair Sotelo-Solis and a second by Vice Chair Gloria, the Board of Directors, acting as the San Diego County Regional Transportation Commission, was asked to adopt Regional Transportation Commission (RTC) Resolution No. RTC-2023-02, adopting the final 2023 Regional Transportation Improvement Program, including its air quality conformity analysis and air quality conformity redetermination of the revenue constrained San Diego Forward: The 2021 Regional Plan.

The motion passed.

Yes: Chair Blakespear, Vice Chair Gloria, Second Vice Chair Sotelo-Solis, Mayor Salas, Mayor Bailey, Supervisor Anderson, Councilmember Gaasterland, Councilmember Spriggs, Councilmember Shu, Mayor Vasquez, Councilmember Rodriguez, Mayor Jones, and Mayor Heebner.

No: Mayor Hall.

Abstain: None.

Absent: City of El Cajon, City of Escondido, City of Poway, City of Santee, and City of Solana Beach.

14A. Salaries and Compensation Audit: Audit Action Plan Progress Report (Information)

Director of Organization Effectiveness Melissa Coffelt presented an update on the completion of the Compensation Audit Action Plan.

There were no public comments on this item.

Action: Information only.

14B. Final Corrective Action Plan Reporting Results (Information)

Independent Performance Auditor Mary Khoshmashrab presented the final Corrective Action Plan Reporting Results for information.

There were no public comments on this item.

Action: Information only.

Chair Blakespear adjourned to closed session at 11:30 a.m.

There were no public comments on any closed session item.

15. Closed Session: Conference with Property Negotiators Pursuant to Government Code Section 54956.8

The Board of Directors was briefed on the status of the negotiation of the sale of real property located at 5965 & 5975 Santa Fe Street, San Diego CA (Assessor Parcel Numbers 359-010-40 and 359-010-41) with Associated Microbreweries, LTD., DBA Karl Strauss Brewing Company pursuant to a right of first offer under an existing lease.

16. Closed Session: Conference with Legal Counsel - Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(D)(2) (One Potential Case)

The Board of Directors was briefed on the status of claims by Marshalls of CA, LLC seeking compensation for loss of business goodwill in connection with the construction and operation of the Mid-Coast Corridor Transit Project.

17. Closed Session: Conference with Legal Counsel - Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(D)(2) (One Potential Case)

The Board of Directors was briefed on the status of claims by PS Rose Canyon LLC seeking compensation for property interests needed for the Elvira to Morena Double Track and Mid-Coast Corridor Transit projects.

Chair Blakespear resumed open session at 11:47 a.m.

Following the closed session, General Counsel John Kirk reported out that the Board was briefed on Items 15 through 17, and there was no reportable action.

18. Member Comments

There were no member comments.

19. Upcoming Meetings

The next Board of Directors meeting will be a special joint meeting with the Policy Advisory Committees, on Friday, October 14, 2022, at 9 a.m.

20. Adjournment

Chair Blakespear adjourned the meeting at 11:48 a.m.

DRAFT

Confirmed Attendance – September 23, 2022, Board of Directors Meeting

Board of Directors	Title	Name	Attend
City of Carlsbad	Mayor	Matt Hall (Primary)	Yes
City of Chula Vista	Mayor	Mary Salas (Primary)	Yes
City of Coronado	Mayor	Richard Bailey (Primary)	Yes
County of San Diego	Supervisor	Terra Lawson-Remer (Primary)	No
County of San Diego	Supervisor	Joel Anderson (Primary)	Yes
City of Del Mar	Councilmember	Terry Gaasterland (Primary)	Yes
City of El Cajon	Mayor	Bill Wells (Primary)	Yes
City of Encinitas	Chair	Catherine Blakespear (Primary)	Yes
City of Escondido		Vacant	
City of Imperial Beach	Councilmember	Ed Spriggs (1st Alt)	Yes
City of La Mesa	Councilmember	Jack Shu (1st Alt)	Yes
City of Lemon Grove	Mayor	Racquel Vasquez (Primary)	Yes
City of National City	Mayor	Alejandra Sotelo-Solis (Primary)	Yes
City of Oceanside	Councilmember	Christopher Rodriguez (Primary)	Yes
City of Poway	Mayor	Steve Vaus (Primary)	Yes
City of San Diego	Vice Chair	Todd Gloria (Primary)	Yes
City of San Diego	Councilmember	Joe LaCava (2nd Alt)	Yes
City of San Marcos	Mayor	Rebecca Jones (Primary)	Yes
City of Santee	Mayor	John Minto (Primary)	No
City of Solana Beach	Mayor	Lesa Heebner (Primary)	Yes
City of Vista	Councilmember	John Franklin (1st Alt.)	Yes
Caltrans		Gustavo Dallarda (1st Alt.)	Yes
Metropolitan Transit System	Councilmember	Paloma Aguirre (Primary)	No
North County Transit District	NCTD Chair	Jewel Edson (Primary)	Yes
Imperial County	Supervisor	David Aguirre (Primary)	No
U.S. Department of Defense	Executive Director	Dennis Keck (Primary)	Yes
Port of San Diego	Commissioner	Joe Stuyvesant (Primary)	Yes
San Diego County Water Authority	Councilmember	Mel Katz (Primary)	No
SDCRAA		Gil Cabrera (Primary)	No
Mexico	Consul General	Natalia Figueroa (Alternate)	Yes
SCTCA	Chair	Cody Martinez (Primary)	No

October 28, 2022, Meeting Minutes

[View Meeting Video](#)

Chair Catherine Blakespear (City of Encinitas) called the meeting of the Board of Directors to order at 9 a.m.

Action: Approve

The Board of Directors is asked to approve the minutes from its October 28, 2022, meeting.

1. Public Comments/Communications

Tim Bilash, member of the public, spoke in support of the agency.

Mike Bullock, member of the public, spoke regarding climate stabilization and parking management.

Alex Wong, member of the public, spoke regarding transit frequencies.

Blair Beekman, member of the public, spoke regarding community engagement

Katheryn Rhodes, member of the public, spoke regarding construction projects and Measure C.

Mary Davis, member of the public, spoke regarding public meeting participation and dam infrastructure needs.

Nicole Burgess, member of the public, spoke regarding efforts to reduce Vehicle Miles Travelled.

2. Chief Executive Officer's Report (Discussion)

Chief Executive Officer (CEO) Hasan Ikhata presented an update on key programs, projects, and agency initiatives.

Tim Bilash spoke in support of the agency and the comments made by the CEO.

Katheryn Rhodes spoke in support of the agency and SANDAG auditing staff and options for Federal support for local projects.

Mike Bullock spoke regarding the CEO's invitation to the White House and in support of the 5 Big Moves.

Action: Discussion only.

Consent

3. Approval of Meeting Minutes (Approve)

The Board of Directors was asked to approve the minutes from its September 23 and October 14, 2022, meetings.

4. Policy Advisory Committee Actions (Approve)

The Board of Directors was asked to ratify the actions taken by the Policy Advisory Committees since the last Board meeting.

5. Housing Acceleration Program Grants – Cycle 2 Evaluation Criteria (Approve)

The Board of Directors was asked to approve the program eligibility and evaluation criteria for the Housing Acceleration Program Cycle 2 call for projects to be included in the Regional Early Action Planning 2.0 application to the state.

6. Distribution of Funds from the California Coastal Commission Beach Sand Mitigation Fund (Approve)

The Board of Directors was asked to approve releasing funds from the California Coastal Commission Beach Sand Mitigation Fund to be used towards the placement of sand as part of the U.S. Army Corps of Engineers Coastal Storm Damage Reduction Project.

7. TransNet Environmental Mitigation Program Land Management Grant Program Cycle 10 Call for Projects: Funding Recommendations (Approve)

The Board of Directors was asked to approve the funding recommendations for the Cycle 10 Environmental Mitigation Program Land Management Grant Program.

9. Proposed FY 2023 Program Budget Amendment: San Dieguito Lagoon Double-Track Design (Approve)

The Board of Directors was asked to approve a FY 2023 Program Budget amendment to add matching funds of \$1.3 million to the existing Federal Transit Administration funding to complete the Design phase of the San Dieguito Lagoon Double-Track Capital Improvement Project (Capital Improvement Program Project No. 1239813).

10. Proposed FY 2023 Program Budget Amendment: Los Peñasquitos Lagoon Bridge Replacement Project (Approve)

The Executive Committee recommended that the Board of Directors approve the allocation of \$2,069,000 from the Contingency Reserve in FY 2023 to fund costs associated with the pending litigation pertaining to the Los Peñasquitos Lagoon Bridge Replacement Project (Capital Improvement Program Project No. 1145000).

11. 2023 Board of Directors and Policy Advisory Committee Annual Meeting Calendar (Approve)

The Board of Directors was asked to approve the calendar of meetings of the Board and the Policy Advisory Committees for the upcoming year.

12. SANDAG Grant Programs: Quarterly Status Update (Information)

The Board of Directors was asked to approve the scope and schedule modifications for Smart Growth Incentive Program projects.

14. Progress Report on Major Transportation Projects – FY 2022 Through Quarter 4 (Information)

This progress report provided an update on the status of major SANDAG and Caltrans transportation projects and programs in the San Diego region.

15. Chief Executive Officer Delegated Actions (Information)

In accordance with various SANDAG Board Policies, this report summarized delegated actions taken by the Chief Executive Officer.

16. Meetings and Events Attended on Behalf of SANDAG (Information)

This report summarized external meetings and events attended by Board members on behalf of SANDAG.

17. Overview of Developments in the Financial Markets, Quarterly Finance Report as of June 30, 2022 (Information)

This report provided an update on the latest developments in the financial markets, economy, sales tax revenues, and strategies being explored and implemented to minimize possible impacts to the TransNet Program.

Kathryn Rhodes spoke regarding potential funding sources.

Blair Beekman spoke in support of cross-border Trolley service.

Tim Bilash commented on Consent Items Nos. 9 and 10 and spoke regarding ongoing improvements to the LOSSAN corridor.

Mayor Matt Hall (City of Carlsbad) pulled Consent Items Nos. 8 and 13.

Action: Upon a motion by Second Vice Chair Sotelo-Solis (City of National City), and a second by Mayor John Minto (City of Santee), the Board of Directors voted to approve Consent Items Nos. 3 through 7, 9 through 12, and 14 through 17.

The motion passed.

Yes: Chair Blakespear, Second Vice Chair Sotelo-Solis, Mayor Hall, Mayor Mary Salas (City of Chula Vista), Councilmember Mike Donovan (City of Coronado), Councilmember Terry Gaasterland (City of Del Mar), Mayor Bill Wells (City of El Cajon), Councilmember Paloma Aguirre (City of Imperial Beach), Councilmember Jack Shu (City of La Mesa), Mayor Racquel Vasquez (City of Lemon Grove), Councilmember Raul Campillo (City of San Diego), Councilmember Ed Musgrove (City of San Marcos), Mayor Minto, Councilmember David Zito (City of Solana Beach), and Councilmember John Franklin (City of Vista)

No: None.

Abstain: None.

Absent: City of Escondido, County of San Diego, City of Oceanside, and City of Poway.

8. FY 2023 Program Budget Amendment: Amendment to 2021 Regional Plan (Approve)Error! Bookmark not defined.

Director of Regional Planning Antoinette Meier presented the item.

Katheryn Rhodes spoke regarding funding options and revisions to the EIR.

Upon a motion by Mayor Minto and a second by Councilmember Campillo, the Board of Directors voted to approve the allocation of \$1,500,000 from the Overall Work Program Contingency Reserve in FY 2023 to fund costs associated with an amendment to the 2021 Regional Plan.

The motion passed.

Yes: Chair Blakespear, Second Vice Chair Sotelo-Solis, Mayor Salas, Mayor Wells, Mayor Vasquez, Councilmember Campillo, Mayor Minto, Councilmember Zito, and Councilmember Franklin.

No: Mayor Matt Hall, Councilmember Donovan, Councilmember Gaasterland, Councilmember Aguirre, Councilmember Shu, and Councilmember Musgrove.

Abstain: None.

Absent: City of Escondido, County of San Diego, City of Oceanside, and City of Poway.

13. Office of the Independent Performance Auditor: 1st Quarter Fraud, Waste, and Abuse Report for FY 2022-2023 (Information)

Independent Performance Auditor Mary Khoshmashrab presented the item.

There were no public comments on this item.

Action: Information only.

Chair's Report

18. 2022 SANDAG Diamond Awards Recipients (Information)

The Board of Directors recognized the recipients of the 2022 Diamond Awards for their commitment to transportation choices that reduce regional traffic congestion and greenhouse gas emissions.

There were no public comments on this item.

Action: Information only.

Reports

19A. 2021 Regional Plan Implementation: Regional Digital Equity Strategy and Action Plan Update (Information)

Senior Regional Planner Krystal Ayala presented an update on the Regional Digital Equity Strategy and Action Plan.

Action: Information only.

19B. Next OS Demonstration Projects and Public-Private Partnerships (Information)

Senior Regional Planner Cecily Taylor presented an update on work to advance the Next OS through collaboration with the private sector.

Action: Information only.

19C. Next OS Demonstration Projects and Public-Private Partnerships (Information)

Senior Regional Planner Jeff Hoyos presented an overview of regional electric vehicle planning, incentive programs, and the partnerships required to support electrified transportation.

Action: Information only.

Blair Beekman spoke regarding community participation in future implementation efforts.

Mike Bullock spoke in support of the item.

Katheryn Rhodes spoke regarding airport connectivity.

20. Regional Economic Update (Information)

This item was postponed to the next meeting.

21. TransNet Ordinance Amendments Work Plan (Discussion)

Manager of Financial Programming and Project Control Ariana zur Nieden presented the draft work plan tasks and estimated schedule for amendments to the TransNet Ordinance.

Mary D spoke regarding changes to planned TransNet projects.

Blair Beekman spoke regarding community engagement.

Nicole Burgess spoke in support of the item.

Action: Discussion only.

22. Member Comments

Mayor Hall inquired about upcoming Board member workshops.

23. Upcoming Meetings

The Board of Directors meeting originally scheduled for Friday, November 4, 2022, was cancelled.

The next Board of Directors meeting is scheduled for Friday, November 18, 2022.

24. Adjournment

Chair Blakespear adjourned the meeting at 12:02 p.m.

Confirmed Attendance – October 28, 2022, Board of Directors Meeting

Board of Directors	Title	Name	Attend
City of Carlsbad	Mayor	Matt Hall (Primary)	Yes
City of Chula Vista	Mayor	Mary Salas (Primary)	Yes
City of Coronado	Councilmember	Mike Donovan (2nd Alt.)	Yes
County of San Diego	Supervisor	Terra Lawson-Remer (Primary)	No
County of San Diego	Supervisor	Joel Anderson (Primary)	No
City of Del Mar	Councilmember	Terry Gaasterland (Primary)	Yes
City of El Cajon	Mayor	Bill Wells (Primary)	Yes
City of Encinitas	Chair	Catherine Blakespear (Primary)	Yes
City of Escondido		Vacant	N/A
City of Imperial Beach	Councilmember	Paloma Aguirre (2nd Alt.)	Yes
City of La Mesa	Councilmember	Jack Shu (1st Alt)	Yes
City of Lemon Grove	Mayor	Racquel Vasquez (Primary)	Yes
City of National City	Mayor	Alejandra Sotelo-Solis (Primary)	Yes
City of Oceanside	Councilmember	Christopher Rodriguez (Primary)	No
City of Poway	Mayor	Steve Vaus (Primary)	No
City of San Diego	Councilmember	Raul Campillo (Alternate)	Yes
City of San Diego	Council President	Sean Elo-Rivera (Primary)	Yes
City of San Marcos	Councilmember	Ed Musgrove (1st Alt)	Yes
City of Santee	Mayor	John Minto (Primary)	No
City of Solana Beach	Councilmember	David Zito (1st Alt.)	Yes
City of Vista	Councilmember	John Franklin (1st Alt.)	Yes
Caltrans		Gustavo Dallarda (1st Alt.)	Yes
Metropolitan Transit System	Councilmember	Paloma Aguirre (Primary)	No
North County Transit District	NCTD Chair	Corinna Contreras (2nd Alt.)	Yes
Imperial County	Supervisor	David Aguirre (Primary)	No
U.S. Department of Defense	Executive Director	Dennis Keck (Primary)	Yes
Port of San Diego	Commissioner	Joe Stuyvesant (Primary)	No
San Diego County Water Authority	Councilmember	Mel Katz (Primary)	Yes
SDCRAA		Gil Cabrera (Primary)	No
Mexico	Consul General	Natalia Figueroa (Alternate)	No
SCTCA	Chair	Cody Martinez (Primary)	No



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of General Counsel

ITEM TYPE: Approve

AGENDA SECTION: Consent

SUBJECT: Annual Review and Proposed Amendments to Board Policies

SUGGESTED ACTION: The Executive Committee recommends that the Board of Directors approve the proposed amendments to the SANDAG Board Policies.

ATTACHMENTS:

- [Annual Review of BOD Policies.pdf](#)
- [Att 1 - Board Policy No. 001.pdf](#)
- [Att 2 - Board Policy No. 002.pdf](#)
- [Att 3 - SANDAG Board Policy No 003.pdf](#)
- [Att 4 - PFM Memo re BP 3.pdf](#)
- [Att 5 - Board Policy No. 007.pdf](#)
- [Att 6 - Board Policy No. 009.pdf](#)
- [Att 7 - Board Policy No 011.pdf](#)
- [Att 8 - Board Policy No. 018.pdf](#)
- [Att 9 - Board Policy No. 32.pdf](#)
- [Att 10 - Board Policy No. 033.pdf](#)
- [Att 11 - Board Policy No. 035.pdf](#)

Annual Review and Proposed Amendments to Board Policies

Overview

The Office of General Counsel annually reviews Board Policies with staff and leadership to determine if updates should be recommended to the Board of Directors. In addition, Board Policy calls for the Board to annually approve Board Policy No. 032: San Diego County Regional Transportation Commission Interest Rate Swap Policy (Attachment 9).

Proposed amendments to the SANDAG Board Policies were discussed with the Executive Committee on October 14, 2022. The Executive Committee voted to move the proposed amendments forward to the Board for further consideration.

Action: **Approve**

The Executive Committee recommends that the Board of Directors approve the proposed amendments to the SANDAG Board Policies.

Fiscal Impact:

None.

Schedule/Scope Impact:

None.

Key Considerations

The proposed amendments are summarized below and shown in tracked changes in Attachments 1 through 11:

Board Policy No. 001: Allocation of Responsibilities (Attachment 1)

Delegates to the Transportation Committee the authority to approve Federal Highway and Federal Transit Administrations' transportation performance management targets, subject to ratification by the Board of Directors.

Board Policy No. 002: Policy Advisory Committee Membership (Attachment 2)

Permits the appointment of more than one alternate to each Policy Advisory Committee.

Board Policy No. 003: Investment Policy (Attachment 3)

Updates to align with SB 998 (2020), which revised the allowable investment balances of public agencies. The recommendation from SANDAG's investment advisor PFM Asset Management supporting the proposed amendments is included as Attachment 4.

Board Policy No. 007: Equal Employment Opportunity (EEO) and Disadvantaged Business Enterprise (DBE) Programs (Attachment 5)

Reorganize to better delineate the responsibilities of SANDAG contractors, consultants and subrecipients, and to clarify the roles and responsibilities of SANDAG in ensuring compliance.

Board Policy No. 009: Discrimination Complaint Procedures (Attachment 6)

Updates to reflect current classifications protected by state and federal law and to clarify the roles and responsibilities of SANDAG in addressing discrimination complaints.

Board Policy No. 011: Travel Expenses (Attachment 7)

Modifies the definition of “out of town” travel to align with the Government Services Administration policy regarding same.

Board Policy No. 018: Regional Transit Service Planning and Implementation (Attachment 8)

Aligns the development of the five-year Coordinated Plan with the development of the Regional Plan and eliminates out of date baseline service levels.

Board Policy No. 033: Implementation Guidelines for SANDAG Regional Housing Needs Assessment Funding Initiatives (Attachment 10)

Establish guidelines for incentivizing local participation in the achievement of regional housing goals, utilizing discretionary funding allocated by SANDAG through a competitive process.

Board Policy No. 035: Competitive Grant Program Procedures (Attachment 11)

Eliminate interim milestone requirements for grant recipients, while maintaining grant completion dates; modify the authority of the Chief Executive Officer to grant time extensions from six months to up to twelve months aggregate.

Next Steps

Pending approval by the Board, the proposed amendments to SANDAG Board Policies would become effective immediately.

John Kirk, General Counsel

Key Staff Contact: Amberlynn Deaton, (619) 595-1405, amberlynn.deaton@sandag.org

- Attachments: 1. Board Policy No. 001: Allocation of Responsibilities
- 2. Board Policy No. 002: Policy Advisory Committee Membership
- 3. Board Policy No. 003: Investment Policy
- 4. Memorandum – 2022 Investment Policy Review
- 5. Board Policy No. 007: Equal Employment Opportunity (EEO) and Disadvantaged Business Enterprise (DBE) Programs
- 6. Board Policy No. 009: Discrimination Complaint Procedures
- 7. Board Policy No. 011: Travel Expenses
- 8. Board Policy No. 018: Regional Transit Service Planning and Implementation
- 9. Board Policy No. 032: San Diego County Regional Transportation Commission Interest Rate Swap
- 10. Board Policy No. 033: Implementation Guidelines for SANDAG Regional Housing Needs Assessment Funding Initiatives
- 11. Board Policy No. 035: Competitive Grant Program Procedures



ALLOCATION OF RESPONSIBILITIES

1. Board and Policy Advisory Committees Responsibilities

Shown below are responsibilities for the Board of Directors and each of the six Policy Advisory Committees (Executive, Transportation, Regional Planning, Borders, Public Safety, and Audit). Selected responsibilities are delegated by the Board to the Policy Advisory Committees to allow SANDAG to effectively address key public policy and funding responsibilities. All items delegated to the Policy Advisory Committees are subject to Board ratification.

All functions not specifically delegated by the Board to a Policy Advisory Committee may be delegated to a Policy Advisory Committee on a one-time basis upon request by the Chief Executive Officer and approval by the Chair. Such actions shall be reported to the Board at its next regular meeting.

2. Board Responsibilities

- 2.1 Approve the Regional Plan, which merges the Regional Comprehensive Plan (RCP), the Regional Transportation Plan, and the Sustainable Communities Strategy as well as plan components and other regional plans (e.g., Regional Energy Plan, MHCP, etc.)
- 2.2 Approve Regional Transportation Improvement Program (RTIP) and corridor studies
- 2.3 Fulfill responsibilities of the consolidated agency as set forth in the San Diego Regional Transportation Consolidation Act (Public Utilities Code §132350 *et seq.*)
- 2.4 Fulfill the responsibilities of the San Diego Regional Transportation Commission (RTC)
- 2.5 Approve programming of funds (TDA, CMAQ, STIP, etc.)
- 2.6 Certify/adopt project environmental documents pursuant to the National Environmental Policy Act or the California Environmental Quality Act
- 2.7 Approve Overall Work Program and Program Budget
- 2.8 Approve amendments to the Program Budget and Overall Work Program and authorize contracts with consultants for amounts equal to or greater than the amounts to be determined for administrative and policy committee authorization.
- 2.9 Approve the annual legislative agenda
- 2.10 Provide policy direction through Policy Development Board meetings
- 2.11 Appoint Committees and Board officers

- 2.12 Delegate responsibilities to Policy Advisory Committees and ratify Committee actions. All items delegated to the five Policy Advisory Committees are subject to direct Board action upon request of any members.
- 2.13 Delegate responsibilities to Board Chair consistent with Board criteria. Conference sponsorships and proclamations are hereby delegated subject to current or subsequently approved criteria.
- 2.14 Develop and adopt an administration policy that includes a process to conduct staff performance evaluations on a regular basis to determine if the knowledge, skills, and abilities of staff members are sufficient to perform their respective functions and monitor the evaluation process on a regular basis.
- 2.15 Provide a report, developed by the Transportation Committee, to the Legislature consistent with Government Code section 9795 on or before July 1 of each year that outlines the public transit needs, transit funding criteria, recommended transit funding levels, and additional work on public transit, as delegated to the Transportation Committee by the Board, and specifying the funds spent explicitly on public transportation.
- 2.16 Develop and adopt internal control guidelines based on recommendations from the Audit Committee to prevent and detect financial errors and fraud based on the internal control guidelines developed by the state Controller pursuant to Government Code section 12422.5 and the standards adopted by the American Institute of Certified Public Accountants.
- 2.17 Vote on whether to remove the independent performance auditor for cause, such removal being subject to an approving vote by two-thirds of the Audit Committee and the Board.
- 2.18 Approve which firm to contract with to conduct the annual financial statement audits.
- 2.19 Approve the individual or firm to hire to carry out independent performance auditor responsibilities.
- 2.20 Approve the budget needed to carry out the annual audit plan of the independent performance auditor.

3. Executive Committee Membership and Responsibilities

- 3.1 The Executive Committee shall consist of six voting members with board members representing East County, North County Coastal, North County Inland, South County, and the representative, or the representative's alternate in their absence, from the City of San Diego and the County. The Chair, First Vice Chair and Second Vice Chair of the Board shall serve as voting members of the Executive Committee. Additionally, any Chair of any other Policy Advisory Committee who is not otherwise a member of the Executive Committee shall serve as an advisory, non-voting member of the Executive Committee.
 - 3.1.1 Set agenda for Board. Any Board member requesting that an item be considered for inclusion on the agenda must present such request in writing to the Chairperson prior to the Executive Committee's consideration of such agenda.
 - 3.1.2 Review and recommend Overall Work Program and Program Budget
 - 3.1.3 Approve amendments to the Program Budget and Overall Work Program and authorize contracts up to amount approved by the Board
 - 3.1.4 Review and act on state and federal legislation
 - 3.1.5 Comment on behalf of SANDAG or provide recommendations to the Board regarding comments on third party environmental documents
 - 3.1.6 Act upon and evaluate dispute resolution
 - 3.1.7 Advise on personnel actions
 - 3.1.8 Act on behalf of Board when timing requires
 - 3.1.9 Make policy recommendations to the Board
 - 3.1.10 Perform other duties as assigned by the Board
 - 3.1.11 Approve financial/contracting transactions, including selection of vendors, acceptance of funding, stipulations of any nature, and any resulting budget amendment up to \$500,000, subject to increase by Board action.
 - 3.1.12 Annually review a list of all the SANDAG lower-level committees and working groups to determine the need to maintain the committee or working group and approve any revisions in functions or membership.
 - 3.1.13 Review all proposed amendments to the Bylaws or Board Policies and make recommendations to the Board regarding those amendments.
 - 3.1.14 Conduct expedited reviews and approvals of Energy Working Group actions on an as-needed basis.

- 3.1.15 If timing requires and if, in the exercise of due diligence a quorum of the Executive Committee cannot be convened to act to address such time-sensitive issue, with written concurrence from the First Vice Chair and Second Vice Chair, the Chair may act on behalf of the Executive Committee with regard to all items delegated to the Executive Committee. The Chair shall report any actions taken on behalf of the Executive Committee at its next meeting.

4. Transportation Committee Membership and Responsibilities

- 4.1 The Transportation Committee shall consist of ten voting members with board members or alternates representing East County, North County Coastal, North County Inland, South County and the mayor or a council member from the City of San Diego, a supervisor from the County of San Diego, a member of the board of the MTS appointed by the board of the MTS, a member of the board of the NCTD appointed by the board of the NCTD, a member of the board of the San Diego County Regional Airport Authority appointed by the board of the Airport Authority, and a member of the board of the San Diego Unified Port District appointed by the board of the Port District.
 - 4.1.1 Provide oversight for consolidated transit responsibilities
 - 4.1.2 Provide policy oversight for transportation plans and corridor and systems studies
 - 4.1.3 Establish/approve transportation prioritization criteria for SANDAG programs
 - 4.1.4 Approve TDA and STA claim amendments and RTIP and STIP amendments
 - 4.1.5 Recommend funding allocations to the Board
 - 4.1.6 Approve transit operator budgets for funding
 - 4.1.7 Approve Regional Short Range Transit Plan and Coordinated Human Service and Public Transportation Plan
 - 4.1.8 Make recommendations regarding changes to Board Policy No. 018: Transit Service Policy and Board Policy No. 029: Regional Fare Policy and Comprehensive Fare Ordinance
 - 4.1.9 Conduct public hearings as delegated by Board
 - 4.1.10 Approve contracts for transit up to amount approved by the Board
 - 4.1.11 Advise Board on other transportation policy-level issues
 - 4.1.12 Recommend legislative program for transportation and transit
 - 4.1.13 Approve financial/contracting transactions, including selection of vendors, acceptance of funding, stipulations of any nature, and any resulting budget amendment up to \$500,000 for transportation items, subject to increase by Board action
 - 4.1.14 Convene closed sessions and make final decisions with regard to real property transactions related to transportation projects; however, this delegation does not include the authority to make a Resolution of Necessity

or to commence litigation

- 4.1.15 Conduct hearings and authorize additional public meetings when appropriate pursuant to Board Policy No. 025 to hear official testimony from the public regarding Comprehensive Fare Ordinance amendments
- 4.1.16 Approve amendments to the Comprehensive Fare Ordinance
- 4.1.17 Accept for distribution, hold public hearings regarding, and adopt/certify environmental documents for projects within the Transportation Committee's Responsibilities
- 4.1.18 Approve loans of *TransNet* funds when such loans are incorporated into an RTIP amendment requiring an exchange of *TransNet* funds for funds from another source
- 4.1.19 Provide oversight and approvals for Coordinated Transportation Services Agency (CTSA) matters and appoint Transportation Committee representative to the CTSA Board
- 4.1.20 Approve revisions to funding allocations for Federal Transit Administration Section 5311 funding
- 4.1.21 Review the draft *TransNet* compliance audits consistent with Board Policy No. 031:
TransNet Ordinance and Expenditure Plan Rules
- 4.1.22 Provide input on project selection criteria for, and recommend projects for funding under, the statewide and *TransNet* active transportation programs, and other *TransNet* grant programs such as the Smart Growth Incentive Program and Environmental Mitigation Program
- 4.1.23 Provide oversight for Service Authority for Freeway Emergencies responsibilities and related motorist aid programs
- 4.1.24 Provide coordinated oversight with the Regional Planning Committee for recommendations on the preparation and implementation of components of the Regional Plan
- 4.1.25 Develop a report by July 1 of each year that specifies the funds spent explicitly on public transportation, outlines the public transit needs, transit funding criteria, recommended transit funding levels, and additional work on public transit, and recommend acceptance of such report to the Board.
- 4.1.26 [Approve Federal Highway and Federal Transit Administrations' Transportation Performance Management targets required of Metropolitan Planning Organizations.](#)

5. Regional Planning Committee Membership and Responsibilities

- 5.1 The Regional Planning Committee shall consist of six voting members with board members or alternates representing East County, North County Coastal, North County Inland, South County, and the mayor or a council member from the City of San Diego, and a supervisor from the County of San Diego.
 - 5.1.1 Provide coordinated oversight with the Transportation Committee for recommendations on the preparation and implementation of components of the Regional Plan
 - 5.1.2 Recommend regional infrastructure financing strategies to the Board
 - 5.1.3 Represent the Board for outreach and public information on the Regional Plan and its components
 - 5.1.4 Advise Board on regional planning policy issues
 - 5.1.5 Approve distribution of funds from the California Coastal Commission Beach Sand Mitigation Fund and California Coastal Commission Public Recreational Beach Impact Mitigation Fund.
 - 5.1.6 Recommend project selection criteria for, and recommend projects for funding under, the *TransNet* Smart Growth Incentive Program and Environmental Mitigation Program

6. Borders Committee Membership and Responsibilities

- 6.1 The Borders Committee shall consist of seven voting members with board members or alternates representing East County, North County Coastal, North County Inland, South County and the mayor or a council member from the City of San Diego, a supervisor from the County of San Diego, and a mayor, council member, or supervisor from the County of Imperial.
 - 6.1.1 Provide oversight for planning activities that impact the borders
 - 6.1.2 Provide oversight for the preparation of binational, interregional, and tribal planning programs
 - 6.1.3 Recommend border infrastructure financing strategies to the Board
 - 6.1.4 Establish closer SANDAG working relations with surrounding counties, Mexico, and the region's tribal nations
 - 6.1.5 Advise Board on binational, interregional, and tribal policy-level issues
 - 6.1.6 Review and comment on regionally significant projects in adjoining counties

7. Audit Committee Membership and Responsibilities

The membership, authority and responsibilities for this committee are set forth in Board Policy No. 039.

8. Public Safety Committee Membership and Responsibilities

The membership, authority and responsibilities for this committee are set forth in Board Policy No. 026.

9. Distribution of Meeting Materials

- 9.1 All agendas for meetings of the Board of Directors, Policy Advisory Committees, and all other SANDAG legislative bodies covered by the Brown Act (Government Code § 54950 *et seq.*) shall be posted on the SANDAG website, and copies of such agendas will be available for viewing by the public in the SANDAG business office reception area.
- 9.2 All closed session items shall be provided to appropriate Board and/or Policy Advisory Committee members prior to the closed session. Closed session meeting materials will be sent by a secure method and clearly labeled as confidential. If a representative will not be able to attend a meeting he/she should ensure the closed session materials are forwarded to the appropriate alternate to review prior to the meeting. All closed session meeting materials must be deleted or returned to the Office of General Counsel at the end of the closed session.

10. Work Assigned to Staff

Requests for staff to perform work on a project that is not specified in the Overall Work Program or Program Budget shall only be conducted following approval by the Board if the work is estimated to exceed four hours of staff time.

Adopted January 2003
Amended November 2004
Amended January 2006
Amended December 2006
Amended January 2010
Amended December 2012
Amended October 2013
Amended March 2014
Amended November 2014
Amended December 2015
Amended January 2017
Amended February 2018
Amended January 2019
Amended February 2021
Amended June 2021
Amended 2022



POLICY ADVISORY COMMITTEE MEMBERSHIP

1. Membership

- 1.1 Executive Committee: Six members to include a Board member from each subregion
(South County, East County, North County Coastal, North County Inland, City of San Diego, County of San Diego).
 - 1.1.1 Alternates may be the second City of San Diego Board member or alternate, the second County of San Diego Board member or alternate, and alternates elected from each subregion who shall be primary members of the Board.
 - 1.1.2 Any Chair of any other Policy Advisory Committee (PAC) who is not otherwise a member of the Executive Committee shall serve as an advisory, non-voting member of the Executive Committee.
- 1.2 Transportation Committee: Ten members to include a Board member or alternate from each subregion, and a member of NCTD, MTS, the Airport Authority and San Diego Unified Port District appointed by the governing body of those agencies. There may be ten alternates chosen in the same manner.
- 1.3 Regional Planning Committee: Six members to include a Board member or alternate from each subregion. There may be six alternates chosen in the same manner.
- 1.4 Borders Committee: Seven members to include, a Board member or alternate from each subregion, and a mayor, council member, or supervisor from the County of Imperial. There may be seven alternates chosen in the same manner.
- 1.5 Audit Committee: Five voting members appointed by the Board of Directors. Two of the members shall be board members or alternates and three shall be members of the public. There may be alternates chosen as described in Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities.
- 1.6 Public Safety Committee: Six members to include a Board member or alternate from each subregion. The six Associate Member organizations taking part in this committee shall have the following representation: two members from the Chiefs'/Sheriff's Management Committee, a member selected by the County Sheriff, a member representing the San Diego County District Attorney's Office, a member from regional Fire/Emergency Medical Services, and a member representing the City of San Diego Police Chief. In addition, there will be eight nonvoting Advisory Members selected as follows: two persons selected by the Federal Justice Agency Association, one person selected from San Diego County Criminal Justice Association, a member of the Regional Homeland Security Committee, a member selected by the State Public Safety Agency Association, one person selected by the Department of Defense, and one representative of the Southern California Tribal

Chairmen's Association. There may be alternates chosen in the same manner.

2. Limitation on Committee Memberships

No Board member or alternate may serve as the primary member of more than two PACs at any one time, except those Board members serving on the Audit Committee. Committee membership may be expanded by the Board.

3. Ex Officio Members

A PAC may include ex officio members if appropriate to roles and responsibilities of the committee. The Board Chair, First Vice Chair, and Second Vice Chair may serve as ex officio members on any of the PACs. Unless otherwise stated in a Board Policy or Board action applicable to a particular committee, all ex officio members on SANDAG's Board or committees shall be nonvoting members.

4. Appointments for PACs Other Than the Audit Committee

4.1 Public Agencies

4.1.1 The mayor and council of the City of San Diego and the governing body of each of the other member agencies will make their appointments to the Board annually by January 10, and when vacancies occur. Each member agency shall confirm the appointment of its primary and alternate Board members by sending a written letter to the SANDAG Clerk of the Board. All such appointments shall go into effect immediately following approval by the member agency's governing body.

4.1.2 The SANDAG Chair will provide notice requesting that Board members from each of the subregions appoint a Board member or alternate as authorized to serve as a primary member on each PAC and one or more to serve as an alternate to each PAC. At the time this notice is given, all primary and alternate Board members will be provided with an attendance record for all primary and alternate members currently serving on the Board or a PAC. Each subregion shall ensure that SANDAG staff is notified of the date, time and location for that subregion's meeting. After the meeting is set by the primary members of each subregion, SANDAG staff shall provide Board alternates from each subregion advance notice of the meeting. A majority of the primary members present at the subregion meeting shall make a selection. An alternate member may vote in the absence of the primary member. The Chair shall be sent a letter from the subregion's representatives informing him/her of the names of the persons who have been selected for appointment to each PAC. Appointments will be made by January 31 or as vacancies occur. Appointments shall go into effect immediately upon approval by the subregion.

4.2 Associate Members

In addition to the members appointed pursuant to Section 4.1, the Public Safety Committee shall have voting members appointed from the organizations listed below by their respective appointing authorities by January 31 of each year:

- 4.2.1 Chiefs'/Sheriff's Management Committee – 2 voting members
- 4.2.2 County Sheriff – 1 voting member
- 4.2.3 San Diego County District Attorney's Office – 1 voting member
- 4.2.4 Regional Fire/Emergency Medical Services – 1 voting member
- 4.2.5 City of San Diego Police Chief – 1 voting member

4.3 Advisory Members

In addition to the voting members appointed pursuant to Sections 4.1 and 4.2, the Public Safety Policy Advisory Committee shall have the following nonvoting members appointed from the following organizations by their respective appointing authorities by January 31 of each year:

- 4.3.1 County Criminal Justice Association – 1 advisory member
- 4.3.2 Federal Justice Agency Association – 2 advisory members
- 4.3.3 Regional Homeland Security Committee – 1 advisory member
- 4.3.4 State Public Safety Agency Association – 1 advisory member
- 4.3.5 Regional Transit Services – 1 advisory member
- 4.3.6 Department of Defense – 1 advisory member
- 4.3.7 Southern California Tribal Chairmen's Association – 1 advisory member.

4.4 Failure to Appoint

If any subregion fails to make an annual appointment to a PAC by January 31 or within three weeks of mailing of the notice to proceed to appoint to fill a vacancy, the Chair of SANDAG shall make the appointment. If any organization referred to in Sections 4.1, 4.2 or

4.3 fails to make an appointment to the Public Safety Policy Advisory Committee, the current representative shall continue to serve until a replacement appointment is made by his/her organization.

5. Vacancies

Vacancies on PACs shall be filled as they occur in the same manner as appointments.

6. Chair/Vice Chair

The Chair and Vice Chair of the PACs, other than the Executive Committee and Audit Committee, shall be appointed by the Board Chair in February or as vacancies occur. The officers of the PACs (except for the Executive Committee, whose officers are dictated by the Bylaws, and the Audit Committee, whose officers are dictated in Board Policy No. 039) can be primary or alternate members of the Board but must be primary members of the PAC they will chair. The appointments shall go into effect immediately unless otherwise directed by the Board Chair.

The Board Chair shall serve as the Chair of the Executive Committee. The First Vice Chair of the Board shall serve as the First Vice Chair of the Executive Committee. The Second Vice Chair of the Board shall serve as the Second Vice Chair of the Executive Committee.

7. Attendance

- 7.1 Primary and alternate members are strongly encouraged to attend all Committee meetings. Roll call shall be taken by the Chair at the beginning of the meeting to determine the voting members present at that time. The voting members shall be seated collectively in order for the public to recognize them as such. Other nonvoting alternates in attendance may participate in Committee discussion but shall not be authorized to act on any item.
- 7.2 Board alternates selected to chair a Policy Advisory Committee are strongly encouraged to attend all Board meetings to represent their committee and provide information to the Board concerning actions taken at the committee meetings.
- 7.3 If an organization with voting rights or a subregion is unrepresented at three Committee meetings during the term described in Section 4 of this Policy, a letter will be sent to the applicable appointing body or group, as well as to the Chair and Vice Chair of the Committee concerning the absences.
- 7.4 In order to ensure a quorum, full participation, fairness, and comprehensive knowledge of the items discussed at SANDAG meetings, members who are eligible for compensation for attendance at a SANDAG meeting must be present for at least 1/2 of the time set for the meeting or the duration of the meeting, whichever is less, in order to be eligible for compensation in accordance with Article III, Section 5 of the Bylaws.

8. Compensation

Primary and alternate members of the PACs will be compensated \$100 per meeting attended subject to the limitations on number of meetings per month set forth in the SANDAG Bylaws.

9. Meetings

PAC meetings should normally be held on Fridays or when called by the committee Chair. Parliamentary procedure at all meetings shall be governed by Roberts Rules of Order, Newly Revised.

Adopted January 2003
Amended December 2003
Amended November 2004
Amended December 2005
Amended December 2006
Amended July 2007
Amended November 2010
Amended March 2014
Amended September 2014
Amended December 2015
Amended January 2017
Amended February 2018
Amended January 2019
Amended February 2021
Amended _____, 2022

DRAFT



INVESTMENT POLICY

1. Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy, and to organize and formalize investment-related activities.

The investment policies and practices of the San Diego Association of Governments (SANDAG) are based upon state law and prudent money management. All funds will be invested in accordance with the SANDAG Investment Policy and the California Government Code. The investment of bond proceeds will be further governed by the provisions of relevant bond documents.

2. Scope

It is intended that this policy cover all funds and investment activities, with the exception of bond proceeds, under the direction or care of SANDAG, including funds of the San Diego County Regional Transportation Commission, SourcePoint, the SANDAG chartered nonprofit corporation, and the Automated Regional Justice Information System (ARJIS). Investment of bond proceeds shall be subject to the conditions and restrictions of bond documents and Treasury regulations related to arbitrage restrictions on tax-exempt bonds.

3. Prudence

All persons authorized to make investment decisions on behalf of SANDAG are trustees and therefore fiduciaries subject to the prudent investor standard: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. Objectives

- 4.1 *Safety.* Safety of principal is the foremost objective of the investment program. Investments of SANDAG shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
- 4.2 *Liquidity.* The investment portfolio of SANDAG will remain sufficiently liquid to enable SANDAG to meet its cash flow requirements.
- 4.3 *Return on Investment.* The investment portfolio of SANDAG shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

5. Delegation of Authority

- 5.1. The Board of Directors delegates the authority to invest or to reinvest funds, or to sell or exchange securities so purchased, to the Chief Executive Officer for a one-year period. The Chief Executive Officer is charged with the responsibility for carrying out the policies of the Board of Directors and shall assume full responsibility for investment transactions until the delegation of authority is revoked or expires. In accordance with the SANDAG established system for internal control, all financial transactions of SANDAG require the signature of at least two individuals authorized by the Chief Executive Officer.
- 5.2. For the purposes of carrying out this investment policy, any two of the following individuals, unless delegated per Section 5.5, are hereby authorized to make investment decisions, in strict accordance with this investment policy, on behalf of SANDAG:
 - Chief Executive Officer
 - Senior Leadership Team member
 - Chief Financial Officer
 - Finance Manager
 - *TransNet* Department Director
 - Such other individuals authorized, in writing, by the Chief Executive Officer
- 5.3. All accounts established for the purpose of investing SANDAG funds shall require the written authorization of the Chief Executive Officer.
- 5.4. No single individual, acting alone, may engage in an investment activity, except for an authorized investment advisor/manager with discretionary authority delegated per Section 5.5.
- 5.5. The Chief Executive Officer may delegate investment management and decision authority, via written agreement, to one or more professional investment advisors/managers who are duly qualified and registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. All agents engaged in this capacity shall make all investment decisions and transactions in strict accordance with state law and this investment policy.

- 5.6. The daily management responsibility for the investment program is assigned to the Chief Financial Officer, who shall monitor and review all investments for consistency with this investment policy.

6. Ethics (Conflict of Interest)

Officers, employees and agents thereof involved in the investment process shall comply with state law and refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

7. Selection of Financial Institutions and Broker/Dealers

- 7.1. SANDAG shall transact business only with banks, savings and loan associations, and registered investment securities dealers. The purchase by SANDAG of any investment other than those purchased directly from the issuer shall be either from an institution licensed by the State as a broker/dealer, as defined in Section 25004 of the Corporation Code, who is a member of the Financial Industry Regulatory Authority, or a member of a federally regulated securities exchange, a National or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank. The Chief Financial Officer shall investigate all institutions that wish to do business with SANDAG, in order to determine if they are adequately capitalized, make markets in securities appropriate to the needs of SANDAG, and agree to abide by the conditions set forth in the SANDAG Investment Policy.
- 7.2. The Chief Financial Officer shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of SANDAG to purchase securities only from those authorized institutions and firms. If SANDAG has contracted investment advisors/managers, the Chief Financial Officer may approve and use a list of authorized broker/dealers provided by the investment advisor/manager.

8. Permitted Investment Instruments

- 8.1. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Government Code §53601 states that when there is a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type; with the exception of U.S. Treasuries, federal agencies, supranationals, and pooled investments such as LAIF, the County pool, CAMP, and money market funds. Credit requirements listed in the investment policy apply at the time of purchase. In the event a security held by SANDAG is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the Chief Financial Officer shall review the security. The course of action to be followed will then be decided by the Chief Financial Officer and either the Chief Executive

Officer or the Senior Leadership Team member on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. Any credit rating changes below the minimum credit ratings specified for purchase will be reported to the Board of Directors with the next Quarterly Investment Report, along with the findings and any actions taken.

- 8.2. **Treasury Obligations:** notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- 8.3. **Federal Agencies and U.S. Government Sponsored Enterprises:** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- 8.4. **State Municipal Obligations:** Registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the states. Such obligations must be rated A-1 or its equivalent or better short-term; or in a rating category of AA or its equivalent or better long-term by at least one of the nationally recognized statistical-rating organizations.
- 8.5. **Local Agency Obligations:** Bonds, notes, warrants, or other evidences of indebtedness issued by any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Such obligations must be rated A-1 or its equivalent or better short-term; or in a rating category of AA or its equivalent or better long-term by one of the nationally recognized statistical-rating organizations.
- 8.6. **Repurchase Agreements:** Repurchase Agreements used solely as short-term investments not to exceed 90 days.
 - 8.6.1 The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to SANDAG's custodian bank or handled under a properly executed tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 102 percent of the total dollar value of the money invested by SANDAG for the term of the investment. Since the market value of the underlying securities is subject to daily fluctuation, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
 - 8.6.2 Market value must be calculated each time there is a substitution of collateral.

- 8.6.3 SANDAG or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.
- 8.6.4 SANDAG may enter into Repurchase Agreements with (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking institutions having assets in excess of \$1 billion and in the highest short-term rating category, as provided by one of the nationally recognized statistical-rating organizations.
- 8.6.5 SANDAG will have properly executed a Securities Industry and Financial Markets Association (SIFMA) agreement with each firm with which it enters into Repurchase Agreements.
- 8.7. **Bankers' Acceptances:** Bankers' Acceptances issued by domestic banks or domestic branches of foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest rating category by one of the nationally recognized statistical-rating organizations. Purchases of Bankers' Acceptances may not exceed 180 days maturity or 40 percent of SANDAG surplus money. ~~No more than 10 percent of SANDAG surplus funds may be invested in the Bankers' Acceptances of any one commercial bank.~~
- 8.8. **Commercial Paper:** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
- a) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars (\$500,000,000). (iii) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization.
 - b) The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Purchases of eligible commercial paper may not exceed 270 days maturity nor ~~represent more than 10 percent of the outstanding paper of an issuing corporation. No more than 10 percent of SANDAG surplus funds may be invested in Commercial Paper of any one U.S. corporation.~~

~~Purchases of commercial paper may not exceed 2540 percent of SANDAG surplus money which may be invested. If SANDAG's surplus moneys fall under \$100 million then the amount invested in commercial paper shall not exceed 25 percent of SANDAG surplus moneys which may be invested.~~

- 8.9. **Medium-Term Notes:** Medium-term notes, defined as all corporate and depository institution securities with a maximum remaining maturity of five years or less,

issued by corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States. Medium-term notes shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical-rating organization.

Purchase of medium-term corporate notes may not exceed 30 percent of SANDAG surplus money. ~~No more than 10 percent of SANDAG surplus funds may be invested in the Medium-Term Notes of any one corporation.~~

- 8.10. **Certificates of Deposit:** The maximum term for certificates of deposit shall be five years. The combined amount invested in negotiable certificates of deposit and certificates of deposit shall not exceed 30 percent of SANDAG surplus money.
- 8.10.1 **Negotiable Certificates of Deposit:** Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank or by a federally licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated in a rating category of "A" or its equivalent or better by one of the nationally recognized statistical-rating organizations.
- 8.10.2 **Nonnegotiable Certificates of Deposit:** Nonnegotiable certificates of deposit shall meet the conditions in either paragraph (a) or paragraph (b):
- (a) Certificates of deposit shall meet the requirements for deposit under Government Code Section 53635 et. seq. To be eligible to receive SANDAG deposits, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. Deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The Chief Financial Officer, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. SANDAG shall have a signed agreement with the depository per Government Code Section 53649.
 - (b) Certificates of deposit placed through a deposit placement service shall meet the requirements of Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance.
- 8.11. **State of California's Local Agency Investment Fund:** State of California's Local Agency Investment Fund (LAIF) may be invested in for the benefit of local agencies up to the current limit set by LAIF for regular accounts. For ongoing due diligence, the Chief Financial Officer shall maintain on file a copy of LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals.
- 8.12. **San Diego County Treasurer's Pooled Investment Fund:** Deposits in the County pooled investment fund shall be limited to the dollar maximums of the State LAIF. For ongoing due diligence, the Chief Financial Officer shall maintain on file a copy of

the County pool's current investment policy and its requirements for participation, including limitations on deposits or withdrawals.

- 8.13. **Savings/Money Market Accounts:** Savings/Money Market Accounts deposits placed with commercial banks and savings and loans in California. The amount on deposit shall not exceed the shareholder's equity in the financial institution. To be eligible to receive SANDAG deposits, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. Deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The Chief Financial Officer, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. SANDAG shall have a signed agreement with the depository per Government Code Section 53649.
- 8.14. **California Asset Management Program:** Shares in a portfolio of the California Asset Management Program, so long as the portfolio is rated among the top two rating categories by one of the nationally recognized statistical-rating organizations. For ongoing due diligence, the Chief Financial Officer shall maintain on file a copy of the Program's current information statement to include its requirements for participation, including limitations on deposits or withdrawals.
- 8.15. **Money Market Funds:** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.). To be eligible for investment pursuant to this subdivision, these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally-recognized statistical-rating organizations, or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of \$500,000,000.
- The purchase price of shares shall not include any commission that the companies may charge. The purchase of shares may not exceed 20 percent of SANDAG surplus money. For ongoing due diligence, the Chief Financial Officer shall maintain on file a copy of the money market fund's current information statement to include its requirements for participation, including limitations on deposits or withdrawals.
- 8.16. **Mortgage and Asset-Backed Obligations:** Any mortgage pass-through security collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable-pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchases of securities authorized by this section may not exceed 20 percent of SANDAG surplus funds that may be invested pursuant to this section.

- 8.17. **Supranationals:** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO and shall not exceed 30 percent of the SANDAG funds that may be invested pursuant to this section.
- 8.18. **Ineligible Investments:** Security types which are thereby prohibited include, but are not restricted to:
- (a) Reverse repurchase agreements.
 - (b) “Complex” derivative securities such as range notes, dual index notes, inverse floating-rate notes, leveraged or deleveraged floating-rate notes, or any other complex variable-rate or structured note.
 - (c) Interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity, [except as allowed by Government Code Section 53601.6.](#)
 - (d) Securities lending.

In the event that SANDAG possesses ineligible investments purchased prior to the adoption of this policy, SANDAG may hold these investments to their maturity dates. The limitation in this section shall not apply to SANDAG investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940.

9. Maximum Maturity

- 9.1. Investment maturities shall be based upon a review of cash flow forecasts. Maturities will be scheduled so as to permit SANDAG to meet all projected obligations.
- 9.2. Where the investment policy does not specify a maximum remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement, that at the time of the investment has a term remaining to maturity in excess of five years, unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment. The Board authorizes the investment of endowment funds in securities exceeding five (5) years, as long as the investment has been approved by the Chief Financial Officer and either the Chief Executive Officer or the Senior Leadership Team member, and the maturity of such investments does not exceed the expected use of funds.

10. Performance Standards

The investment performance of the SANDAG portfolio shall be evaluated and compared to appropriate indices in order to assess the success of the investment program. The comparable benchmarks should be consistent with the SANDAG portfolio in terms of maturity and composition, which includes credit quality and security type.

11. Reporting Requirements

- 11.1. The Chief Financial Officer shall submit to the Board annually a statement of investment policy, which the Board shall consider at a public meeting. Any change in the investment policy shall also be considered by the Board at a public meeting.
- 11.2. A monthly report of all investment transactions shall be submitted to the Board Members.
- 11.3. A quarterly investment report shall be submitted to the Board Members. The reports should include information in accordance with Section 53646(b) of the California Government Code.

12. Safekeeping and Custody

- 12.1. All security transactions, including collateral for repurchase agreements, entered into by SANDAG shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third-party custodian and evidenced by safekeeping receipts.
- 12.2. The only exception to the foregoing shall be securities purchases made with: (i) LAIF, (ii) San Diego County Treasurer’s Investment Pool, (iii) CAMP pool, (iv) Nonnegotiable Certificates of Deposit, (v) bank deposits, and, (vi) money market mutual funds, since the purchased securities are not deliverable. The Chief Financial Officer shall keep a record of any funds in any of these investments.

Adopted January 2003
 Amended November 2004
 Amended September 2005
 Amended December 2007
 Amended July 2008
 Amended July 2009
 Amended November 2010
 Amended February 2012
 Amended October 2013
 Amended November 2014
 Amended November 2015
 Amended February 2018
 Amended June 2021
 Amended 2022

June 17, 2022

Memorandum

To: Leeanne Wallace, Finance Manager
San Diego Association of Governments

From: Sarah Meacham, Managing Director
Richard Babbe, Senior Managing Consultant
PFM Asset Management LLC

Re: 2022 Investment Policy Review

PFM Asset Management LLC completed its review of the San Diego Association of Governments (“SANDAG”) Investment Policy (the “Policy”). The Policy is comprehensive and in compliance with the sections of California Government Code (the “Code”) that govern the investment of public funds.

We are, however, recommending several revisions to the Policy related to Senate Bill 998, which took effect on January 1, 2021. There were no changes to the Code effective January 1, 2022. Our recommendations are summarized below. In addition, we have attached a marked-up version of the Policy illustrating our recommendations.

The Bill’s amendments to Code that apply to SANDAG, and our Policy recommendations are described below. As revised, the Code:

- Allows local agencies that have more than \$100 million of investment assets under management to invest up to 40% of their investment assets in commercial paper (the prior limit was 25%). As SANDAG fulfills this asset requirement, we recommend SANDAG incorporate this Code change into the Policy to provide SANDAG with additional investment flexibility.
- Eliminates the 10% limit on the outstanding commercial paper of any one issuer and establishes a new combined 10% per issuer limit on commercial paper and corporate notes. We recommend that SANDAG eliminate the 10% limit on the outstanding commercial paper as it is no longer in the Code. Although the Policy currently has 10% per issuer limit that applies to individual sectors, we recommend SANDAG implement a new per issuer limit that would apply across all corporate sectors. In addition, to promote additional diversification, we recommend lowering the per issuer limit to 5%.
- Allows local agencies to invest in securities issued or backed by the U.S. government that could result in zero or negative interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. While we do not anticipate negative market interest rates, we recommend SANDAG incorporate this Code provision into the Policy, so SANDAG has the flexibility to invest if market rates go negative.

Please let us know if you have any questions or if would like to setup a time to discuss our recommendations.



EQUAL EMPLOYMENT OPPORTUNITY (EEO) AND DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAMS

~~The purpose of this policy is to establish and~~ documents the purpose of the SANDAG eEqual eEmployment eOpportunity program and Disadvantaged Business Enterprise program for employees and contractors. This policy is consistent with SANDAG's Commitment to Equity statement.

Federal regulations require the adoption of an Equal Employment Opportunity (EEO) Program as a condition of receipt of federal funds. The SANDAG Employment Handbook and other administrative manuals, policies, and procedures mandate equal employment opportunities in recruitment, hiring, and employment for applicants to, and employees of, SANDAG. SANDAG also has ~~separate~~ written policies which forbid discrimination and provide grievance procedures for employees and visitors to SANDAG who believe they have been a victim of discrimination. In addition, SANDAG incorporates ~~an EEO requirement and Disadvantaged Business Enterprise (DBE)~~ the requirements for fair and equitable employment practices in its U.S. Department of Transportation (DOT) funded contracts with third parties.

1. EEO and DBE Programs

- 1.1 It is the policy of SANDAG to actively recruit, hire, train, promote, and make all other employment decisions for all applicants and employees in accordance with Title VII of the Civil Rights Act of 1964, as amended, and other relevant federal and state statutes. SANDAG will ensure that procedures for recruiting, selecting, hiring, promoting, training, terminating, ~~ng~~, compensating, ~~ng~~, providing benefits, as well as decisions regarding terms and conditions of employment do not adversely affect the employment of persons protected by Title VII and, in addition, that all SANDAG hiring and promoting criteria, requirements, and tests are job-related. SANDAG will adhere to the EEO requirements of FTA Circular 4704.1A, the affirmative action provisions of Executive Order 11246, the Office of Federal Contract Compliance Programs (OFCCP), the Equal Employment Opportunity Commission (EEOC) Guidelines, and all other applicable standards to the extent required by applicable law.
- 1.2 It is SANDAG policy to assure that discrimination based on race, color, religion, creed, national origin, ancestry, age (~~over 40~~ or older), gender identity or expression, sex (including pregnancy, childbirth, breastfeeding or related medical conditions), medical condition, physical or mental disability, genetic information, sexual orientation, marital status, registered domestic partner status, military or veteran or current or prospective services in the uniformed services, status or any other category protected under federal, state, or local law does not occur in relationships that may exist between SANDAG and any employee or applicant for employment. Such relationships include, but are not limited to, recruitment, selection, hiring,

promotion, compensation, benefits, terminations, transfers, layoffs, recalls, or SANDAG-sponsored training, education, or social and recreational programs.

1.3 SANDAG complies with the Americans with Disabilities Act regarding the employment of individuals with disabilities. When requested, SANDAG shall provide reasonable accommodations to applicants and employees who are qualified for a job, so that they may perform the essential job duties of the position.

~~1.3.1.4 It is SANDAG policy to require the contractors and consultants that it contracts with to have EEO policies in place that forbid discrimination in violation of Title VII. SANDAG is prohibited from retaliating against any person because they reported discrimination, made charges, testified, or participated in any complaint under Title VII.~~

~~1.4.1.1 SANDAG maintains a DBE Program as required by the Federal Transit Administration and Federal Highway Administration that sets forth a triennial goal for participation by DBEs. The Director of Diversity and Equity shall serve as the Disadvantaged Business Enterprise Liaison Officer.~~

1.5 The Senior Director of Organization Effectiveness is designated as the SANDAG EEO Officer and is Responsible for assuring diversity in employment, including oversight for fair and equitable recruitment, selection, and employment practices, assuring compliance with applicable laws and regulations, and overseeing the development, maintenance, and implementation of the EEO Program is assigned to the Director of Organization Effectiveness. All management personnel within SANDAG share in the responsibility for upholding the principles of fairness, equity, and non-discrimination with respect to employment are expected to support, and for implementing the practices outlined in the EEO Program in performance of their job duties and responsibilities. Any employee or applicant who feels they have been discriminated against, has a right to file a complaint under SANDAG policies.

1.6 When developing and implementing its employment and contracting policies, SANDAG will base its decisions solely on the individual's qualifications and merit, the evaluation criteria in the solicitation, and the feasibility of any necessary accommodations. Any employee or applicant who feels they have been discriminated against, has a right to file a complaint under SANDAG policies.

1.7 With respect to contractors, consultants, and subrecipients:

1.7.1. It is SANDAG policy to require the contractors and consultants that it contracts with to have EEO policies in place that ensure fair and equitable employment practices and forbid discrimination in violation of Title VII.

1.7.2. Responsibility for ensuring contractors, consultants, and subrecipients comply with this requirement is assigned to the Director of Diversity and Equity.

1.7.3. Capital construction projects greater than \$10,000 funded with federal financial assistance must comply with EEO requirements set forth by the Office of Federal Contract Compliance Programs (OFCCP).

~~1.5.1.1.7.4.~~ SANDAG is responsible for EEO oversight as required in FTA Circular 4704.1A for subrecipients or transit delivery contractors receiving federal

funding of at least \$250,000 for planning-related projects or \$1 million for capital projects.

2. DBE Program

2.1 SANDAG maintains a DBE Program as required by the Federal Transit Administration. SANDAG also uses the California Department of Transportation's (Caltrans) DBE Program for ~~and~~ Federal Highway Administration funded contracts. Each DBE Program ~~that~~ sets forth a triennial goal for participation by DBEs. The Director of Diversity and Equity shall serve as the Disadvantaged Business Enterprise Liaison Officer (DBELO).

2.2 Responsibility for implementation of the DBE Program is assigned to the Director of Diversity and Equity. All management personnel within SANDAG are expected to support and implement the DBE Program in performance of their job duties and responsibilities.

2.3 When developing and implementing its contracting policies, SANDAG will base its contract selection decisions solely on the bidder's qualifications and merit, the evaluation criteria in the solicitation, and the bidder's compliance with DBE Program requirements.

2.3. EEO Procedures

~~2.13.1~~ The Senior Director of Organization Effectiveness will review employment statistics to determine whether there is a need to set goals for any under-represented groups and, if necessary, then recommend goals to the Chief Executive Officer ~~if necessary~~.

~~2.23.2~~ The Chief Executive Officer will approve or disapprove the Senior Director of Organization Effectiveness' recommendation(s) at their/his/her discretion.

~~2.33.3~~ The Senior Director of Organization Effectiveness will maintain current contact lists of community resource organizations, community leaders, media sources, and colleges/vocational schools for the use of SANDAG staff to use in recruiting for employees, ~~consultants, and contractors~~.

~~2.43.4~~ The Senior Director of Organization Effectiveness will communicate the EEO ~~and DBE~~ Programs to all employees.

3.5 SANDAG staff will solicit community involvement by under-represented groups on issues of importance to the region that fall within its jurisdiction.

3.6 The Senior Director of Organization Effectiveness will maintain records on recruitment efforts, new employees, promotional opportunities, disciplinary actions, training, and employee separations which document whether the affected individuals are in a class protected by Title VII.

~~2.53.7~~ The Board of Directors will review an EEO report prepared by the Senior Director of Organization Effectiveness, or designee, on an annual basis. The report will include employment results and a review of EEO Program goals for the upcoming year.

- 3.8 The Senior Director of Organization Effectiveness will ensure ~~the EEO policy is~~ will be posted in employee breakrooms, other suitable locations throughout the SANDAG offices, and to an Intranet site accessible to ~~and will be incorporated into the SANDAG employees website.~~
- 3.9 All employment ads and job postings will contain a reference that SANDAG is an equal employment opportunity employer.
- 3.10 The Senior Director of Organization Effectiveness will ensure all ~~Required~~ federal and state posters concerning EEO will be displayed in employee breakrooms or other suitable locations throughout the SANDAG offices.
- 3.11 With respect to contractors, consultants and subrecipients:
- 3.11.1 The Director of Diversity and Equity shall notify OFCCP each time a construction contract is awarded for a value of more than \$10,000 and includes federal financial assistance. Each contract shall require the contractor to notify the OFCCP of each subcontract of at least \$10,000.
- 3.11.2 The Director of Diversity and Equity shall ensure that SANDAG contracts include the requirement for the contractor in federally-assisted construction contracts, and their subcontracts with a value of at least \$10,000, to take affirmative action steps as required by OFCCP to ensure equal employment opportunities in all aspects of their employment practices and this requirement shall be in each contract and non-exempt subcontract.
- 3.11.3 The SANDAG Contracts Division shall ensure that each subrecipient meeting the FTA thresholds is required to sign certificates and assurances that they will meet the FTA EEO requirements and the Office of Diversity and Equity shall monitor their compliance.
- 3.11.4 The SANDAG Contracts Division shall ensure that each transit service delivery contractor meeting the FTA thresholds is required by contract to adhere to the FTA EEO requirements and the Office of Diversity and Equity shall monitor their compliance.

4. DBE Procedures

- 4.1 The Director of Diversity and Equity will develop triennial overall DBE goals for FTA-funded contracts in accordance with DBE regulations. SANDAG overall DBE goals will be reviewed annually to determine if DBE commitments meet the established overall DBE goal. If a shortfall exists, ODE will prepare a shortfall analysis and determine the best course of action to ensure SANDAG is able to meet the triennial goal or revise the triennial goal based on the shortfall analysis.
- 4.2 The Chief Executive Officer will approve or disapprove the triennial overall DBE goal prepared by the Director of Diversity and Equity.
- 4.3 The Director of Diversity and Equity will ensure SANDAG complies with the Caltrans DBE Program and the Caltrans Local Agency Procedures Manual (LAPM) requirements for all FHWA-funded contracts passed through to SANDAG by Caltrans.

- 4.4 The Director of Diversity and Equity will be responsible for setting contract goals on FTA and FHWA-funded projects when appropriate. The ODE staff will conduct reviews of proposals and bids to determine if DBE contract goals are met or if good faith efforts (GFE) evaluations are required. GFE evaluations shall be conducted by the ODE.
- 4.5 The Director of Diversity and Equity will be responsible for monitoring compliance with the DBE Program for all FTA and FHWA-funded contracts. ODE staff will monitor performance of DBE firms, payments to DBE firms, and ensure contractors fulfill their commitments to use listed DBE firms on FTA and FHWA-funded contracts.
- 4.6 The Director of Diversity and Equity will communicate the DBE Program and its requirements to all SANDAG employees and applicable contractors and consultants.
- 4.7 The Office of Diversity and Equity staff will conduct outreach to small businesses, minorities, women, disabled veterans, and other groups to notify these businesses about SANDAG contracting opportunities. Outreach efforts may include, attending outreach events and professional association conferences, participating in pre-bid meetings, and conducting procurement networking events.
- 2.64.8 All SANDAG requests for proposals, requests for qualifications, and invitations for bids with FTA and FHWA federal funding will contain required language based on 49 CFR Part 26, and encouraging participation by DBE consultants, contractors, and subcontractors.
- 2.74.9 Consultants and contractors awarded contracts with DBE Program goals will be required to submit DBE commitment forms, report monthly payments to DBE subcontractors (currently through a web-based system), and complete a DBE Final Utilization Report with their final invoice.
- 2.84.10 A report on DBE Program results will be provided to the SANDAG Board of Directors when a new Triennial DBE goal is developed and also for review in subsequent years as needed on an annual basis.
- ~~2.91.1 The Director of Organization Effectiveness will maintain records on recruitment efforts, new employees, promotional opportunities, disciplinary actions, training, and employee separations which document whether the affected individuals are in a class protected by Title VII.~~
- ~~2.104.11 The Board of Directors will review an EEO report prepared by the Director of Organization Effectiveness on an annual basis. The report will include employment results and a review of EEO Program goals for the upcoming year.~~
- ~~2.111.1 The EEO policy will be posted in employee breakrooms and will be incorporated into the SANDAG employee website.~~
- ~~2.121.1 All employment ads and job postings will contain a reference that SANDAG is an equal employment opportunity employer.~~
- ~~2.131.1 Required federal and state posters concerning EEO will be displayed in employee breakrooms.~~

2.144.12 All successful consultants and contractors will be notified of their obligations under the ~~EEO and~~ DBE Programs in their contracts with SANDAG.

Adopted June 2003

Amended November 2004

Amended December 2006

Amended December 2008

Amended November 2010

Amended February 2012

Amended January 2017

Amended February 2018

Amended January 2019

Amended June 2021

Amended 2022

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DISCRIMINATION COMPLAINT PROCEDURES

This policy is intended to establish a procedure under which complaints alleging discrimination in SANDAG's provision of services or SANDAG activities can be made by persons who are not employees of SANDAG.

Background

It is SANDAG policy to comply with state and federal laws and regulations including the Americans with Disabilities Act of 1990 (ADA), ~~Title VI of~~ the Civil Rights Act of 1964 (Title VI and VII) and other federal and state discrimination laws. SANDAG prohibits discrimination by its employees, contractors, and consultants and in its programs, activities and facilities. SANDAG does not discriminate on the basis of race, color, sex (including pregnancy, childbirth, breastfeeding and/or related medical conditions), ~~creed~~, religion (includes religious dress and grooming practices), national origin (including language use and possession of a driver's license issued to persons unable to provide their presence in the United State is authorized under federal law), age, marital status, ancestry, medical condition (including genetic characteristics, cancer or a record or history of cancer), disability (mental and physical including HIV/AIDS, cancer, and genetic characteristics), military or veteran status, low-income status, English language proficiency, genetic information, gender identity or expression, ~~or~~ sexual orientation or any other category protected by federal, state or local law in conducting government business. Persons who believe they have been subjected to discrimination or have been denied access to services or accommodations as required by law, have the right to use this grievance procedure.

The procedures below are the same for complaints of any type of prohibited discrimination; ~~however, because SANDAG has a designated ADA Coordinator, a separate complaint form and contact information are referenced below for complaints relating to medical condition or disability. All other complaints under this policy should be addressed to the SANDAG Office of General Counsel, as described below.~~

Procedures

Applicability

This complaint procedure is applicable to all persons who are not employees of SANDAG. This includes, but is not limited to, visitors to SANDAG, members of the public ~~viewing SANDAG publications~~, Board, committee, and working group members, vendors, or any other person transacting business with SANDAG or using SANDAG's services who believe that they have been subjected to discrimination by SANDAG employees, contractors, or consultants. In general, it is designed to address disputes, including but not limited to the following:

- Disagreements regarding a requested service, accommodation, or modification of a SANDAG practice or requirement;

Inaccessibility of a program, publication, or activity; and
Harassment or discrimination prohibited by California or federal law.

Identification of Compliance Officer, ~~and~~ ADA Coordinator and Title VI Coordinator

~~With the exception of laws relating to discrimination on the basis of medical condition or disability, the SANDAG Office of General Counsel. The Director of Diversity and Equity is the Compliance Officer and ADA Coordinator for this policy and Title VI Coordinator required by FHWA regulations (collectively referred to throughout as "Compliance Officer") and is~~ responsible for administering this complaint procedure as well as ensuring compliance with applicable laws. The Compliance Officer can be reached at: SANDAG, 401 B Street, Suite 800, San Diego, California 92101; (619) 699-1900.

~~The ADA Coordinator is the person responsible for administering this complaint procedure as well as ensuring compliance with applicable laws related to medical condition or disability. The ADA Coordinator can be reached at: SANDAG, 401 B Street, Suite 800, San Diego, California 92101; (619) 699-1900.~~

Preliminary Review Process

Informal Resolution - Prior to initiating the formal complaint procedure set forth below, and as a prerequisite to it, the complaining party shall contact the Compliance Officer ~~or ADA Coordinator as applicable~~ for assistance in resolving the matter informally as soon as is reasonably practicable, generally within approximately fifteen (15) calendar days of the time the grievant became aware of the SANDAG act or omission that is the subject of the complaint. If the Compliance Officer ~~or ADA Coordinator~~ is not successful in quickly achieving a satisfactory resolution (that is, generally within approximately thirty [30] calendar days), the Compliance Officer ~~or ADA Coordinator~~ will take the steps described in subparagraph 3.2.

Review Panel - The Compliance Officer ~~or ADA Coordinator~~ will convene an ad hoc review panel to review the issue(s) raised. The panel will consist of the following (or their designees): the Compliance Officer ~~or ADA Coordinator as applicable~~, a member of the management staff, a Deputy Chief Executive Officer, and (depending upon the issues) such other personnel as may be appropriate. This panel will review the request, investigate and attempt to resolve the issues within approximately thirty (30) calendar days of the request for or initiation of a second review. No formal report need be issued by the panel, but the panel will document the outcome of its review in a letter to the complaining party. If the complaining party is not satisfied with the panel's disposition of the matter, the complaining party may file a formal complaint in accordance with the procedure described below.

Formal Complaint

If the procedure set forth above for preliminary review does not yield a successful resolution, then the complaining party may file a formal complaint in the following manner:

When To File ~~a Formal~~ Complaint ~~– Formal~~ Complaints must be in writing and must be filed within ten (10) calendar days of the complaining party's receipt of notice of the end of the preliminary review process described above.

What To File - A complaint must be in writing and include the information requested in one of the two attached Discrimination Complaint Forms. entitled:

Discrimination Complaint Form

Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973
Discrimination Complaint Form

Complainant also must attach a copy of the letter from the Review Panel setting forth the outcome of the preliminary review procedure described above.

Where To File Complaint - The complaint shall be filed with the Compliance Officer ~~or ADA Coordinator as applicable~~, at SANDAG, 401 B Street, Suite 800, San Diego, California 92101; Fax number (619) 699-1995; TTY (619) 699-1904.

Notice of Receipt - Upon receipt of the complaint, the Compliance Officer ~~or ADA Coordinator as applicable~~, will review the complaint for timeliness and appropriateness for this grievance procedure and will provide the complaining party with written notice acknowledging its receipt.

Investigation - The Compliance Officer, ~~ADA Coordinator,~~ or his or her designee shall promptly initiate an investigation. In undertaking the investigation, the Compliance Officer ~~or ADA Coordinator~~ may interview, consult with, and/or request a written response to the issues raised in the complaint from any individual the Compliance Officer ~~or ADA Coordinator~~ believes to have relevant information, including staff and members of the public. The Compliance Office ~~or ADA Coordinator~~ also may hold an informal hearing at ~~his or her~~ their discretion.

Representation - The complaining party and any party against whom the grievance is directed shall have the right to have a representative. The party shall indicate whether ~~he or she is~~ they are to be assisted by a representative and, if so, the name of that representative. For purposes of this procedure, the representative may be an attorney so long as the Office of General Counsel ~~serves as the Compliance Officer~~ or is ~~otherwise~~ present during proceedings.

Findings And Notification - Upon completion of the investigation, the Compliance Officer ~~or ADA Coordinator~~ will prepare and transmit to the complaining party, and to any party against whom the complaint is directed, a final report containing a summary of the investigation, written findings and a proposed disposition. This transmission will be expected within forty-five (45) calendar days of the filing of the formal complaint. The deadline may be extended by the SANDAG ~~General Counsel~~ Chief Executive Officer for good cause. The final report shall also be provided, where appropriate, to any person whose authority will be needed to carry out the proposed disposition or to determine whether any personnel action is appropriate.

Final Disposition - The disposition proposed by the Compliance Officer ~~or ADA Coordinator~~ shall be put into effect promptly. The complaining party or any party against whom the complaint or the proposed disposition is directed may appeal.

The appeal to the Chief Executive Officer (as set forth below) will not suspend the implementation of the disposition proposed by the Compliance Officer ~~or ADA Coordinator~~, except in those circumstances where the Chief Executive Officer decides that good cause exists making the suspension of implementation appropriate.

Urgent Matters

Whenever the application of any of the time deadlines or procedures set forth in this complaint procedure creates a problem due to the nature of the complaint, the urgency of the matter, or the proximity of the upcoming event, the Compliance Officer ~~or ADA Coordinator as applicable~~, will, at the request of the complaining party, determine whether an appropriate expedited procedure can be fashioned.

Remedies

Possible remedies under this complaint procedure include corrective steps, actions to reverse the effects of discrimination or to end harassment, and measures to provide a reasonable accommodation or proper ongoing treatment. As stated above, a copy of the Compliance Officer's ~~or ADA Coordinator's~~ report may, where appropriate, be sent to appropriate persons to determine whether any personnel action should be pursued.

Appeal

Within ten (10) calendar days of the issuance of the final report, the complaining party or any party against whom the complaint is directed may appeal to the Chief Executive Officer the Compliance Officer's ~~or ADA Coordinator's~~ determination.

An appeal is taken by filing a written request for review with the SANDAG Chief Executive Officer, 401 B Street, Suite 800, San Diego, California 92101; Fax number (619) 699-1995; TTY (619) 699-1904.

The written request for review must specify the particular substantive and or procedural basis for the appeal, and must be made on grounds other than general dissatisfaction with the proposed disposition. Furthermore, the appeal must be directed only to issues raised in the formal complaint as filed or to procedural errors in the conduct of the complaint procedure itself, and not to new issues.

The review by the Chief Executive Officer or ~~his or her~~their designee normally shall be limited to the following considerations: Were the proper facts and criteria brought to bear on the decision? Were improper or extraneous facts or criteria brought to bear on the decision that substantially affected the decision to the detriment of the complaining party? Were there any procedural irregularities that substantially affected the outcome of the matter to the detriment of the complaining party? Given proper facts, criteria, and procedure, was the decision one that a person in the position of the decision-maker might reasonably have made?

A copy of the Chief Executive Officer or their designee's written decision will be expected within thirty (30) calendar days of the filing of the appeal and shall be sent to the parties, the Compliance Officer ~~or ADA Coordinator~~, and, if appropriate, to

persons whose authority will be needed to carry out the disposition. The deadline may be extended by the Chief Executive Officer for good cause. The decision of the Chief Executive Officer or their designee on the appeal is final.

Title VI Complaints

SANDAG operates programs without regard to race, color, and national origin in compliance with Title VI of the Civil Rights Act. In order to comply with 49 CFR Section 21.9(b), recipients and subrecipients of Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) funding such as SANDAG are required to develop procedures for investigating and tracking Title VI complaints and to make the procedures for filing a complaint available to members of the public upon request. This policy contains the procedures that members of the public should follow in order to request additional information regarding SANDAG's nondiscrimination obligations or file a discrimination complaint against SANDAG. Any person who believes himself or herself or any specific class of persons to be subjected to discrimination prohibited by Title VI also may file a written complaint with the FTA or FHWA. A complaint should be filed no later than 180 days after the date of the alleged discrimination, unless the time for filing is extended by FTA or FHWA. Title VI complaints regarding federally funded programs at SANDAG can be sent to the applicable funding agency below:

Federal Transit Administration Office of Civil Rights
Attention: ~~Title VI Program Coordinator~~ Complaint Team
East Building, 5th Floor - TCR
1200 New Jersey Ave., SE
Washington, DC 20590

Federal Highway Administration
Attention: Office of Civil Rights
1200 New Jersey Avenue, SE
8th Floor E81-105
Washington, DC 20590

Confidentiality

SANDAG will take reasonable measures to protect the privacy of the complaining party and those individuals who may be the subject of a complaint. SANDAG cannot guaranty privacy, however, particularly if disclosure is necessary for a complete investigation or is required by law.

Adopted June 2003

Amended November 2004

Amended January 2010

Amended February 2012

Amended October 2013

Amended January 2017

Amended June 2021

Amended ____ 2022

[Free Language Assistance | Ayuda gratuita con el idioma | Libreng Tulong sa Wika | Hỗ trợ ngôn ngữ miễn phí | 免费语言协助 | 免費語言協助 | مساعدة لغوية مجانية | 무료 언어 지원 | كمك زبان رایگان | 無料の言語支援 | Бесплатная языковая помощь | Assistència lingüística gratuïta | मुफ्त भाषा सहायता | Assistance linguistique gratuite | සිංහල භාෂා සහ ඉංග්‍රීසි උදව් ව්‍යවස්ථාපිතව | ການຊ່ວຍເຫຼືອດ້ານພາສາພຣີ | Kaalmada Luqadda ee Bilaashka ah | Безкоштовна мовна допомога](#)
sandaq.org/LanguageAssistance | (619) 699-1900

[SANDAG Notice of Non-Discrimination | Aviso de no discriminación de SANDAG | Abiso sa Hindi Pandidiskrimina ng SANDAG | Thông cáo Không phân biệt đối xử của SANDAG | SANDAG 非歧视通知 | SANDAG: إشعار عدم التمييز](#)

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Discrimination Complaint Form

Instructions: If you believe SANDAG has engaged in discrimination against one or more persons based on a basis other than medical condition or disability, please fill out this form completely, in black ink or type. Sign and return to the address on page 2. Alternative means of filing complaints, such as personal interviews or a tape recording of the complaint, will be made available for persons with disabilities upon request.

Complainant: _____

Address: _____

City: _____ State: _____ ZIP ~~ip~~ Code: _____

Telephone: Home: _____ Business: _____

Person Discriminated Against: (if other than the complainant) _____

Address: _____

City: _____ State: _____ ZIP ~~ip~~ Code: _____

Telephone: Home: _____ Business: _____

When did the discrimination occur? Date: _____

Describe the alleged acts of discrimination providing the name(s) where possible of the responsible individuals ~~who discriminated~~ (use space on page 3 if necessary). Include the category upon which you believe the discrimination was based (race, color, disability, medical condition, etc.):

Has a complaint been filed with another bureau of the Department of Justice or any other Federal, State, or local civil rights agency or court?

Yes: _____ No: _____

If Yes:

Agency or Court: _____

Contact Person: _____

Address: _____

City: _____ State: _____ ZIP Code: _____

Telephone: _____

Date Filed: _____

Additional space for answers:

Signature: _____

Date: _____

Return to:
~~Discrimination~~ Compliance Officer – ~~Office of Diversity and Equity~~ ~~Special Office of General~~
~~Counsel~~
SANDAG
401 B Street, Suite 800
San Diego, CA 92101
Phone: (619) 699-1900; Fax: (619) 699-1995
TTY: (619) 699-1904
OfficeofDiversityandEquity@sandag.org

Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973 Discrimination Complaint Form

Instructions: If you believe SANDAG has engaged in discrimination against one or more persons based on medical condition or disability, please fill out this form completely, in black ink or type. Sign and return to the address on page 2. Alternative means of filing complaints, such as personal interviews or a tape recording of the complaint, will be made available for persons with disabilities upon request.

Complainant: _____

Address: _____

City: _____ State: _____ ZIP Code: _____

Telephone: Home: _____ Business: _____

Person Discriminated Against: (if other than the complainant) _____

Address: _____

City: _____ State: _____ ZIP Code: _____

Telephone: Home: _____ Business: _____

When did the discrimination occur? Date: _____

Describe the acts of discrimination providing the name(s) where possible of the individuals who discriminated (use space on page 3 if necessary):

Has a complaint been filed with another bureau of the Department of Justice or any other Federal, State, or local civil rights agency or court?

Yes: _____ No: _____

If Yes:

Agency or Court: _____

Contact Person: _____

Address: _____

City: _____ State: _____ ZIP Code: _____

Telephone: _____

Date Filed: _____

Additional space for answers:

Signature: _____

Date: _____

Return to:
ADA Coordinator
SANDAG
401 B Street, Suite 800
San Diego, CA 92101
Phone: (619) 699-1900; Fax: (619) 699-1995
TTY: (619) 699-1904



BOARD POLICY NO. 011

TRAVEL EXPENSES

This policy is intended to establish ~~polices~~ processes and procedures regulating Out-of-Town Travel by SANDAG Board and -Committee members and employees while on SANDAG business, and to provide a basis for budgeting Board member and employee attendance at conferences, training, seminars, or other meetings. Employees should refer to the Administrative Guidelines/Procedures for Employee Business Travel for additional information.

It is desirable and beneficial to SANDAG and its constituents to have Board and Committee members and employees participate in state and national activities, training, and conferences related to SANDAG's subject matter jurisdiction.

1. Definitions Applicable to Policy

- 1.1 Out-of-Town Travel – Any travel outside San Diego County.
 - 1.1.1 One-day trips ~~not exceeding 200 miles one way~~ within San Diego County will be treated as in-town ~~expenses~~ and not Out-of-Town Travel.
- 1.2 Authorizing Authority – SANDAG Board Chair for Board and Committee member travel, or SANDAG Chief Executive Officer (CEO) and those delegated authority by the CEO to ensure SANDAG compliance with this Policy, but not to include positions lower than a Director for SANDAG employee travel.
- 1.3 U.S. General Services Administration (GSA) – GSA establishes the per diem rates for the lower 48 Continental United States (CONUS), which are the maximum allowances that federal employees are reimbursed for expenses incurred while on official travel. (See www.gsa.gov.) The GSA's Federal Travel Regulation shall be used in interpreting this Policy.

2. Budgeting

- 2.1 Each year the CEO will survey the Board and Committee members to ascertain their interest in attending upcoming conferences and meetings. These conferences may include legislative and annual meetings for the California Transit Association, the American Public Transit Association, and the National Association of Regional Councils, as well as California Transportation Commission meetings and legislative hearings. The Chair of the Board will make the final decision regarding which Board and Committee members should attend all conferences and meetings. Upon return, Board members will be asked to present their experiences to the Board in order to share the knowledge obtained from their attendance.
- 2.2 Employees may attend conferences related to their respective disciplines consistent with this Policy's procedures. The CEO or ~~his/her~~ their designee will make the final decision regarding which employees should attend conferences and meetings within the adopted budget. Upon return, employees will submit a report to their ~~director~~ Director in order to share the knowledge obtained from their attendance.

- 2.3 Board and Committee member and employee attendance will be funded in the annual budget subject to the availability of funds and based on the results reported by previous attendees. As part of the budgeting process, the CEO or ~~his/her~~their designee will set objectives to ensure minimum representation at key conferences, and to make sure that cumulative attendance by Board and Committee members and employees at any one conference is not excessive.

3. Procedures

- 3.1 Requests for Out-of-Town Travel in all cases shall be limited to SANDAG business, conferences, and meetings, legislative hearings, and training classes from which SANDAG will derive a specific benefit through the attendance of a representative and must be approved in advance by an Authorizing Authority.
- 3.2 Out-of-Town ~~conference~~ Travel by SANDAG employees ~~in excess of 200 miles one-way~~ shall be limited to positions of a highly technical or professional nature as designated by the Authorizing Authority.
- 3.3 Any reimbursable Out-of-Town Travel expenses must be properly documented in accordance with a travel request form and shall be submitted for reimbursement within 10 (ten) business days following the completion of travel.
- 3.4 Employees must fill out a travel request form prior to traveling out of San Diego County on SANDAG business. The project code, purpose of travel, and trip budget must be filled in on the form. The form must be approved by the Authorizing Authority prior to travel arrangements being made.
- 3.5 For Board and Committee member travel, the Clerk of the Board or Executive Assistant will fill out the top portion of the travel request form and the Chair of the Board, or upon ~~his/her~~their written delegation the CEO, shall determine whether to approve it based upon the standards in this Policy.
- 3.6 Basic travel arrangements for flights, hotels, and rental cars will be made by the Clerk of the Board, Executive Assistant, or other designated staff. Board and Committee members and employees are responsible for contacting the Clerk of the Board, Executive Assistant, or other designated staff if itinerary changes are needed. Board and Committee members or employees desiring different travel arrangements will contact the Clerk of the Board or other designated staff to place ~~her/him~~them on notice and will be financially responsible for any costs over and above those costs for the basic trip.
- 3.7 If a Board or Committee member or employee initiates a change in travel plans that is not due to a medical/death emergency by the Board or Committee member or employee, or ~~his/her~~their immediate family, then the Board or Committee member or employee will be responsible for the cost impacts of those changes.
- 3.8 Use of air, train, private vehicle, bus, SANDAG vehicle, or other travel mode shall be selected on the basis of the lowest reasonable cost to SANDAG after all expense items are tabulated, including but not limited to travel time salary costs. The responsibility for this consideration rests with the respective Authorizing Authority in approving the proposed travel and may be based upon the assessment of the Clerk of the Board, Executive Assistant, or other staff member or agency charged with making travel arrangements.
- 3.9 When the use of public air carrier transportation is approved, travel expense will only be reimbursed for the equivalent of reserved coach class service. Airfare will be

reimbursed for actual expenses; the use of personal mileage or vouchers for airfare will not be reimbursed.

- 3.10 Authorized travel time shall be based on that required by the most appropriate mode of transportation. Should an employee desire travel time in excess of the above, such time must be approved by the respective Authorizing Authority.
- 3.11 Additional fees such as luggage fees will be reimbursed on the basis of one ~~luggage~~ bag fee per traveler. Extended travel that requires extra luggage may be approved by the respective Authorizing Authority ~~and in accordance with applicable employee leave policies.~~
- 3.12 Board and Committee members and employees will be reimbursed for meals and incidentals using the per diem rates established by the GSA. There are circumstances where these guidelines may not be appropriate. Examples of these circumstances include, but are not limited to the following, and such exceptions must be approved by the Authorizing Authority for reimbursement at actual expense:
 - 3.12.1 Meal costs incurred in connection with training, travel, civic/professional group meetings, etc., which have a set price and for which the individual has little or no choice in the amount paid. These costs usually include speaker, facility, and meal costs.
 - 3.12.2 Circumstances specifically identified in the GSA's Federal Travel Regulation as allowing actual expense reimbursement instead of per diem rates.
- 3.13 Lodging will be reimbursed at actual expenses, not to exceed the guidelines set by the GSA, ~~www~~.gsa.gov. Exceptions will be granted at the discretion of the Authorizing Authority for hotels included with training, travel, civic/professional group meetings, etc., which have a set price and for which the individual has little or no choice in the amount paid, or where specifically allowed in the GSA's Federal Travel Regulation. The use of personal mileage/points or vouchers for lodging will not be reimbursed.
- 3.14 It is the responsibility of Board and Committee members and employees to ensure that expenses are within the guidelines of this Policy.
- 3.15 The number of Board members or Committee members attending any conference or meeting should not exceed a quorum unless this provision is specifically waived by the Board after seeking advice from legal counsel.
- 3.16 The CEO shall develop and implement administrative travel policies and procedures consistent with this Policy.
- 3.17 The CEO shall report any exceptions granted under this Policy to the Board of Directors on a regular basis.

Adopted June 2003

Amended January 2006

Amended December 2006

Amended December 2008

Amended January 2010

Amended November 2012

Amended November 2015

Amended February 2018

Amended June 2021

Amended _____2022



REGIONAL TRANSIT SERVICE PLANNING AND IMPLEMENTATION

This policy specifies the transit service planning and transit development project planning responsibilities of SANDAG (the consolidated agency) and the transit agencies (Metropolitan Transit System and North San Diego County Transit Development Board), and outlines a framework for transit service planning and roles and responsibilities for project development planning. Figure 1.1 includes a flow chart, based on the framework that documents the processes for transit service planning and implementation, for new services and adjustments to existing services. Figure 1.2 identifies the lead and support (active participant) agency responsibilities for both long and short-range transit service planning and development project planning.

This policy will allow the transit system to quickly and efficiently respond to changes in travel demand and operating/fiscal environment, while ensuring that the system is adjusted and developed consistent with longer range regional transportation and land use goals as incorporated into the Regional Plan (the combined Regional Comprehensive Plan (RCP) and the Regional Transportation Plan/Sustainable Communities Strategy [RTP/SCS]), the *TransNet* Ordinance, the Coordinated Plan (the Regional Short-Range Transit Plan & Coordinated Public-Transit-Human Services Transportation Plan), or any other regional planning or legislative documents concerning regional projects (collectively referred to in this Policy as “Regional Planning Documents”). As a result, transit service changes that relate directly to implementation of regional policies, goals, and objectives (service changes with regional significance) are generally those that:

- Serve regional travel demand corridors that cross transit agency jurisdictional boundaries;
 - Significantly affect passenger trip making (as defined by the guidelines contained in the Coordinated Plan; for example, would be found to potentially have a detrimental impact on geographic connections, timed transfers, and the frequency/service span consistency of such services);
 - Require additional regional operating funds above the overall transit agency-adopted budget and projected budget capacity; and
 - Affect the policies, projects, services, and facilities included in Regional Planning Documents.
1. **Agency Responsibilities** – SANDAG and transit agency responsibilities are described below and further specified in Figure 1.2. There is an inherent overlap of some of the responsibilities between SANDAG and the transit agencies in conducting transit service planning and development project planning, as exhibited in Figure 1.2. In addition, SANDAG responsibilities pursuant to the Title VI Requirements and Guidelines for Federal Transit Administration Recipients (Circular 4702.1B) and Environmental Justice Policy Guidance for Federal Transit Administration Recipients (Circular 4703.1) should be coordinated with the related Title VI responsibilities of the transit agencies. Therefore, all planning responsibilities shall be conducted with coordination and consultation between SANDAG and the transit agencies. SANDAG responsibilities are described in Sections 1.1 and 1.2. Transit agency responsibilities are described in Section 1.3.

- 1.1 **SANDAG Planning Responsibilities** – carried out in collaboration with the transit agencies:
- 1.1.1 Prepare long-range transit plans and corridor studies consistent with Regional Planning Documents.
 - 1.1.2 Prepare, no less often than every ~~two-four~~ years, the five-year Coordinated Plan that: (1) establishes the goals and objectives for short-range transit services and human services transportation; (2) defines the existing transit and human services transportation system; (3) sets the framework for a transit operations performance monitoring program as required by the Transportation Development Act and a monitoring program for human services transportation as defined by the Federal Transit Administration (FTA); (4) identifies transit and human service gaps and deficiencies; (5) evaluates existing transit and human services transportation services and programs; (6) establishes parameters for short-range (0-5 years) new and revised service development, as well as regionally significant and all other service adjustments; (7) defines a methodology for evaluating proposals for new and revised service; (8) identifies and prioritizes regional and subarea transit planning studies; and (9) evaluates and prioritizes new and revised services for implementation, including the adoption of an annual Regional Service Implementation Plan. ~~SANDAG will initially maintain the existing service concepts upon which the service is based in order to preserve and improve mobility. FY 2003 budgeted revenue hours/miles will be considered as minimum levels of service for each transit agency with the addition of net service levels for the SPRINTER and Mission Valley East rail projects. If future funding shortfalls occur, necessitating cutbacks in service, then there will be a regionwide process of examination of service levels in order to ensure that service reductions are equitably distributed.~~
 - 1.1.3 Conduct regional and subarea planning studies as prioritized in the Regional Planning Documents.
 - 1.1.4 Develop proposals and service plans for new services or for service adjustments with regional significance, with active participation from the transit agencies, in response to changes in regional travel demand, to address regional service gaps and deficiencies, and to implement plans and programs identified in Regional Planning Documents.
 - 1.1.5 Plan, locate, and design transit infrastructure and facilities (stations, priority treatments, supporting facilities, etc.) for regionally significant transit projects and services identified in Regional Planning Documents with active participation from the transit agencies.
 - 1.1.6 Develop proposals for new and revised services to be included in the Regional Service Implementation Plan.
 - 1.1.7 Ensure that all new and revised services and service adjustments of regional significance are consistent with the goals and objectives of the Coordinated Plan.
 - 1.1.8 Coordinate with transit agencies to provide community outreach and conduct market research.

- 1.1.9 Conduct regional performance monitoring to provide input into the Coordinated Plan and other short-range transit studies. The regional performance monitoring will be based on the type of service and type of service area. ~~Any net service reduction in a specific transit agency area resulting from the service evaluation process that takes that transit agency below its FY 03 service level (pursuant to Section 1.1.2) will be reprogrammed to that transit agency service area for other improvements up to the FY 03 base level of service.~~
 - 1.1.10 Provide technical assistance to transit operators for local route planning.
 - 1.1.11 Develop and update, as required, with input from the transit agencies, the Coordinated Transportation Plan for San Diego County as required by legislation. SANDAG also will manage the competitive process for granting FTA funds available as a result of production of a Coordinated Transportation Plan.
 - 1.1.12 Participate in development of transit vehicle specifications for vehicles acquired for regionally significant projects and services that are funded through projects identified in Regional Planning Documents.
 - 1.1.13 Collaborate with the transit agencies on a branding framework, compatible with the transit agencies' individual branding programs, that incorporates regionally significant projects and services identified in the Regional Planning Documents. The transit agencies and SANDAG will undertake a study to develop a mutually agreed upon branding framework for the region.
- 1.2 **SANDAG FTA Responsibilities** – carried out in collaboration with the transit agencies:
- 1.2.1 Fare Changes. SANDAG recognizes that the revenues generated from customer fares are a critical part of the respective transit agencies achieving a balanced budget that supports the provision of the highest levels of service. To the maximum extent possible, SANDAG will conduct its analyses in a manner that is consistent with the budget goals established by the transit agencies while adhering to the requirements specified by the FTA. SANDAG will evaluate, prior to implementation in the Fare Ordinance, all fare changes, to determine whether those changes will have a disparate impact on minorities (based on race, color, or national origin) or result in a disproportionate burden on low-income persons. SANDAG will prepare Environmental Justice or Title VI reports in accordance with SANDAG disparate impact and disproportionate burden analysis methodologies, which are defined below.

- 1.2.1.1 SANDAG will determine the existence of disparate impacts to **minority** populations for all Fare Ordinance changes. Pursuant to Title VI of the Civil Rights Act, disparate impacts are found when there is a difference in adverse effects between minority and non-minority areas of ten percent (10%) or more. Minority populations will be deemed adversely affected when the proportion of minority persons adversely affected by the change exceeds the average proportion of minority persons in the analysis service area. If SANDAG, in consultation with the transit operators, chooses to implement a proposed fare change in the Fare Ordinance despite a finding of disparate impact on minority populations, or if SANDAG finds, in consultation with the transit operators, even after the revisions, that minority populations will continue to bear a disproportionate share of the adverse effects of a proposed fare change, SANDAG may implement the fare change only if:
- 1.2.1.1.1 There is a substantial legitimate justification¹ for the proposed fare change, and
 - 1.2.1.1.2 A finding is made that there are no alternatives that would have a less disparate impact on minority populations and still accomplish the legitimate goals of the fare change.
- 1.2.1.2 SANDAG will determine the existence of disproportionate burdens on **low-income** populations for all Fare Ordinance changes. Pursuant to Executive Order 12898 (Clinton 1994), disproportionate burdens are found when there is a difference in adverse effects between low-income and non-low income populations of ten percent (10%) or more. Low-income populations will be deemed adversely affected when the proportion of low-income persons (using a threshold of at or below 200 percent of the U.S. Department of Health and Human Services poverty guidelines) adversely affected exceeds the average proportion of low-income persons in the analysis service area. If SANDAG chooses, in consultation with the transit operators, to implement a proposed fare change in the Fare Ordinance despite a finding of disproportionate burden on low-income ridership, or if SANDAG finds, in consultation with the transit operators, even after the revisions, that low-income riders will continue to bear a disproportionate burden due to the proposed fare change, SANDAG may implement the fare change only if the transit agency(ies) show that they will:
- 1.2.1.2.1 Take steps to avoid, minimize, or mitigate impacts where practicable, and
 - 1.2.1.2.2 Provide a description of alternatives available to low-income populations affected by the fare changes.

¹ This standard is met if the fare change is needed to meet a goal that is legitimate, important, and integral to the agency.

- 1.2.2 Reporting. SANDAG will prepare Title VI reports in accordance with this policy, which shall be posted to the SANDAG website, as required by FTA for Metropolitan Planning Organizations and transit agencies.
- 1.2.3 Service Changes. SANDAG will notify the transit agencies of any service changes that may be required as a result of New Start, Small Start, or other new transit capital projects that will be constructed by SANDAG in adequate time to allow the transit agency(ies) to conduct a service change equity analysis at least six months prior to the beginning of revenue operations. SANDAG will provide information and cooperate with the transit agency(ies) on any service change equity analyses that are needed as a result of such construction.
- 1.3 **Transit Agency Responsibilities** – carried out in collaboration with SANDAG:
 - 1.3.1 Develop service and schedule adjustments to ensure system optimization and to respond to immediate operational issues (e.g., detours, overcrowding, on-time performance, and minor out-of-direction routing changes).
 - 1.3.2 Conduct local transit studies and analyses within the transit agency's service area in response to changes in local travel demand, to address service gaps and deficiencies, to develop service reductions/efficiencies, to address operating budget deficits, and to address goals and implement plans developed in the Coordinated Plan.
 - 1.3.3 Develop proposals for new and revised services to be included in the Regional Service Implementation Plan.
 - 1.3.4 Develop proposals to reallocate unproductive resources to implement unfunded services identified as high priority in the Regional Service Implementation Plan or consistent with the Coordinated Plan.
 - 1.3.5 Develop a public input process and hold required public hearings for service changes. The transit agencies should ensure that the public input process for public hearings on service changes would be conducted in a manner to facilitate public input from the affected area.
 - 1.3.6 Develop marketing and branding programs for the transit services within its jurisdiction and collaborate with SANDAG on a compatible branding framework that incorporates regionally significant projects and services identified in Regional Planning Documents. The transit agencies and SANDAG will undertake a study to develop a mutually agreed upon branding framework for the region.
 - 1.3.7 Provide community outreach and conduct market research, in coordination with SANDAG.
 - 1.3.8 Develop operating plans for special event transit service and service contingencies.
 - 1.3.9 Monitor existing operations and services to provide input into service analyses and short-range transit studies.
 - 1.3.10 Conduct bus stop location planning.

- 1.3.11 Implement service, including scheduling, run-cutting, operations, contract services, service management, and labor contract administration.
- 1.3.12 Provide input on long- and short-range transit plans, and regional performance monitoring.
- 1.3.13 If a service addition or change will last longer than twelve months and qualifies as a major service change, or if a New Starts, Small Starts, or other new fixed guideway capital project is proposed, conduct a service change equity analysis consistent with the FTA Circulars if required by FTA for transit agencies, and provide the reports to SANDAG and FTA.
- 1.3.14 Actively participate in the development of service plans for service adjustments with regional significance, in response to changes in regional travel demand, to address regional service gaps and deficiencies and to implement plans and programs identified in Regional Planning Documents.
- 1.3.15 Actively participate in the planning, location and design of transit infrastructure and facilities (stations, priority treatments, supporting facilities, etc.) for regionally significant transit projects and services identified in Regional Planning Documents.
- 1.3.16 Develop transit vehicle specifications, with active participation from SANDAG, for vehicles for all service types, including local bus, shuttles, bus rapid transit, rail, and others.
- 1.3.17 Conduct a fare equity analysis for promotional or temporary fare changes when required by FTA and provide the analysis to SANDAG in the event the fare change must be incorporated into the Fare Ordinance.

2. **Transit Service Planning Framework** – This framework allows the transit system to quickly and efficiently respond to changes in travel demand and operating/fiscal environment, while ensuring that the system is adjusted and developed consistent with longer range regional transportation and land use goals.

Step 1: Guidance

A Coordinated Plan, consistent with SANDAG’s RTP and RCP, will be drafted ~~annually every four years~~ by SANDAG, with active participation from the transit agencies. The Coordinated Plan will establish goals and objectives and provide guidance for service planning ~~during the upcoming year~~ and will balance the ~~immediate~~ needs of optimizing the transit system in response to operational and financial constraints, with the mid- and long-range system development goals established in the long-range plans.

Step 2: Develop Service Adjustments

Throughout the year, transit agency and SANDAG staff develop proposals, in accordance with the Coordinated Plan, to adjust existing services and develop new services. These service adjustments help to optimize existing services, reflect changes to the operating and fiscal environment, respond to customer comments and requests, and begin to implement and support services envisioned in the long-range plans. Service adjustments can be a result of such things as schedule analysis, trip and route level evaluation, and subregional and regional transit studies. Service adjustments with regional significance should be developed as collaborative efforts between SANDAG and transit agency staff.

Step 3: Evaluation and Approval

Prior to approval for implementation, all service adjustments should be:

- Consistent with the Coordinated Plan;
- Presented for public hearing in the impacted service area if required by SANDAG, the appropriate transit agency, or by FTA policies and regulations; and
- Fully funded either through a reallocation of resources or as part of the budget process.

Service adjustments with regional significance should be endorsed by the appropriate transit agency and determined to be consistent with regional policies, goals and objectives by SANDAG prior to public hearing and implementation, while local and minor service adjustments may be approved for implementation by the transit agencies after advising SANDAG of the proposed changes.

Step 4: Implementation

As a general practice, service changes should be implemented during a regularly scheduled service change date (scheduled for winter, spring, and summer). Implementation of major service changes should be preceded by community outreach, a marketing campaign, and public notices, as appropriate. Service implementation is the responsibility of the transit agencies.

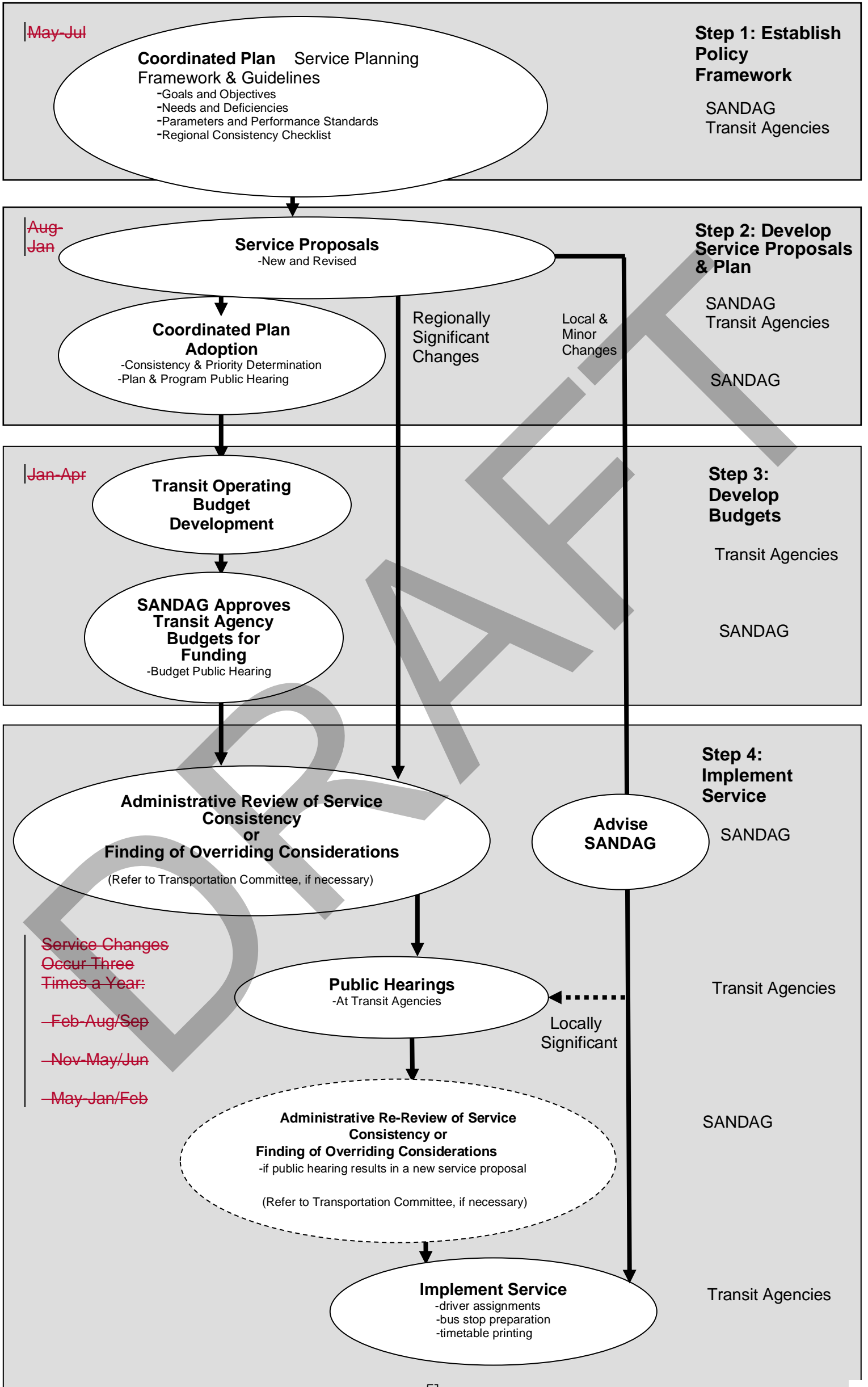
Step 5: Monitoring

Performance monitoring will be conducted on an ongoing basis to evaluate new and existing services and service adjustments. SANDAG will monitor the transit system performance on a systemwide and transit agency level on an annual and quarterly basis. Transit agencies will monitor their operations performance on an annual, quarterly, and monthly basis, as appropriate. Performance measures will evaluate productivity, cost-effectiveness, and quality of service. Performance results will be used as a basis for developing the Coordinated Plan, and other planning studies and analysis.

Attachments: Figure 1.1 – Regional Transit Service Planning and Implementation Process
Figure 1.2 – Roles and Responsibilities for Service Planning Activities

Adopted June 2003
Amended September 2004
Amended March 2005
Amended August 2006
Amended December 2008
Amended February 2012
Amended May 2013
Amended January 2017
[Amended __2022](#)


**Figure 1.1
Regional Transit Service Planning and Implementation Process**



**FIGURE 1.2
ROLES AND RESPONSIBILITIES FOR TRANSIT PLANNING AND IMPLEMENTATION ACTIVITIES**

	TRANSIT AGENCY			SANDAG		
	Operations	Marketing	Service Planning	Development Planning	Long Range Planning	
POLICY AND GUIDANCE						
Regional Transportation Plan (RTP)					Lead	
Short Range Transit Plan (SRTP)			Lead			
LONG-RANGE SERVICE DEVELOPMENT						
Subarea Studies					Lead	
MID-RANGE SERVICE DEVELOPMENT						
BRT/Rail System Development (Service Plan)*				Lead		
Transit Centers (Station Location/Facility Design)				Lead		
Regional Branding Framework			Shared			
SHORT RANGE SERVICE RESTRUCTURING						
Feeder Bus Studies/BRT Supporting Networks				Lead		
Subarea Studies (e.g. Downtown, NB/PB/LJ, Univ. Ave)			Shared			
Systemwide Service Optimization (e.g. COA)			Lead			
COMMUNITY OUTREACH						
Service Change Public Hearings			Lead			
Developer Plan Review - land use, regional plan conformity				Lead		
Developer Plan Review - community liaison			Lead			
Market Research		Shared				
Transit Liaison to Communities		Shared				
Respond to Community Service Requests			Shared			
Respond to Operational Issues	Lead					
Marketing/Branding Jurisdiction Services		Lead				
PERFORMANCE MONITORING						
Annual Route Monitoring			Lead			
New Service Proposal Evaluation			Shared			
Performance Improvement Program				Lead		
Quarterly Operations Evaluation			Lead			
Operational Data Collection			Lead			
Assistance to Transit Operators (ATO) Data Collection				Lead		
Monthly Operations Reporting			Lead			
National Transit Database (NTD) Reporting			Lead			
ROUTE SPECIFIC ADJUSTMENTS						
Bus Stop Location Planning			Lead			
Trip Level Schedule Adjustments			Lead			
Minor Route Changes			Lead			
Service Reductions - Minor			Lead			
Service Reductions - Regionally Significant				Lead		
OPERATIONS AND MAINTENANCE						
Scheduling			Lead			
Runcutting	Lead		Lead			
Driver Bids	Lead					
Ensure Implementation of Service Plans	Lead					
Service Provision	Lead					
Vehicle Specification/Procurement	Lead					

* Includes Mid-Coast LRT/BRT and South Bay to Sorrento Mesa BRT
Revised December 2016

Lead - Primary or Lead Function
 - Active Participation and Support



BOARD POLICY NO. **032**

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION INTEREST RATE SWAP POLICY

The purpose of the Interest Rate Swap Policy of the San Diego County Regional Transportation Commission (SANDAG) is to establish guidelines for the use and management of interest rate swaps and options. The "Interest Rate Swap Policy" or the "Policy" is intended to provide general procedural direction regarding the use, procurement and execution of interest rate swaps. The Policy is intended to relate to various interest rate hedging techniques, including the contractual exchange of different fixed and variable rate payment streams through interest rate swap agreements and is not intended to relate to other derivative products that SANDAG may consider.

SANDAG is authorized under California Government Code Section 5922 to enter into interest rate swaps to manage the amount and duration of rate, spread, or risk when used in combination with the issuance of bonds or notes.

1. Scope and Authority

This Interest Rate Swap Policy shall govern SANDAG's use and management of all interest rate swaps and options. While adherence to this Policy is required in applicable circumstances, SANDAG recognizes that changes in the capital markets, SANDAG's programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate provided specific authorization from the Board of Directors is obtained.

The Interest Rate Swap Policy shall be reviewed and updated at least annually and presented to the Board of Directors for approval. Day-to-day responsibility for management of interest rate swaps shall fall within the responsibilities of the Chief Financial Officer.

SANDAG shall be authorized to enter into interest rate swap transactions only with qualified swap counterparties. The Chief Financial Officer, in consultation with SANDAG's bond counsel and financial advisor, shall have authority to select the counterparties, so long as the criteria set forth in the Interest Rate Swap Policy are met.

2. Approach and Objectives

Interest rate swaps and options are appropriate interest rate management tools that can help SANDAG meet important financial objectives. Properly used, these instruments can increase SANDAG's financial flexibility, hedge exposure to interest rate risk, provide opportunities for interest rate savings or enhanced investment yields, and help SANDAG manage its balance sheet through better matching of assets and liabilities. Swaps should be integrated into SANDAG's overall debt program and should not be used for speculation or leverage.

Swaps are appropriate to use when they achieve a specific objective consistent with SANDAG's overall financial strategies. They may be used, for example, to lock in a current market fixed rate or create additional variable rate exposure. They may also be used to produce interest rate savings, to limit or hedge variable rate exposure, to alter the pattern of debt service payments or for asset/liability matching purposes. Swaps may be used to cap, limit or hedge variable rate payments. Options granting the right to commence or cancel an underlying swap may be used to the extent the swap itself is consistent with these guidelines or SANDAG determines there are other advantages to be derived in purchasing or granting the option; however, SANDAG must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and SANDAG's objectives. SANDAG, together with SANDAG's financial advisor and bond counsel, shall periodically review SANDAG's swap guidelines and recommend appropriate changes.

3. Conditions for Use of Interest Rate Swaps and Options

3.1. Rationale

SANDAG may use interest rate swaps and options if it is reasonably determined that the proposed transaction is expected to:

- 3.1.1 Optimize capital structure, including schedule of debt service payments and/ or fixed vs. variable rate allocations.
- 3.1.2 Achieve appropriate asset/liability match.
- 3.1.3 Reduce risk, including:
 - 3.1.3.1 Interest rate risk;
 - 3.1.3.2 Tax risk; or
 - 3.1.3.3 Liquidity renewal risk.
- 3.1.4 Provide greater financial flexibility.
- 3.1.5 Generate interest rate savings.
- 3.1.6 Enhance investment yields.
- 3.1.7 Manage exposure to changing markets in advance of anticipated bond issuances (through the use of anticipatory hedging instruments).

3.2. Benefit Expectation

Financial transactions, using fixed rate swaps or other derivative products, should result in debt service savings of at least 2% when compared to the projected debt service SANDAG would consider for traditional bonds or notes. This threshold will serve as a guideline and will not apply should the transaction, in SANDAG's sole judgment, meet any of the other objectives outlined herein. The debt service savings target reflects the greater complexity and higher risk of derivative financial instruments. Such comparative savings analyses shall include, where applicable, the consideration of the probability (based on historical interest rate indices, where applicable, or other accepted analytic techniques) of the realization of savings for both the derivative and traditional structures.

For example, assuming a refunding of \$100 million of existing bonds, if a traditional fixed rate advance refunding that does not use derivative products would have a present value savings threshold of \$5.0 million, which is 5.0% of the refunded par, then a refunding structure utilizing a derivative product would have to achieve a threshold of \$7.0 million in present value savings, or 7.0% of the refunded par. Therefore, the transaction utilizing a swap or other derivative product would have to generate an additional \$2.0 million to meet the target. Such analysis should consider structural differences in comparing traditional vs. derivative alternatives, e.g., the non-callable nature of derivative transactions.

For variable rate or other swap transactions that do not result in a fixed interest rate, SANDAG will evaluate any additional value generated through the transaction in assessing the benefits of proceeding, including the ability to meet the objectives outlined herein. These benefits include, for example, managing interest rate or tax risk, optimizing the capital structure or further reducing interest expense.

In determining any benefit in implementing a fixed-to-variable swap, the cost of remarketing, in addition to the cost of credit enhancement or liquidity fees, must be added to the projected variable rate of the bonds or notes. Such a calculation should consider the trading performance of comparable bonds or notes and any trading premium resulting from a specific form of credit enhancement or liquidity and/or any impact related to broader industry trends.

3.3. Maximum Notional Amount

SANDAG will limit the total notional amount of outstanding interest rate swaps based on the proper management of risks, calculation of termination exposure, and development of a contingency plan. The total "net notional amount" of all swaps related to a bond or note issue should not exceed the outstanding or expected to be issued par amount of the related bonds or notes. For purposes of calculating the net notional amount, credit shall be given to any fixed versus variable rate swaps that offset for a specific bond or note transaction

3.4. Maximum Maturity

SANDAG shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. In connection with the issuance or carrying of bonds or notes, the term of the swap agreement between SANDAG and a qualified swap counterparty shall not extend beyond the final maturity date of the related bonds or notes.

3.5. Liquidity Considerations

SANDAG shall consider the impact of any variable rate bonds or notes issued in combination with an interest rate swap on the availability and cost of liquidity support for other variable rate programs. SANDAG recognizes that there is a limited supply of letter of credit or liquidity facility support for SANDAG's variable rate bonds or notes, and the usage of liquidity support in connection with an interest rate swap may result in higher overall financing costs. SANDAG shall consider the benefits of not using liquidity when using a fixed rate bond in conjunction with a swap to variable to create synthetic variable rate debt.

3.6. Call Option Value Considerations

When considering the relative advantage of an interest rate swap to fixed rate bonds, SANDAG will consider the value of the call option on fixed rate bonds, or the cost of

including a call or cancellation option in a swap. The value derived from the ability to call bonds at a future date is foregone when using a “non-callable” swap for the remaining term of the bonds. While fixed rate bonds are typically structured with a call provision at a certain time, after which the bonds may be refunded, this opportunity may be lost through the utilization of a long-dated “non-callable” swap, impairing SANDAG’s ability to reap economic savings, unless this option is specifically included under the swap.

4. Interest Rate Swap Features

4.1. Interest Rate Swap Agreement

SANDAG will use terms and conditions as set forth in the International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement. The swap agreement between SANDAG and each swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as SANDAG, in consultation with its bond and general counsel and financial advisor, deems necessary or desirable.

Subject to the provisions contained herein, the terms of SANDAG’s swap agreement shall use the following guidelines:

- 4.1.1 SANDAG’s downgrade provisions triggering termination shall in no event be worse than those affecting the counterparty.
- 4.1.2 Governing law for swaps will be New York or California.
- 4.1.3 The specified indebtedness related to credit events in any swap agreement should be narrowly defined and refer only to indebtedness of SANDAG that could have a materially adverse affect on SANDAG’s ability to perform its obligations under the swap.
- 4.1.4 Collateral thresholds for the swap provider, and for SANDAG if applicable, should be set on a sliding scale reflective of credit ratings of the swap provider or guarantor. Collateral should be held by an independent third party.
- 4.1.5 Eligible collateral is outlined in Appendix A.
- 4.1.6 Termination value should be set by a “market quotation” methodology, unless SANDAG deems an alternative methodology to be appropriate.
- 4.1.7 SANDAG will consider the use of swap insurance to mitigate possible termination risk and also to mitigate the need for SANDAG to post collateral under the Credit Support Annex.

4.2. Interest Rate Swap Counterparties

4.2.1 Credit Criteria

SANDAG will only do business with highly rated counterparties or counterparties whose obligations are supported by highly rated parties. SANDAG will structure swap agreements to protect itself from credit deterioration of counterparties, including the use of credit support annexes or other forms of credit enhancement to secure counterparty performance. Such protection shall include any terms and conditions in SANDAG’s sole discretion are necessary or appropriate or in SANDAG’s best interest.

SANDAG will make its best efforts to work with qualified swap counterparties that at the time of execution of a swap transaction have a general credit rating of: (i) at least “Aa3” or “AA-” by one of the nationally recognized rating agencies and not rated lower than “A2” or “A” by any nationally recognized rating agency, or (ii) have a “AAA” subsidiary as rated by at least one nationally recognized credit rating agency. The nationally recognized rating agencies are Moody’s Investors Services, Inc., Standard and Poor’s Rating Services, and Fitch Ratings.

For lower rated (below “AA-”) counterparties, SANDAG will seek credit enhancement in the form of:

- 4.2.1.1 Contingent credit support or enhancement;
- 4.2.1.2 Collateral consistent with the policies contained herein;
- 4.2.1.3 Ratings downgrade triggers; or
- 4.2.1.4 Guaranty of parent, if any.

In addition, qualified swap counterparties must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market.

4.2.2 Swap Dealers

Each swap counterparty with which SANDAG executes a swap transaction will be registered with the Commodity Futures Trading Commission (“CFTC”) as a “swap dealer.”

4.3. Limitations on Termination Exposure to a Single Counterparty

In order to diversify SANDAG’s counterparty credit risk, and to limit SANDAG’s credit exposure to any one counterparty, limits will be established for each counterparty based upon both the credit rating of the counterparty as well as the relative level of risk associated with each existing and proposed swap transaction. The guidelines below provide general termination exposure guidelines with respect to whether SANDAG should enter into an additional transaction with an existing counterparty. SANDAG may make exceptions to the guidelines at any time to the extent that the execution of a swap achieves one or more of the goals outlined in these guidelines or provides other benefits to SANDAG. In general, the maximum Net Termination Exposure, as defined below, to any single counterparty should be set so that it does not exceed a prudent level as measured against the available financial resources of SANDAG.

Such guidelines will also not mandate or otherwise force automatic termination by SANDAG or the counterparty. Maximum Net Termination Exposure is not intended to impose retroactively any terms and conditions on existing transactions. Such provisions will only act as guidelines in making a determination as to whether or not a proposed transaction should be executed given certain levels of existing and projected net termination exposure to a specific counterparty. Additionally, the guidelines below are not intended to require retroactively additional collateral posting for existing transactions. Collateral posting guidelines are described in the “Collateral Requirements” section below. The calculation of net termination exposure per counterparty will take into consideration multiple transactions, some of which may offset the overall exposure to SANDAG.

Under this approach, SANDAG will set limits on individual counterparty exposure based on existing as well as new or proposed transactions. The sum of the current market value and the projected exposure shall constitute the Maximum Net Termination Exposure. For outstanding transactions, current exposure will be based on the market value as of the last quarterly swap valuation report provided by the financial advisor. Projected exposure shall be calculated based on the swap's potential termination value taking into account possible adverse changes in interest rates as implied by historical or projected measures of potential rate changes applied over the remaining term of the swap.

For purposes of this calculation, SANDAG shall include all existing and projected transactions of an individual counterparty and all transactions will be analyzed in aggregate such that the maximum exposure will be additive.

The exposure thresholds, which will be reviewed periodically by SANDAG to ensure that they remain appropriate, will also be tied to credit ratings of the counterparties and whether or not collateral has been posted as shown in the table below. If a counterparty has more than one rating, the lowest rating will govern for purposes of the calculating the level of exposure.

The following chart provides the Maximum Net Termination Exposure to a swap counterparty given the lowest credit rating.

Credit Rating Category	Maximum Collateralized Exposure	Maximum Uncollateralized Exposure	Maximum Total Termination Exposure
AAA	Not applicable	\$50 million	\$100 million
AA	\$50 million	\$50 million	\$100 million
A	\$30 million	\$15 million	\$45 million
Below A	\$30 million	None	\$30 million

If the exposure limit is exceeded by a counterparty, SANDAG shall conduct a review of the exposure limit per counterparty. SANDAG, in consultation with its bond counsel and financial advisor, shall explore remedial strategies to mitigate this exposure.

4.4. Collateral Requirements

As part of any swap agreement, SANDAG may require collateralization or other forms of credit enhancements to secure any or all swap payment obligations. As appropriate, SANDAG may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

- 4.4.1 Each counterparty to SANDAG may be required to post collateral (subject to applicable thresholds) if the credit rating of the counterparty or parent falls below the "AA" category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the Credit Support Annex of the ISDA Agreement between each counterparty and SANDAG.
- 4.4.2 Threshold amounts shall be determined by SANDAG on a case-by-case basis. SANDAG will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.

- 4.4.3 In determining maximum uncollateralized exposure, SANDAG shall also consider and include, as applicable, financial exposure to the same corporate entities that it may have through other forms of financial dealings, such as securities lending agreements and commercial paper investments.
- 4.4.4 Collateral shall be deposited with a third party trustee, or as mutually agreed upon between SANDAG and the counterparty.
- 4.4.5 A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty. A complete list of acceptable securities and valuation percentages are included as Attachment A.
- 4.4.6 The market value of the collateral shall be determined on at least a weekly basis, or more frequently if SANDAG determines it is in SANDAG's best interest given the specific collateral security.
- 4.4.7 SANDAG shall determine on a case-by-case basis whether other forms of credit enhancement are more beneficial to SANDAG.

4.5. Swap Insurance

If, after a cost/benefit analysis, it is determined that it would be beneficial to insure the interest rate swap, swap insurance will be pursued.

4.6. Security and Source of Repayment

SANDAG will generally use the same security and source of repayment (pledged revenues) for the interest rate swap as is used for the related bond or note issue.

4.7. Prohibited Interest Rate Swap Features

SANDAG will not use interest rate swaps that are: (i) speculative or create extraordinary leverage or risk, (ii) lack adequate liquidity to terminate without incurring a significant bid/ask spread, (iii) provide insufficient price transparency to allow reasonable valuation, or (iv) are used as investments.

5. Evaluation and Management of Interest Rate Swap Risks

Prior to the execution of any swap transaction, SANDAG's Chief Financial Officer, financial advisor and bond counsel shall evaluate the proposed transaction and report the findings to SANDAG's Board. Such a review shall include the identification of the proposed benefit and potential risks. As part of this evaluation, SANDAG shall compute the Maximum Net Termination Exposure to the proposed swap counterparty.

5.1. Evaluation Methodology

SANDAG will review the following areas of potential risk for new and existing interest rate swaps:

Type of Risk	Description	Evaluation Methodology
Basis Risk	The mismatch between actual variable rate debt service and variable rate indices used to determine swap payments.	SANDAG will review historical trading differentials between the variable rate bonds or notes and the index.
Tax Risk	The risk created by potential tax events that could affect swap payments.	SANDAG will review the tax events in proposed swap agreements. It will also evaluate the impact of potential changes in tax law on LIBOR indexed swaps.
Counterparty Risk	The risk that the counterparty fails to make required payments.	SANDAG will monitor exposure levels, ratings thresholds and collateralization requirements.
Termination Risk	The risk that the transaction is terminated in a market dictating termination payment by SANDAG.	SANDAG will compute its termination exposure for all existing and proposed swaps at market value and under a worst-case scenario. SANDAG will consider use of swap insurance to mitigate this risk.
Rollover Risk	The mismatch of the maturity of the swap and the maturity of the underlying bonds or notes.	SANDAG will determine its capacity to issue variable rate bonds or notes that may be outstanding after the maturity of the swap.
Liquidity Risk	The inability to continue or renew a liquidity facility.	SANDAG will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt and will consider the use of variable rate debt that does not require liquidity (e.g., auction rate securities)
Credit Risk	The occurrence of an event modifying the credit rating of the issuer or its counterparty.	SANDAG will monitor the ratings of its counterparties and insurers.

5.2. Managing Interest Rate Swap Risks

5.2.1 Annual Report to the Board

Staff will evaluate the risks associated with outstanding interest rate swaps at least annually and provide a written evaluation to the Board of Directors. This evaluation will include the following information:

5.2.2 A description of all outstanding interest rate swaps, including related bond series, types of swaps, rates paid and received by SANDAG, existing notional amount, average life and remaining term of each swap agreement and the current termination value of outstanding swaps.

5.2.2.1 Separately for each swap, the actual debt service requirements versus the projected debt service on the swap transaction. For any swap used as part of a refunding, the actual cumulative savings versus the projected savings at the time the swap was executed.

- 5.2.2.2 The credit ratings of each swap counterparty, parent, guarantor and credit enhancer insuring the swap payments, if any.
 - 5.2.2.3 Actual collateral posting by swap counterparty, if any, per swap agreement and in total by swap counterparty.
 - 5.2.2.4 Information concerning any material event involving outstanding swap agreements, including a default by a swap counterparty, counterparty downgrade or termination.
 - 5.2.2.5 An updated contingency plan to replace, or fund a termination payment in the event an outstanding swap is terminated.
 - 5.2.2.6 The status of any liquidity support used in connection with interest rate swaps, including the remaining term and current fee.
- SANDAG shall review the Interest Rate Swap Policy with the Board at least annually.

5.2.3 Contingency Plan

SANDAG shall determine the termination exposure of each of its swaps and its total swap termination payment exposure at least annually and prepare a contingency plan to either replace the swaps or fund the termination payments, if any, in the event one or more outstanding swaps are terminated. SANDAG shall assess its ability to obtain replacement swaps and identify revenue sources to fund potential termination payments.

5.3. Terminating Interest Rate Swaps

5.3.1 Optional Termination

SANDAG will structure interest rate swaps to include optional termination at the current market valuation, which would allow SANDAG to terminate a swap prior to its maturity if it is determined that it is financially advantageous to do so, but will not provide this right to the counterparty.

5.3.2 Mandatory Termination

In the event a swap is terminated as a result of a termination event such as a default or credit downgrade of either counterparty, SANDAG will evaluate whether it is financially advantageous to obtain a replacement swap or, depending on market value, make or receive a termination payment.

In the event SANDAG makes a swap termination payment, SANDAG shall attempt to follow the process identified in its swap contingency plan. SANDAG shall also evaluate the economic costs and benefits of incorporating a provision into the swap agreement that will allow SANDAG to make termination payments over time.

6. Disclosure and Financial Reporting

SANDAG will take steps to ensure that there is full and complete disclosure of all interest rate swaps to the SANDAG Board of Directors, rating agencies and in disclosure documents. With respect to its financial statements, SANDAG will adhere to the guidelines for the financial reporting of interest rate swaps as set forth by the Government Accounting Standards Board.

7. Dodd-Frank Act

7.1. Conformance to Dodd-Frank

It is the intent of SANDAG to conform this Policy to the requirements relating to legislation and regulations for derivatives transactions under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as supplemented and amended from time to time, including any regulations promulgated in connection therewith (herein collectively referred to as “Dodd-Frank”). Pursuant to such intent, it is the policy of SANDAG that, with respect to each interest rate swap: (i) each swap advisor engaged or to be engaged by SANDAG will function as the designated qualified independent representative of SANDAG, sometimes referred to as the “Designated QIR”; (ii) each swap advisor will agree to meet and meets the requirements specified in CFTC Regulation 23.450(b)(1) or any successor regulation thereto (herein referred to as the “Representative Regulation”); (iii) each swap advisor will provide a written certification to SANDAG to the effect that such swap advisor agrees to meet and meets the requirements specified in the Representative Regulation; (iv) SANDAG will monitor the performance of each swap advisor consistent with the requirements specified in the Representative Regulation; (v) SANDAG will exercise independent judgment in consultation with its swap advisor in evaluating all recommendations, if any, presented by any swap dealer with respect to transactions authorized pursuant to this Policy; and

(vi) SANDAG will rely on the advice of its swap advisor with respect to interest rate swaps authorized pursuant to this Policy and will not rely on recommendations, if any, presented by any swap dealer with respect to interest rate swaps authorized pursuant to this Policy.

7.2. Legal Entity Identifier

SANDAG shall obtain and maintain current at all times a “legal entity identifier” from a firm designated by the CFTC to provide such numbers.

7.3. Clearing

In connection with the execution of any swap entered into on or after September 9, 2013, SANDAG shall complete and maintain, as required by the CFTC, an annual filing regarding how it generally meets its financial obligations associated with entering into uncleared swaps.

7.4. Recordkeeping

Comprehensive records shall be maintained, either in paper or electronic form, of any interest rate swap entered into by SANDAG for at least five (5) years following the termination thereof. Such records shall be retrievable within five (5) business days and shall be open to inspection by the CFTC.

Adopted: November 2005
Amended November 2013
Amended November 2014
Amended June 2021

APPENDIX A: ACCEPTABLE COLLATERAL

SECURITY	VALUATION PERCENTAGE
(A) Cash	100%
(B) (x) Negotiable debt obligations issued by the U.S. Treasury Department or the Government National Mortgage Association (“Ginnie Mae”), or (y) mortgage backed securities issued by Ginnie Mae (but with respect to either (x) or (y) excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service) and in each case having a remaining maturity of:	
(i) less than one year	99%
(ii) greater than one year but less than 10 years	98%
(iii) greater than 10 years	95%
(C) (x) Negotiable debt obligations issued by the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or the Federal Home Loan Mortgage Association (“Fannie Mae”) or (y) mortgage backed securities issued by Freddie Mac or Fannie Mae but excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service.	95%
(D) Any other collateral acceptable to SANDAG’s sole discretion.	The valuation percentage shall be determined by the Valuation Agent from time to time and in its reasonable discretion.

For example, if a counterparty is required to post \$1.0 million of collateral and wished to use Ginnie Mae’s with five years remaining to maturity, it would be required to post \$1,052,632 (\$1.0 million/0.95) to satisfy the collateral requirement.

APPENDIX B: GLOSSARY OF TERMS

Asset/Liability Matching

Matching the term and amount of assets and liabilities in order to mitigate the impact of changes in interest rates.

Bid/Ask Spread

The difference between the bid price (at which a market maker is willing to buy) and the ask price (at which a market maker is willing to sell).

Call Option

The right to buy an underlying asset (e.g. a municipal bond) after a certain date at a certain price. A call option is frequently embedded in a municipal bond, giving the issuer the right to buy, or redeem, the bonds at a certain price.

Collateral

Assets pledged to secure an obligation. The assets are potentially subject to seizure in event of default.

Downgrade

A negative change in credit ratings.

Forward Starting Swap

Interest rate swap that starts at some time in the future. Used to lock-in current interest rates.

Hedge

A transaction that reduces the interest rate risk of an underlying security.

Interest Rate Exchange Agreement

An agreement detailing the contractual exchange of interest payment streams between counterparties. Often the exchange of a fixed and a floating interest rate between two parties. Also called an interest rate swap.

Interest Rate Swap

An agreement detailing the contractual exchange of interest payment streams between counterparties. Often the exchange of a fixed and a floating interest rate between two parties. Also called an interest rate exchange agreement.

Liquidity Support:

An agreement by a bank to make payment on a variable rate security to assure investors that the security can be sold.

LIBOR

London Interbank Offered Rate. Often used as an index to compute the variable rate paid on an interest rate swap.

Maximum Net Termination Exposure

The aggregate termination payment for all existing and projected swap transactions that would be paid by an individual counterparty. For purposes of this calculation, the aggregate termination payment is equal to: (i) the termination payment based on the market value of all existing swaps, plus (ii) the expected worst-case termination payment of the proposed transaction. The expected worst-case termination payment shall be calculated assuming interest rates, as measured by the appropriate index (typically the Bond Buyer Revenue Bond Index or Bond Market Association), increase (or decrease) by two standard deviations from the sample mean over a period of time corresponding to the term of the swap.

Notional Amount

The amount used to determine the interest payments on a swap.

Termination Payment

A payment made by a counterparty that is required to terminate the swap. The payment is commonly based on the market value of the swap, which is computed using the rate of the initial swap and the rate on a replacement swap.



BOARD POLICY NO. 033

SANDAG GRANT FUNDING INCENTIVES TO ACCELERATE HOUSING PRODUCTION IMPLEMENTATION GUIDELINES FOR SANDAG REGIONAL HOUSING NEEDS ASSESSMENT FUNDING INCENTIVES

Applicability and Purpose of Policy

Board Policy No. 033 establishes guidelines for incentivizing local participation in the achievement of regional housing goals. The Policy only applies to discretionary funding allocated by SANDAG through a competitive process to the cities and the County in the San Diego region ("local jurisdictions"), including but not limited to the Housing Acceleration Program grants, TransNet Active Transportation Grant Program, and TransNet Smart Growth Incentive Program. Funding programs that are not subject to this Policy include those: (1) awarded on a formula-basis, (2) allocated by agencies other than SANDAG, (3) that award to entities other than local jurisdictions, or (4) that do not have the potential to accelerate housing production. For new grant programs, the Policy Advisory Committee providing oversight for the relevant policy area will review and make a recommendation to the Board of Directors about whether a particular funding source should be subject to this Policy.

Procedures

1. Eligibility. A local jurisdiction must meet the following criteria at the time of the funding program's application deadline for award of points under this Policy.
 - 1.1. Housing Element Compliance: an adopted Housing Element found compliant by the California Department of Housing and Community Development (HCD) for the current planning period as defined by Government Code Section 65588.
 - 1.2. Annual Housing Element Progress Reports: an annual report submitted to SANDAG by April 1 each year demonstrating the status and progress a local jurisdiction has made in implementing its Housing Element that includes the information required by Government Code Section 65400, et seq.
2. Scoring Criteria. A minimum of 25 points out of 100, or 25 percent of the total points in a funding program will be awarded under this Policy based on jurisdictions' adoption of prohousing policies and demonstrated commitment to advancing housing equity. The specific number of points to be allocated in accordance with this Policy will be determined for each competitive process and will be described in the corresponding call for projects.
 - 2.1. Prohousing Policies. A local jurisdiction may earn up to half of the total points awarded under this Policy by demonstrating that it has implemented policies that accelerate the production of housing in the four categories listed below. A jurisdiction which has received a Prohousing Designation from HCD will receive full points under this Prohousing Policies Section.
 - 2.1.1. Favorable Zoning and Land Use. A local jurisdiction may earn points in this category by demonstrating zoning and land use actions that measurably support the Acceleration of Housing Production.
 - 2.1.2. Acceleration of Housing Production Timeframes. A local jurisdiction may earn points in this category by demonstrating actions that decrease production timeframes or

promote the streamlining of approval processes.

1.1.2.2.1.3. Reduction of Construction and Development Costs. A local jurisdiction may earn points in this category by demonstrating actions that quantifiably reduce construction or development costs.

2.1.4. Providing Financial Subsidies. A local jurisdiction may earn points in this category by demonstrating actions that promote, develop, or leverage financial resources for housing.

1.2.2.2. Housing Equity/Affirmatively Furthering Fair Housing (AFFH). A local jurisdiction may earn up to half of the total points awarded under this Policy by addressing housing inequity and providing solutions to foster equitable and inclusive communities.

~~Board Policy No. 033 sets forth specific provisions regarding the allocation by SANDAG of discretionary funding to local agency projects, e.g., the Smart Growth Incentive Program and Active Transportation Grant Program, in relation to local jurisdiction housing element compliance and factors related to lower income housing:~~

~~This policy shall be reviewed and evaluated annually or as necessary to determine if amendments are needed. Issues to be considered during the review include but are not limited to the relationship between the Regional Housing Needs Assessment (RHNA) allocation and achievement of SANDAG smart growth goals and new or changed funding sources:~~

~~Board Policy No. 033 was initially approved by the SANDAG Board in April 2006, following the adoption of the RHNA for the fourth housing element cycle. The policy was first amended in November 2008. The second set of amendments to Board Policy No. 033 (January 2012) was undertaken following the adoption of the RHNA for the fifth housing element cycle, which occurred on October 28, 2011.~~

~~**1.** "Discretionary funding allocated to local agency projects by SANDAG" shall be defined as: those funds allocated by SANDAG through a competitive process to local jurisdictions only (i.e., cities or the County). These funds are listed in Table 1 (Exhibit 1) and include the *TransNet* Smart Growth Incentive Program and Active Transportation Grant Program (formerly known as the Transportation Development Act (TDA) Non-motorized Program, and *TransNet* Bicycle Program).~~

~~**2.** The following funds are not subject to the provisions of Board Policy No. 033:~~

~~**2.1** Formula funds allocated by population or number of miles because they are not allocated on a competitive basis.~~

~~**2.2** Discretionary funds allocated to Caltrans, the two transit agencies (Metropolitan Transit System and North County Transit District), or SANDAG as they are not considered local jurisdictions.~~

~~**2.3** Funds allocated directly by Caltrans to local jurisdictions because SANDAG is not involved in their allocation.~~

~~**2.4** Funds that can be allocated to entities other than local jurisdictions (e.g., *TransNet* Environmental Mitigation Program Regional Habitat Conservation Fund and the Senior Transportation Mini-grant Program).~~

~~Table 2 (Exhibit 2) provides a more detailed list of funding sources/programs that are not subject to Board Policy No. 033.~~

- ~~3.—As new funding sources become available, the Regional Planning Committee (RPC) shall review and make a recommendation to the Board of Directors if these new funding sources should be subject to Board Policy No. 033.~~
- ~~4.—To be eligible to apply for future discretionary funding (see examples in Table 1) allocated by SANDAG to local jurisdiction projects, local jurisdictions shall meet the following thresholds:
 - ~~4.1—Housing Element Compliance: In order to qualify for points under Board Policy No. 033, a jurisdiction must have an adopted Housing Element found to be in compliance by the California Department of Housing and Community Development (HCD) or its equivalent at the time of the funding program’s application deadline. No Board Policy No. 033 points will be awarded to projects in jurisdictions that have not received a letter of compliance from HCD prior to the funding program’s application deadline. A court-upheld Housing Element qualifies a jurisdiction to receive Board Policy No. 033 points.~~
 - ~~4.2—Annual Housing Element Progress Reports: Jurisdictions shall be required to submit an annual report with the information described below in order to be eligible for funding programs for the following calendar year. This annual report shall include the same information that HCD requests in the Annual Housing Element Progress reports required by housing element law, as well as the information described below, and shall be submitted to SANDAG by the deadline in state law, which is April 1 of each year. SANDAG will prepare a report with this information for review by the Regional Planning Technical Working Group, and Regional Planning Committee each year. Funding applications subject to this Policy shall be evaluated based on the annual report for the preceding year that was submitted to SANDAG and HCD.~~
 - ~~4.3—The annual report shall provide information regarding the number of building permits issued for new residential construction by income category (very low, low, moderate, and above moderate) using the forms provided by HCD for its Annual Housing Element Progress Report. If the report is submitted for the first time in years two, three, four, or five of the housing element cycle, it shall include the total number of building permits issued for new residential construction by income category during each year of the housing element cycle (including the two and a half years preceding the housing element due date). The annual report also shall indicate how many acquired/rehabilitated/deed-restricted units were permitted and how many “at risk” units were preserved during each year.~~~~
- ~~5.—Board Policy No. 033 ties the allocation of funding to four criteria related to each local jurisdiction’s efforts to plan for and produce lower income housing through the award of incentive points (a minimum of 25 points out of 100, or 25 percent of the total points in a funding program). Each criterion is assigned a value of one-fourth of the total points. The four criteria are: (1) Greater RHNA Share Taken, (2) Regional Share of Cumulative Total of Lower Income Units Produced, (3) Total Number of Affordable Housing Units, and (4) Percent of Lower Income Households.
 - ~~5.1—The Scoring Criteria in Exhibit 3 describes in detail how the incentive points are calculated for each of the four criteria.~~~~

~~Exhibits: 1. Table 1, Discretionary Funding Programs Subject to Board Policy No. 033—
(Local Jurisdiction Projects)~~

~~2. Table 2, Funding Programs Not Subject to Board Policy No. 033~~

~~3. Scoring Criteria Concerning Calculation of Board Policy No. 033 Incentive Points~~

Adopted April 2006

Amended November 2008

Amended January 2012

Amended November 2015

Amended 2022

DRAFT

EXHIBIT 1

TABLE 1 DISCRETIONARY FUNDING PROGRAMS SUBJECT TO BOARD POLICY NO. 033 (LOCAL JURISDICTION PROJECTS)		
Funding Programs	Total Funding	Timeframe Available
Current		
Federal • Transportation Enhancements (TE) Program	TBD	TBD
State • Transportation Development Act (TDA) Article 3 Non-motorized Program	TBD	TBD
Local • TransNet Bicycle, Pedestrian and Neighborhood Safety Program • TransNet Smart Growth Incentive Program	\$280-M* \$285-M*	2009 to 2048
Local		
Regional Rail Grade Separation Program (Funding source TBD)	TBD	TBD

* In 2002 dollars

EXHIBIT 2

**TABLE 2-
FUNDING PROGRAMS
NOT
SUBJECT TO BOARD POLICY NO. 033**

Funding Programs
<p>Federal¹</p> <ul style="list-style-type: none"> • Regional Surface Transportation Program (RSTP)² • Congestion Mitigation & Air Quality (CMAQ)² • Transportation Enhancement (TE) Program² • Federal Transit Administration (FTA) Urbanized Area Formula Program (Section 5307) • FTA Fixed Guideway Modernization Program (Section 5309 Rail Mod) • FTA Section 5310 Elderly & Disabled Program • FTA New Freedom Program • FTA Job Access and Reverse Commute (JARC) Program
<p>State²</p> <ul style="list-style-type: none"> • State Transportation Improvement Program (STIP) — Regional Improvement Program (RIP)² • STIP — Interregional Improvement Program (IIP) • State Highway Operation and Protection Program (SHOPP) • TDA Article 4 — General Public Transit Services (Fixed Transit Route Services) • TDA Article 4.5 — Community Transit Service (Accessible Service for the Disabled) • TDA Article 8 — Special Provisions (Express Bus and Ferry Services) • TDA Planning and Administration • State Transit Assistance (STA)
<p>Local</p> <ul style="list-style-type: none"> • TransNet Senior Transportation Mini-grant Program • TransNet Congestion Relief Program — Major Transportation Corridor Improvements <ul style="list-style-type: none"> ◦ Highway & transit capital projects ◦ Operating support for bus rapid transit (BRT) & rail transit capital improvements • TransNet Congestion Relief Program — Transit System Services Improvements & Related Programs • TransNet Congestion Relief Program — Local System Improvements & Related Programs <ul style="list-style-type: none"> ◦ Local Street & Road Program • Environmental Mitigation Program (EMP)² • TransNet Administration and Independent Taxpayer Oversight Committee (ITOC)

¹ There are a variety of federal and state discretionary funding programs allocated directly by Caltrans that provide funding to local jurisdictions (e.g., Highway Bridge Repair & Replacement (HBRR), Safe Routes to School, etc.) Because SANDAG does not have decision-making authority over these funding programs, they would not be subject to the Board Policy No. 033.

² With the exception of the EMP funds, these funds (STIP-RIP, RSTP, CMAQ, TE) are being used to match the TransNet Early Action Program (EAP) and other high-priority regional projects. If, however, some portion of these funds were allocated by the SANDAG Board of Directors to local jurisdictions through a competitive process, they would be subject to Board Policy No. 033.

EXHIBIT 3

SCORING CRITERIA

Concerning Calculation of Board Policy No. 033 Incentive Points

The following four criteria, weighted equally, will be used to calculate the incentive points

(25 percent of the total points) for each program subject to Board Policy No. 033.

1. ~~Greater RHNA Share Taken: Jurisdictions with an assigned Lower Income RHNA percentage that is higher than the regional average of lower income households shall eligible to receive these points using the following percentages:~~

- ~~• Jurisdictions at or above 39.6 percent (the regional average) shall be eligible for the total number of points for this criterion~~
- ~~• Jurisdictions below 39.6 percent shall not be eligible for any points for this criterion~~

2. ~~Regional Share of Cumulative Total of Lower Income* Units Produced: Jurisdictions shall be eligible to receive up to one fourth of the total Board Policy No. 033 points awarded based on each jurisdiction's share of the total number of lower income units produced in the region over the most recent five years using the following percentages:~~

- ~~• 0 percent share or no units produced (0 points)~~
- ~~• >0 – 5 percent (1/3 of the points)~~
- ~~• >5 – 10 percent (2/3 of the points)~~
- ~~• greater than 10 percent (the total number of points available for this criterion)~~

~~Units that are acquired/rehabilitated and deed restricted at affordable levels for lower income households or “at risk” units that are preserved for a period of 30 years or longer shall be included for the purposes of the above calculation at full credit (i.e., one unit each).~~

~~*Units will be counted that are deed restricted to lower income households at affordable prices as defined in the instructions for the HCD Annual Housing Element Progress Report. This number will be taken from the “Deed Restricted” rows in HCD Annual Housing Element Progress Report Table B.~~

3. ~~Total Number of Affordable Housing Units: This criterion will be based on the actual number of Lower Income Housing Units** in a jurisdiction as a percentage of the total number of housing units in a jurisdiction. Jurisdictions shall be eligible to receive up to one fourth of the total Board Policy No. 033 points for this criterion using the following percentages:~~

- ~~0–3 percent (1/4 of the points)~~
- ~~>3–6 percent (1/2 of the points)~~
- ~~>6–10 percent (3/4 of the points)~~
- ~~Greater than 10 percent (the total number of points available for this criterion)~~

~~**This number will be taken from the most current version of the Affordable Housing Inventory as updated by the San Diego Housing Federation, and it will be provided to each local jurisdiction to review for accuracy.~~

~~4. Percent of Lower Income Households: Jurisdictions shall be eligible to receive up to one-fourth of the total Board Policy No. 033 points for this criterion based on the percent of lower income households residing in each jurisdiction (based on the most recent American Community Survey data) using the following percentages:~~

- ~~0–40 percent lower income households (1/3 of the points)~~
- ~~>40–50 percent lower income households (2/3 of the points)~~
- ~~>50 percent lower income households (the total number of points available for this criterion)~~



COMPETITIVE GRANT PROGRAM PROCEDURES

Applicability and Purpose of Policy

This Policy applies to all competitive grant programs administered through SANDAG, whether from *TransNet* or another source, including but not limited to the Smart Growth Incentive Program, Environmental Mitigation Program, ~~Bike and Pedestrian~~Active Transportation Grant Program, Senior Mini-Grant Program, Federal Transit Administration grant programs, and California Active Transportation ~~Grant~~ Program.

Nothing in this Policy is intended to supersede federal or state grant rules, regulations, statutes, or contract documents that conflict with the requirements in this Policy.

There are never enough government grant funds to pay for all of the projects worthy of funding in the San Diego region. For this reason, SANDAG awards grant funds on a competitive basis that takes the ~~grantees'~~applicant's ability to perform their proposed project on a timely basis into account. SANDAG intends to hold grantees accountable to the project schedules they have proposed in their application in order to ensure fairness in the competitive process and encourage grantees to ~~get their projects~~implemented projects quickly so ~~that~~ the public can benefit from ~~the~~ project deliverables as soon as possible.

Procedures

1. Call for Projects Schedule and Applicant Resolution

- 1.1. When SANDAG issues a call for projects for a competitive grant program, it will allow at least 90 days between the call for projects release date and the grant application submission deadline.
- 1.2. Within 30 days following the grant application deadline, applicants must submit a resolution from their authorized governing body that includes the provisions in this Subsection 1.2. If an applicant fails to provide a resolution that meets the requirements of this Subsection 1.2, that application will be considered nonresponsive and will no longer be considered in the competitive process.
 - 1.2.1 Applicant's governing body commits to providing minimum match percentage set forth in the call for projects.
 - 1.2.2 Applicant's governing body authorizes staff to accept grant funding and execute a grant agreement if an award is made by SANDAG.

2. Grant Award and Grant Agreement

- 2.1 After the funding recommendations resulting from a call for projects are approved, SANDAG shall present a grant agreement to the awarded applicant.
- 2.2 An authorized representative of the awarded applicant must sign the grant agreement within 45 days from the date SANDAG presents the grant agreement to

the awarded applicant. Failure to meet this requirement may result in revocation of the grant award.

~~13.~~ Project Milestone and Completion Deadlines

~~13.1.~~ When signing a grant agreement ~~for a competitive program funded and/or administered by SANDAG, grant recipients/grantees~~ must agree to the project ~~delivery objectives/deliverables~~ and schedules in the agreement. In addition, a grantee's ~~proposal/project schedule in its application and grant agreement~~ must ~~contain a schedule that falls within/adhere to~~ the following deadlines. Failure to meet the deadlines below following SANDAG's issuance of the Notice to Proceed on the project may result in revocation of all grant funds not already expended. ~~The final invoice for capital, planning, or operations grants must be submitted prior to the applicable deadline. Project schedules may include interim milestones in addition to those described below.~~

~~13.1.1.~~ Funding for Capital Projects. If the grant will fund the construction of a capital project/public facility, the project must be completed ~~according to the schedule provided in the grant agreement, but at the latest;~~

~~3.1.1.1.~~ Any necessary capital project requiring a construction contract must be awarded ~~within two years following execution of the grant agreement, and construction must be completed/open to the public~~ within ~~eighteen months/three and a half years~~ following SANDAG's issuance of the Notice to Proceed on the project/award of the construction contract. Completion of construction for purposes of this policy shall be when the prime construction contractor is relieved from its maintenance responsibilities.

~~3.1.1.2.~~ If no construction contract ~~award~~ is necessary, the ~~construction project must be complete/open to the public~~ within eighteen months following ~~execution of the grant agreement/SANDAG's issuance of the Notice to Proceed on the project.~~

~~13.1.2.~~ Funding for Planning Grants/Projects. If the grant will fund planning activities, the project must be completed ~~according to the schedule provided in the grant agreement, but at the latest;~~

~~3.1.2.1.~~ Any necessary planning project requiring a consultant contract must be awarded ~~within one year following execution of the grant agreement, and the planning project must be completed~~ within ~~two three~~ years following ~~award of the consultant contract/SANDAG's issuance of the Notice to Proceed on the project~~. Completion of planning for purposes of this policy shall be when grantee approves the final planning project deliverable specified in the grant agreement.

~~3.1.2.2.~~ If no consultant contract ~~award~~ is necessary, the ~~planning project must be completed~~ within two years of ~~execution of the grant agreement/SANDAG's issuance of the Notice to Proceed on the project~~.

- ~~13.1.3~~ Funding for Operations Grants/Projects. If the grant will fund operations, the project must be completed ~~according to the schedule provided in the grant agreement, but at the latest;~~
- ~~3.1.3.1.~~ Any operations project requiring a necessary services contract for operations must be awarded within one year following execution of the grant agreement, and the operations must commence within six eighteen months following award of the operations contract SANDAG's issuance of the Notice to Proceed on the project.
- ~~3.1.3.2.~~ If no services contract for operations is necessary, the operations project must commence within one year of execution of the grant agreement SANDAG's issuance of the Notice to Proceed on the project.
- ~~13.1.4~~ Funding for Equipment or Vehicles Grants/Projects. If the grant will fund the purchase of equipment or vehicles, ~~the project must be completed according to the schedule provided in the grant agreement, but at the latest;~~ any necessary purchase contracts for equipment or vehicles must be awarded within ~~one year six months~~ following ~~execution of the grant agreement SANDAG's issuance of the Notice to Proceed on the project,~~ and use of the equipment or vehicles for the benefit of the public must commence within ~~six three~~ months following ~~award of the purchase contract acceptance of the equipment or vehicles.~~

24. Project Milestone and Completion Deadline Extensions

- 4.1. For an extension to be granted under this Section 4, the grantee must sufficiently document previous efforts undertaken to maintain the project schedule, explain the reasons for the delay, explain why the delay is unavoidable, and demonstrate an ability to succeed in the extended time frame the grantee is requesting.
- 4.2. Extension requests that are rejected by the Policy Advisory Committee will result in termination of the grant agreement and revocation of any unexpended funds from the date of the rejection. Unexpended funds are funds for project costs not incurred prior to rejection of the extension request by the Policy Advisory Committee.

24.13. Extensions Requests of up to Twelve Months Aggregate

- ~~4.3.1.~~ Schedules within grant agreements may include project scopes and schedules that will identify interim milestones in addition to those described in Section 7 of this Policy. Grantees recipients may receive time extensions on their project schedules of up to six twelve months aggregate for good cause if the. Eextensions of up to six months aggregate that would not cause the project to miss a completion deadline in Section 13. These extensions may be approved by the SANDAG Chief Executive Officer.
- 4.3.2. For extension requests of up to twelve months aggregate, the grantee must request the extension in writing to the SANDAG Program Manager no later than three months prior to the earliest project milestone or completion deadline for which an extension is being requested.

4.3.3. The Chief Executive Officer or designee will determine whether the extension should be granted. The Chief Executive Officer's action will be reported out to the Board in following month's report of delegated actions.

4.3.4. If the Chief Executive Officer denies an extension request under this Section 4, the grantee may appeal within ten business days of receiving the Chief Executive Officer's response to the responsible Policy Advisory Committee by sending the appeal to the SANDAG Program Manager.

4.4 Extension Requests Beyond Twelve Months Aggregate

4.4.1. For ~~E~~extensions requests beyond ~~six~~ twelve months aggregate or that would cause the project to miss a completion deadline in Section ~~13~~, including those projects that were already granted extensions by the Chief Executive Officer and are again falling behind schedule, these extension requests must be approved by the Policy Advisory Committee that has been delegated the necessary authority by the Board. The Policy Advisory Committee will only grant an extension under this Section 4.4 for extenuating circumstances that the grantee could not have reasonably foreseen.

~~For an extension to be granted under this Section 2, the following conditions must be met:~~

~~2.1.1. For extension requests of up to six months, the grantee must request the extension in writing to the SANDAG Program Manager at least two weeks prior to the earliest project schedule milestone deadline for which an extension is being requested. The Chief Executive Officer or designee will determine whether the extension should be granted. The Chief Executive Officer's action will be reported out to the Board in following month's report of delegated actions.~~

~~2.1.2. A grantee seeking an extension must document previous efforts undertaken to maintain the project schedule, explain the reasons for the delay, explain why the delay is unavoidable, and demonstrate an ability to succeed in the extended time frame the grantee proposes.~~

~~2.1.3. If the Chief Executive Officer denies an extension request under this Section 2, the grantee may appeal within ten business days of receiving the Chief Executive Officer's response to the responsible Policy Advisory Committee by sending the appeal to the SANDAG Program Manager.~~

~~2.1.4. Extension requests that are rejected by the Policy Advisory Committee will result in termination of the grant agreement and obligation by the grantee to return to SANDAG any unexpended funds within 30 days. Unexpended funds are funds for project costs not incurred prior to rejection of the extension request by the Policy Advisory Committee.~~

~~3. Project Delays and Extensions in Excess of Six Months~~

~~3.1. Requests for extensions in excess of six months, or that will cause a project to miss a completion deadline in Section 1 (including those projects that were already granted extensions by the Chief Executive Officer and are again~~

falling behind schedule), will be considered by the Policy Advisory Committee upon request to the SANDAG Program Manager.

~~3.24.4.2~~ A grantee seeking an extension must document previous efforts undertaken to maintain the project schedule, explain the reasons for the delay, explain why the delay is unavoidable, and demonstrate an ability to succeed in the extended time frame the grantee proposes. The grantee must provide the necessary information to SANDAG staff to place in a report to the Policy Advisory Committee. If sufficient time is available, and the grant utilized TransNet funds, the request will first be taken to the Independent Taxpayer Advisory Committee (ITOC) for a recommendation. The grantee should make a representative available at the meeting to present the information to, and/or answer questions from, the ITOC and Policy Advisory Committee.

~~3.3~~—The Policy Advisory Committee will only grant an extension under this Section 3 for extenuating circumstances that the grantee could not have reasonably foreseen.

~~4.~~—Resolution and Execution of the Grant Agreement

~~4.1~~—Two weeks prior to the review by the Policy Advisory Committee of the proposed grants, prospective grantees must submit a resolution from their authorized governing body that includes the provisions in this Subsection 4.1. Failure to provide a resolution that meets the requirements in this Subsection 4.1 will result in rejection of the application and the application will be dropped from consideration with funding going to the next project as scored by the evaluation committee. In order to assist grantees in meeting this resolution deadline, when SANDAG issues the call for projects it will allow at least 90 days for grant application submission.

~~4.1.1~~—Grantee governing body commits to providing the amount of matching funds set forth in the grant application.

~~4.1.2~~—Grantee governing body authorizes staff to accept the grant funding and execute a grant agreement if an award is made by SANDAG.

~~4.2~~—Grantee's authorized representative must execute the grant agreement within 45 days from the date SANDAG presents the grant agreement to the prospective grantee for execution. Failure to meet the requirements in this Subsection 4.2 may result in revocation of the grant award.

~~55.~~ Increased Availability of Funding Under this Policy

~~55.1.~~ Additional grant funds made available as a result of the procedures in this Policy or other circumstances may be awarded to the next highest-ranked project on the recommended project priority list from the most recent project selection process call for projects, or may be added to the funds available for the next call for projects project funding cycle, at the responsible Policy Advisory Committee's discretion or as noted in the call for projects. Any project that loses funding due to failure to meet the deadlines specified in this Policy may be resubmitted to compete for funding in a future call for grant applications projects.

Adopted: January 2010
Amended: November 2014
Amended June 2021
Amended _____2022



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Regional Planning

ITEM TYPE: Approve

AGENDA SECTION: Consent

SUBJECT: TransNet Environmental Mitigation Program: Annual Update and FY 2023-2024 Work Plan and FY 2023 Funding

SUGGESTED ACTION: The Board of Directors is asked to approve the FY 2023-2024 Work Plan for regional management and biological monitoring and allocated \$4 million in funding for FY 2023.

ATTACHMENTS:

[TransNet EMP Annual Update](#)
[Att 1 - TransNet EMP Regional Management and Monitoring FY 2023-2024 Work Plan](#)
[Att 2 - Recommended FY 2023 Funding Allocation for Habitat Conservation Fund](#)
[Att 3 - Status Report](#)

TransNet Environmental Mitigation Program: Annual Update and FY 2023-2024 Work Plan and FY 2023 Funding

Overview

The *TransNet* Extension Ordinance and Expenditure Plan, approved by voters in 2004, includes the Environmental Mitigation Program (EMP), which provides funding to mitigate habitat impacts from regional and local transportation projects and provides funding for regional land management and biological monitoring.

Consistent with the Ordinance and adopted *TransNet* EMP Memorandum of Agreement, the FY 2023 Capital Improvement Program Budget includes \$4 million for regional land management and monitoring efforts.

A two-year work plan for FY 2023-2024 and recommendations for implementation of activities in FY 2023 totaling \$4 million are proposed for Board of Director consideration (Attachments 1 and 2).

Key Considerations

Since its inception in 2008, the *TransNet* EMP has played a vital role in habitat conservation, scientific research, and land management across San Diego County. To date, over 9,215 acres of land have been preserved by the EMP and regional partners. A status report on key achievements under the EMP is provided as Attachment 3. Regional land management and biological monitoring activities of the EMP follow the objectives and priorities identified in the [Management Strategic Plan¹ \(MSP\)](#) and are included in a proposed two-year Work Plan. This Work Plan outlines overarching goals, area of emphasis, and key milestones for implementing the MSP over a two-year period.

Each year, the Board budgets \$4 million toward implementation of activities identified in the Work Plan pursuant to a Memorandum of Agreement (MOA) between SANDAG and state and federal agencies, which was adopted by the Board in February 2019. The funding recommendation for FY 2023 allocates the budgeted amount to various tasks and is provided as Attachment 2. The proposed funding levels are consistent with the MOA.

Action: Approve

The Board of Directors is asked to approve the FY 2023-2024 Work Plan for regional management and biological monitoring and allocate \$4 million in funding for FY 2023.

Fiscal Impact:

The FY 2023 Capital Improvement Program Budget includes \$4 million in funding to implement the *TransNet* Environmental Mitigation Program (EMP) FY 2023-2024 Work Plan.

Schedule/Scope Impact:

This action would allow the continuation of regional management and monitoring in FY 2023 under the provisions of the *TransNet* EMP.

¹ Full title of plan: *Management and Monitoring Strategic Plan for Conserved Lands in Western San Diego County: A Strategic Habitat Conservation Roadmap* (2017) prepared for SANDAG by the San Diego Management and Monitoring Program

At its September 13, 2022, meeting, the Regional Habitat Conservation Taskforce recommended that the Board approve the proposed FY 2023-2024 Work Plan for regional management and monitoring and funding recommendation for FY 2023 totaling \$4 million. This item also was discussed by the Independent Taxpayer Oversight Committee on October 13, 2022, who made no changes to the recommendation.

Next Steps

If approved, by the Board, staff would implement those activities identified in the proposed Work Plan for FY 2023 and return next year with an updated status report.

Antoinette Meier, Senior Director of Regional Planning

Key Staff Contact: Kim Smith, (619) 699-6949, kim.smith@sandag.org

- Attachments:
1. *TransNet* EMP Regional Management and Monitoring FY 2023-2024 Work Plan
 2. Recommended FY 2023 Funding Allocation for Habitat Conservation Fund
 3. Status Report ([2022 EMP Annual Report \[adobe.com\]](#))

**TransNet Environmental Mitigation Program:
Regional Management and Monitoring FY 2023-2024 Work Plan**

Introduction

The TransNet Extension Ordinance and Expenditure Plan, approved by the voters in November 2004, includes the Environmental Mitigation Program (EMP), which provides funding to mitigate habitat impacts from regional and local transportation projects, and provides funding for regional land management and biological monitoring. The EMP is a unique component of the TransNet Extension Ordinance in that it goes beyond traditional mitigation for transportation projects by including a funding allocation for habitat acquisition, management, and monitoring activities to help implement the regional habitat conservation plans. This funding allocation is tied to mitigation requirements and the environmental clearance approval process for projects outlined in the Regional Transportation Plan and to implement the Habitat and Open Space policy objectives developed as part of San Diego Forward: The Regional Plan.

Each year, the Board of Directors allocates \$4 million to implement regional land management and biological monitoring pursuant to a TransNet Memorandum of Agreement with state and federal agencies on the implementation of the EMP. In 2013, a technical document entitled *Management Strategic Plan (MSP) for Conserved Lands in Western San Diego County* was developed to increase the efficient use of both the TransNet funding as well as other outside local, state, and federal funds. This plan was updated in 2017 to include monitoring and management objectives for 2017-2021 and is in the process of further updating to include objectives for 2022-2026. The MSP has several elements dealing with species management, wildlife connectivity, wildfires, and regional monitoring that will promote the purpose of the TransNet EMP. The MSP is available at: <https://sdmmp.com/portal.php>.

The purpose of the MSP is to identify a roadmap to prioritize actions that are needed to ensure the persistence of key wildlife and plant species, maintain ecosystem processes, and maintain healthy natural communities in an efficient and integrated manner across the region in the context of a changing ecosystem due to wildfires, habitat type conversion, and climate change.

The Independent Taxpayer Oversight Committee (ITOC) conducted an audit of the EMP in 2018 and recommended that the EMP develop metrics using the abundance of data to holistically understand the status and trend of the overall health of the Preserve System. The EMP Working Group and partners have been working since 2019 to develop these metrics using data collected from 2008 through 2020, over the first 12 years of the program which will be updated with data collected during the 2023-2024 workplan, described below.

Table 1 of the FY 2023-2024 Work Plan identifies the funding needs to implement these efforts in FY 2023.

Strategic Goals

- 1. Promote key sensitive species** persistence and resiliency through management actions to prevent extirpation and extinction.
- 2. Promote native vegetation communities'** persistence and resiliency through the development and implementation of strategies to maintain and increase habitat quality.
- 3. Improve wildlife movement** through the identification of critical linkage areas and implementation of strategies to enhance the physical and genetic connectivity of species across rural and urban landscapes.
- 4. Promote regional coordination** through the facilitation and coordination with existing land management efforts, development of best management practices, and leverage existing funding.

FY 2023-2024 Strategic Goals and Areas of Emphasis

To guide the development of the annual allocation of regional management and monitoring funds, a set of strategic goals have been approved by the Board of Directors to implement the MSP. These strategic goals identify long-term areas of achievement that should remain relatively unchanged on an annual basis. Supporting these strategic goals are the areas of emphasis and achievement milestones, which will be updated each year to highlight particular areas of focus for the coming year and as measure of success.

Areas of Emphasis and FY 2023-2024 Milestones

The highest priority for the agency during FY 2023-2024 is to publish the first State of the Preserve report prepared in 2022 and develop a web-based metrics dashboard with results from the State of the Preserve report that clearly communicates progress in managing the preserve system. This dashboard is intended to include indicators and metrics that are relevant and interesting to the general public, decision makers, and partners. This includes updating as needed the metrics developed through 2020 and begin preparing metrics for new Indicators not included in the 2022 report. The second highest priority is to build off prior work to continue with monitoring and management of species and their habitats, while reducing threats and increasing collaboration and use of best practices across the region.

1.0 Promote Key Sensitive Species.

1.1 Priority Rare and Endemic Plants Recovery

There are 68 rare plant species included in the most recent update of the MSP (2022-2026). The MSP identifies 46 species requiring species-specific monitoring and management actions as they may be entirely lost from San Diego County, have significant occurrences that could be lost, or may need management to ensure persistence. An additional 17 species are the focus of vegetation monitoring and management, and five low priority species may benefit from management for other species and vegetation communities. During 2023-2024 there are 34 species with species-specific regional monitoring, surveying, and/or management objectives and 12 species that will be included in vegetation monitoring (see Section 2.1, below).

Achievement Milestones FY 2023-2024

- Continue to work with contractor and land managers to coordinate and implement regional **rare plant “Inspect and Manage”** (IMG) monitoring for 18 species in 2023 and 13 species in 2024. IMG monitoring was initiated in 2014 to document status, habitat, and threats for known occurrences of priority rare plant species. Work with land managers and contractor to conduct **baseline surveys** to find new populations for five MSP priority rare plants in 2023, and five in 2024.
- Analyze **rare plant monitoring data** collected in years 2014-2021. Provide recommendations for monitoring and management actions for land managers.
- Coordinate with Marine Corps Air Station Miramar on the results of their **willow monardella** demographic monitoring and use information from regional monitoring, habitat suitability, and hydrological assessments of occurrences on Conserved Lands and the Framework Rare Plant Management Plan to develop prioritized management projects with land managers and other partners.
- **Implement high priority management actions** for seven **rare plant species** included in the MSP Framework Rare Plant Management Plan and the MSP Seed Collection, Banking and Bulking Plan. For species not yet included in these plans, continue to implement management actions identified as priorities based on IMG data and conservation seed banking and management needs.
- Continue to work with San Diego Zoo Global’s Native Seed Bank and land managers to prioritize **rare plant seed collection** for conservation banking and for bulking to provide seed for management projects.
- Conduct a **genetic study of Orcutt’s spineflower** in collaboration with the U.S. Navy to develop management recommendations for this species on Conserved Lands.
- Collect samples and conduct a **genetic study of Del Mar manzanita** to determine subspecies taxonomy. As funding becomes available, initiate collection of **thread-leaved brodiaea, Orcutt’s brodiaea, and Santa Rosa brodiaea** samples to determine the relationships between the species and whether hybridization is occurring; population structure, genetic diversity, and effective population size for each species; and the source populations for transplanted thread-leaved brodiaea occurrences.

1.2 Priority 1 Vertebrates Recovery

The MSP covers 54 vertebrate species and identifies 32 high priority species requiring species specific management as they could either be entirely lost within San Diego County, have significant occurrences that could be lost, or may need specific management to ensure persistence. Another six species are included as priorities for vegetation focused (VF) monitoring and management, and 16 lower priority species will benefit indirectly from management activities. Twenty-five of these 54 rare vertebrate species have been prioritized for regionally supported FY 2023-2024 vertebrate recovery management. Twenty species have regional species-specific monitoring and/or management objectives and five species will be surveyed for during vegetation monitoring (see Section 2.1, below).

Achievement Milestones FY 2023-2024

Amphibians

- Continue coordinating and implementing region-wide **arroyo toad** surveys based on the regional monitoring strategy developed by U.S. Geological Survey (USGS). Collect additional genetic material for analysis. Finalize monitoring plan based on sampling design and protocol developed for 2020 regional surveys. Develop management strategies and prioritized actions. Continue supporting land managers on the implementation of priority management actions.
- Prepare a regional **western spadefoot toad** monitoring plan with protocol and sampling design that can be conducted in conjunction with vernal pool and other wetlands monitoring. Prepare a management plan to enhance and create western spadefoot habitat. Refine model to inform development of management and monitoring areas for toads. Support implementation of monitoring and management priorities.
- Prepare regional **coast newt** monitoring protocol and sampling design in conjunction with development of the Riparian Vegetation Monitoring Plan (see Section 2.1, below).

Reptiles

- Continue to monitor and enhance occurrences of previously translocated **southwestern pond turtles** at Sycuan Peak Ecological Reserve (Sweetwater watershed), Rancho Jamul Ecological Reserve (Otay watershed), and Wheatley Preserve (San Dieguito River watershed). Identify, manage, and translocate southwestern pond turtles to an additional site in the San Diego River watershed to build the population to sustainable levels.
- Prepare regional **southcoast gartersnake** monitoring protocol and sampling design in conjunction with development of the Riparian Vegetation Monitoring Plan (see Section 2.1, below).
- Prepare regional **California glossy snake** monitoring protocol and sampling design in conjunction with development of the Coastal Sage Scrub, Chaparral, and Grassland Vegetation Monitoring Plan (see Section 2.1, below).

Birds

- Continue to support management of cactus nurseries, **coastal cactus wren** habitat restoration, and fire management to protect cactus wren habitat in North and South County. Implement priority management recommendations in the updated coastal cactus wren habitat conservation and management plan. Based upon the coastal cactus wren monitoring plan continue to monitor wrens and assess habitat conditions on Conserved Lands in western San Diego County. In collaboration with southern California partners, prepare and implement a genetic management plan to minimize effects of loss of genetic diversity and inbreeding in coastal cactus wrens.

- In collaboration with southern California partners, implement a third round of regional monitoring of **coastal California gnatcatchers** in southern California. Conduct another year of the fire recovery study in western San Diego County. Conduct a connectivity assessment from the International Border to Riverside and Orange Counties.
- Complete **golden eagle** monitoring and management plans. Implement high priority actions in monitoring and management plans.
- Complete and implement **southwestern willow flycatcher** monitoring recommendations. Continue surveys along the San Luis Rey River, Lake Henshaw, and additional watersheds with the potential to support the species. Implement management recommendations from the five-year reproductive monitoring study.
- Continue to provide technical support to implement priority management actions for the **western burrowing owl** as identified in the management plan completed in 2017.
- Working with partners, participate in the statewide **tricolored blackbird** survey effort and conduct additional regional monitoring to document breeding occurrences, estimate numbers, and characterize habitat on Conserved Lands. Prepare and implement tricolored blackbird management recommendations in coordination with land managers and other partners to enhance breeding and foraging habitat.
- Survey for breeding **northern harriers** and document breeding status, habitat characteristics, and threat conditions. Work with partners to prepare and implement northern harrier management recommendations.
- Coordinate with land managers to survey for breeding **loggerhead shrikes** and document habitat characteristics and threats. Prepare monitoring protocol and sampling design in the Coastal Sage Scrub, Chaparral and Grassland Vegetation Monitoring Plan (see Section 2.1, below).
- Work with wildlife agencies, species experts, and land managers to support monitoring and management actions for **western snowy plover**, with particular focus on improving the quality of beach habitats used by wintering plovers.
- Support recovery actions for **California least tern**, including monitoring and data analyses and preparing and implementing management recommendations including enhancing and restoring nesting habitat and predator control (see Milestone 1.4, below).
- Support recovery actions for **light-footed Ridgway's rail**, including developing a monitoring plan, conducting a genetics study, continuing captive propagation efforts, and enhancing and restoring nesting habitat.

Mammals

- Support land managers in the implementation of priority management recommendations for roosts and foraging sites from the Bat Management Plan that includes specific measures for **Townsend's big-eared bat** and **pallid bat**.

- Coordinate with land managers to survey and monitor **San Diego black-tailed jackrabbit** and document habitat characteristics and threats. Prepare monitoring protocol and sampling design in conjunction with the Coastal Sage Scrub, Chaparral and Grassland Vegetation Monitoring Plan (see Section 2.1, below).

1.3 Priority 1 Invertebrates Recovery

The updated MSP has identified nine rare invertebrate species that could be entirely lost within San Diego County. Another two species are included as priorities for vegetation focused management (see section 2.1, below). During 2023 and 2024, there are monitoring and/or management objectives for seven of the invertebrate species.

Achievement Milestones FY 2021-2022

- Continue **Hermes copper butterfly** monitoring and habitat assessments to document status and assess habitats and threats. As feasible, implement translocations to establish new occurrences and monitor effectiveness of this management action and develop best management practices for captive rearing of eggs/larvae. Implement high priority management actions from the management plan and implement fire risk reduction actions as needed. Work with partners to develop and implement a monitoring plan that will track long term status, habitat, and threats to this species.
- Conduct **Harbison dun skipper** host plant, adult, larval and hibernation surveys, and habitat assessments. Implement high priority management actions from the management plan. Collect new samples and combine with previously collected samples to conduct a genetics study to determine connectivity between occurrences, genetic diversity, and effective population size.
- Conduct **regionwide discovery surveys for Quino checkerspot butterfly**. Continue mapping the host plant distribution to develop a metapopulation model guiding development of a monitoring plan and identifying management opportunities to increase connectivity and enhance populations. Begin preparation of a Quino Habitat Checkerspot butterfly monitoring plan and a management plan and implement high priority actions. Support U.S. Fish and Wildlife Service (USFWS) efforts to captive rear larvae and translocate to reestablish and augment wild populations and conduct regional genomic analyses.
- Support the wildlife agencies and partners in species recovery efforts for **Laguna Mountain skipper**. These include monitoring, collecting eggs from gravid females in the wild and lab, and establishing a translocated population in historic habitat on Laguna Mountain.
- Prepare a section for surveying **Crotch's bumble bee** in the pollinator community monitoring plan. Implement surveys for this species in conjunction with pollinator community monitoring associated with coastal sage scrub, chaparral, and grassland vegetation monitoring.
- Provide technical support to land managers for implementation of vegetation and species monitoring and management for vernal pool invertebrate species, **San Diego fairy shrimp** and **Riverside fairy shrimp** (and western spadefoot toad where suitable conditions are present).

1.4 General Stressors and Threats Management

There are numerous existing and newly emerging threats in the San Diego region that need on-going management for the long-term persistence of native species (see Vol 2 of MSP).

Achievement Milestones FY 2023-2024

- Provide technical support for the monitoring and management of tern sites to support successful breeding of **California least tern**. Work with wildlife agencies, land managers, and other partners to improve predator control, including identifying a place to temporarily house birds of prey removed from tern colonies.
- Provide technical support for the eradication of **feral pigs** in San Diego County.
- Implement high priority management actions identified in the **Invasive Animal Strategic Plan**. Complete and implement an invasive animal database and early detection rapid response system.
- In collaboration with statewide efforts, continue to provide funding for **shothole borer-Fusarium complex** monitoring, management, and research and education to formulate and implement management actions. Include riparian bird community monitoring to document effects of shothole borer-Fusarium complex on breeding birds.
- Implement management actions based on the recommendations from the completed **Argentine ant** and **urban runoff** studies. Continue monitoring water flows and climatic data to inform the Aquatic Index of Biological Integrity and preserve metrics.
- Provide technical assistance to **model habitat suitability for MSP species** under alternative future climate change scenarios. Conduct a spatially explicit **vulnerability assessment** of potential climate change impacts to Conserved Lands across the MSP area. Model response of animal occurrences to climate variability.

2.0 Promote Native Vegetation Communities.

2.1 Vegetation Community Monitoring and Recovery

Vegetation communities serve as habitat for priority plant and animal species and as surrogates for ecosystem health. Changes in the vegetation communities due to fires, invasive species, droughts, climate change, and other factors may be causing a landscape level change to these communities.

Achievement Milestones FY 2023-2024

- Continue to develop and implement **regional vegetation monitoring** strategy to determine **ecological integrity of coastal sage scrub, chaparral, and grassland** in the San Diego region. Continue development and evaluation of the remote imagery and Lidar based ecological integrity landscape model to detect change in shrub and invasive grass cover over time. Complete and implement long-term monitoring plan for coastal sage scrub, chaparral and grassland vegetation that includes **sections for monitoring VF plant and animal species** (12 rare plant species, Blaineville's horned lizard, Bell's sparrow, grasshopper sparrow). In conjunction with development of vegetation monitoring plan, develop monitoring protocols and sampling design for **loggerhead shrike, San Diego black-tailed jackrabbit and California glossy snake** (see Section 1.2 Priority Vertebrates Recovery for implementation of monitoring for these two species)
- Complete **ecological integrity landscape model** based on Lidar and remote imagery to identify levels of **tree mortality** over time for **riparian** and **oak woodlands**. Develop long-term oak woodland and riparian forest and scrub monitoring plan that includes **sections for monitoring VF plant and animal species** (two-striped garter snake, yellow-breasted chat) associated with these communities. In conjunction with development of vegetation monitoring plan, develop monitoring protocols and sampling design for **coast range newt and southcoast garter snake** (see Section 1.2 Priority Vertebrates Recovery for implementation of monitoring for these two species)
- Continue development and implementation of a **grazing monitoring plan** and implement the study in collaboration with researchers, land managers and other partners to evaluate the use of grazing as a large-scale management tool. Assess effectiveness of grazing to reduce fire risk, control invasive non-native grasses and forbs and restore ecological integrity, and benefit MSP species in coastal sage scrub and grassland habitats.

2.2 Pro-active Wildfire Planning and Management

Large wildfires in 2003 and 2007, plus more recent smaller wildfires, have severely impacted populations of key species identified as critical by the MSP and their habitats. Management action to reduce threats pre- and post-fire and during suppression need to be implemented.

Achievement Milestones FY 2023-2024

- Support preparation of a **Fire Ignition and Fire Risk Reduction Plan** with specific recommendations to prevent wildfire ignitions and reduce spread and intensity of fires for important MSP Species and habitats on Conserved Lands in the MSP area.
- Develop a regional MSP **Resource Avoidance Areas Map** to integrate into fire agencies' Wildland Fire Decision Support Systems.
- Support establishment of a **Wildland Fire Resource Advisor Program** for locally-owned lands that integrates with federal and state programs.
- Support landowners/managers in developing **standardized Preserve Fire Management Plans**.

2.3 Invasive Plant Species Management

Invasive plants pose a threat to existing native plants and increase the risk of wildfires by changing the natural ecosystem. In 2012, an Invasive Plant Strategic Plan was completed for managing invasive plant species in San Diego County.

Achievement Milestones FY 2023-2024

- Continue to work with the County of San Diego Department of Agriculture, Weights, and Measures and other contractors **to implement the Invasive Plant Strategic Plan Early Detection Rapid Response (EDRR)** management for Level 1, 2 and 3 invasive plant species. Initiate work with invasive plant coordinator and contractor to implement **regional management strategy for *Oncosiphon piluliferum*** in priority areas, treatment of Level 3, 4 and 5 invasive plants at high priority MSP species occurrences, **retreatment of *Arundo donax*, and treatment of EDRR shrub and tree species** that are difficult to treat.

2.4 Updated Vegetation Mapping

Vegetation mapping of the County is essential for tracking changes in vegetation cover on Conserved Lands through time. A vegetation classification system was developed, and a vegetation map was produced for western San Diego County in 2012, with further refinements in 2014.

Achievement Milestones FY 2023-2024

- **Update regional vegetation mapping** for the MSP Area using vegetation community classification established in the 2014 vegetation map and refined as needed.

2.5 Enforcement

Non-authorized use of the preserve system continues to cause impacts to MSP species and their habitats and increase the costs of habitat maintenance and restoration.

Achievement Milestones FY 2023-2024

- Work with land managers and experts to develop a strategic enforcement plan with a needs assessment across the regional preserve system. Support preserve managers and landowners in enforcement of unauthorized activities on open space lands. Work with local jurisdictions to evaluate and promote opportunities to work with local law enforcement staff similar to efforts completed in FY 2017-2018 with cities of San Diego and Carlsbad.

2.6 Preserve Level Management Plan Standardization

Integration of the MSP goals and objectives into preserve level management plans will provide better coordination between regional and preserve level data collection and MSP land managers management and monitoring efforts.

Achievement Milestones FY 2023-2024

- No milestones are included in the FY 2023-2024 workplan at this time.

2.7 Land Management Implementation (e.g., grants)

The EMP Land Management Grant Program has been an important source of funding for implementing management actions to benefit MSP species and their habitats in the San Diego region.

Achievement Milestones FY 2023-2024

- Contribute funds for developing a 11th cycle of land management grants, focusing on implementation of the MSP goals, leading to a request for proposals in FY 2024 or 2025.

2.8 Emergency Land Management Fund

An Emergency Land Management Fund has been established for use in large-scale emergency situations impacting MSP species and their habitats and or which known management options are available. This fund can be used to quickly respond to emerging pests and disease pathogens in the reserve system.

Achievement Milestones FY 2023-2024

- Make \$400,000 Emergency Land Management Fund available if needed.

3.0 Improve Wildlife Movement.

3.1 Wildlife Corridor and Linkages Monitoring

Species need to move to maintain population size and genetic diversity. In a landscape fragmented by urban development and linear infrastructure, restrictions to movement could result in a risk of extinction or extirpation.

Achievement Milestones FY 2023-2024

- Work with land managers to implement **Blaineville's horned lizard management actions** based on the results of the genetic connectivity study of horned lizards throughout the MSP Area.
- Continue developing a **long-term monitoring plan for mountain lions** in the San Diego region to evaluate population trends and genetic diversity. Collaborate with Orange and Riverside counties to improve regional connectivity. Implement high priority actions to improve mountain lion connectivity identified in the mountain lion linkage assessments for San Diego County. Support implementation of effective deterrent methods to reduce livestock losses in areas of the County with high depredation pressures.
- Work with partners to develop and implement a **region-wide camera monitoring strategy** for wildlife connectivity and linkage function. Develop a quantitative linkage monitoring plan.
- Continue the study begun in 2014 to determine the locations and movement of **American badgers** in western San Diego County, assess habitat and threats, and examine ways to improve badger connectivity and reduce mortality. Prepare and implement a badger management plan with recommendations for badger habitat management and for connectivity enhancement within the MSP Area.

- Continue to support and work with partners to **implement the existing linkage improvement** recommendations from previous studies at prioritized locations in San Diego County.
- Support regional efforts to implement wildlife corridor and associated infrastructure plans including the **State Route 67 and 94**, and future corridors identified under AB 2344, Friedman (Wildlife connectivity: transportation projects).
- Complete and implement a monitoring plan to survey **pollinator communities and assess ecological integrity** of pollinator functions in conjunction with the Coastal Sage Scrub, Chaparral, and Grasslands Vegetation Monitoring Plan for Conserved Lands in the MSP Area.

4.0 Promote Regional Coordination.

4.1 - 4.5 San Diego Management and Monitoring Program

The **San Diego Management and Monitoring Program** (SDMMP.com) was established by SANDAG in 2008 to provide a regionally coordinated, scientific approach to management and biological monitoring of rare plant and animal species on Conserved Lands in San Diego County. The SDMMP is the first program of its kind to help bring cities, counties, wildlife agencies, military, consulting firms, education, and non-profit entities together to develop and implement regional land management and biological monitoring objectives across NCCP boundaries. The SDMMP is fully funded by SANDAG and is embedded with the San Diego Field Office of the USGS. There are currently five positions in the SDMMP, which include the Senior Ecologist, Management and Monitoring Coordinator, Geographic Information System (GIS) Manager, Data Manager, and Data and GIS Technician.

Achievement Milestone FY 2023-2024

- Fund and fill the following positions as needed: SDMMP Senior Ecologist, Biologist, Management and Monitoring Coordinator, GIS Manager, Data Manager, and GIS and Data Technician.
- Implement the updated MSP and all incorporated strategic plan elements (Connectivity, Fire, Monitoring).
- Provide a quantitative and qualitative assessment on the status of regional management and monitoring efforts. Publish the 2022 State of the Preserve report and develop a preserve metrics dashboard on the MSP web portal.
- Support the SDMMP and stakeholders in MSP implementation by creating and managing GIS viewers, maps and map layers, webpage content, data analysis, and databases.
- Collaborate with the military and other regional conservation planning programs to promote intra- and inter- regional habitat conservation planning in Southern California.
- Hold regular meetings with stakeholders to collaborate on regional management and monitoring projects.
- Provide regional science support and data analysis of regional management and monitoring data.

- Update and manage the Conserved Lands Database.
- Refine the output products of the regional database, increase availability of data sets to preserve managers, and provide pre-formatted data reports to interested stakeholders.
- Incorporate all data from regional biological assessments into the regional master occurrence database for analysis.

4.6 Conserved Lands Database Management

The SDMMP has assumed management of the Conserved Lands Database under GIS Support.

Achievement Milestone FY 2023-2024

- Continue to update the Conserved Lands Database as more lands are acquired.

4.7 Administrative & Science Support

Achievement Milestone FY 2023-2024

- Provide regional science, technical support and data analysis of regional management and monitoring data and reports. Work with outside entity to develop regional metrics to track health of the preserve system and present to the public.

Table 1 - Recommended FY 2023 Allocation for Habitat Conservation Fund

A	B	F		G
#	Strategic Goal	FY 22 Allocation	Proposed FY 2023 Allocation	Comments
1	Promote key sensitive species			
1.1	Rare and Endemic Plant Monitoring and Recovery	\$569,082	\$523,780	Continue to facilitate monitoring by local jurisdictions and contract a consultant to fill the gaps in monitoring for FY 2023. Continue working with Texas Tech University to analyze the genetics for the Orcutt's spineflower in partnership with the U.S. Navy. Remaining funds will be used for analysis of all the rare plant monitoring data to provided recommendations for monitoring and management.
1.2	Vertebrate Monitoring and Recovery	\$556,157	\$760,482	Continue funding species recovery tasks identified in MSP; including surveys for arroyo toad, southwestern pond turtle, cactus wren, southwestern willow flycatcher, western spadefoot, and tricolored blackbird in 2023; development of species specific management and monitoring plans; genetic analysis for the cactus wren to finish analysis on inbreeding and fitness and to prepare reports; establishment of a cactus nursery for cactus wren; connectivity assessment for California gnatcatcher; and funding to support monitoring and management priorities for the least tern.
1.3	Invertebrate Monitoring and Recovery	\$71,713	\$146,612	Continue to work with contractors on rare butterfly monitoring and management. Added an additional \$25,000 for the collection of Laguna mountain skipper butterfly females to support the translocation field effort and additional monitoring.
1.4	General Stressors and Threats Management	\$122,946	\$133,482	Continue to work with partners to implement the Invasive Animal Management Plan including implementation of an invasive animal database and early detection rapid response system. Continue working with partners to tie urban runoff studies and the Aquatic Index of Biological Integrity to be consistent with MS4 permits. Provide funding for monitoring and equipment to inform the strategies and actions in support of the eradication of feral pigs.
	Subtotal	\$1,319,898	\$1,564,356	
2	Promote native vegetation communities			
2.1	Vegetation Community Monitoring and Recovery	\$215,676	\$0	No additional funding needed. Continue with regional vegetation monitoring protocol development, testing and preparation of a monitoring plan. Continue with the development and implementation of a grazing plan in coordination with land managers.
2.2	Pro-active Wildfire Planning and Management	\$0	\$139,450	Funding in support of a Fire Ignition and Fire Risk Reduction Plan, Resource Avoidance Areas Map and working with land managers on standardized Preserve Fire Management Plans.
2.3	Invasive Plant Species Management	\$0	\$705,000	Continue to work with the County of San Diego Agriculture to strategically reduce invasive species in the region. Additional funding to continue the regional management strategy for <i>Oncosiphon piluferum</i> and the retreatment of <i>Arundo donax</i> in priority areas.
2.4	Updated Vegetation Mapping	\$636,839	\$0	No additional funding needed. Development of working group to inform the update to the regional vegetation mapping.
2.5	Enforcement	\$0	\$0	No additional funding needed. Recommended using existing funding on the development of a strategic regional enforcement plan with a needs assessment based on land manager input, with high priority implementation tasks identified as possible funding through the 11th cycle of Land Management Grants.
2.6	Preserve level management plan standardization	\$0	\$0	No additional funding needed.
2.7	Land Management Implementation (e.g., grants)	\$600,000	\$454,303	Funding included for an 11th cycle of Land Management Grants.
2.8	Emergency Land Management Fund	\$0	\$0	No additional funding needed. Use this fund to respond to emergencies, as well as, emerging pests and disease pathogens as needed.
	Subtotal	\$1,452,515	\$1,298,753	
3	Improve wildlife movement			

#	Strategic Goal	FY 22 Allocation	Proposed FY 2023 Allocation	Comments
3.1	Wildlife Corridor and Linkages Monitoring	\$295,000	\$270,000	Continue to work with partners in the development of a long-term monitoring plan for mountain lions, including support of the implementation of effective deterrent methods to reduce livestock losses in areas with high depredation pressures. Complete monitoring plan to survey pollinator communities and assess ecological integrity. Complete monitoring and management plans for the American badger.
	Subtotal	\$295,000	\$270,000	
4	Promote regional coordination			
4.1	Program Administrator	\$0	\$0	No additional funding needed. Allocate funds from this task in support of hiring an additional biologist for SDMMMP.
4.2	Management & Monitoring Coordinator	\$85,825	\$116,703	Continue to work under existing contracts for FY 2023.
4.3	Biologist	\$250,000	\$191,765	Continue to work under existing contracts for FY 2023.
4.4	GIS Support	\$276,967	\$233,710	Continue to work under existing contracts for FY 2023.
4.5	Database Development and Support	\$284,393	\$324,713	Continue to work under existing contracts for FY 2023.
4.6	Conserved Lands Database Management	\$0	\$0	No additional funding needed.
4.7	Administrative & Science Support	\$35,402	\$0	No additional funding needed.
	Subtotal	\$932,587	\$866,891	
	TOTAL FUNDING STRATEGY	\$4,000,000	\$4,000,000	

Environmental Mitigation Program

2022 Annual Report

Conservation | Research | Stewardship



Overview



Vision



Habitat Conservation



Scientific Research



Environmental Stewardship



Regional Coordination



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BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of the Clerk of the Board

ITEM TYPE: Approve

AGENDA SECTION: Consent

SUBJECT: Personnel Panel – Establishment and Appointment of Members

SUGGESTED ACTION: The Board of Directors is asked to approve the establishment of a Personnel Panel consisting of three Board members to consider matters of employee discipline.

ATTACHMENTS:
[Personnel Panel.pdf](#)

Personnel Panel – Establishment and Appointment of Members

Overview

SANDAG's disciplinary process provides that an employee may seek an evidentiary hearing before the Board of Directors prior to final action being imposed. A three-member Personnel Panel is proposed to be formed to consider matters of employee discipline on behalf of the Board.

Background

The following three members have been nominated by the Chair to sit on the Panel and to consider agency disciplinary matters:

- Mayor Lesa Heebner, City of Solana Beach
- Supervisor Joel Anderson, County of San Diego
- Mayor Mary Salas, City of Chula Vista

Next Steps

Upon approval by the Board, staff will coordinate with Panel members to conduct necessary hearings. Any action taken by the Panel will be presented to the Board for ratification.

Catherine Blakespear, Chair, Board of Directors

Key Staff Contact: Amberlynn Deaton, (619) 595-1405, amberlynn.deaton@sandag.org

Action: **Approve**

The Board of Directors is asked to approve the establishment of a Personnel Panel, consisting of three Board members, to consider matters of employee discipline.

Fiscal Impact:

None.

Schedule/Scope Impact:

None.



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BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Regional Planning

ITEM TYPE: Adopt

AGENDA SECTION: Consent

SUBJECT: Regional Early Action Planning Funds: Regional Housing Acceleration Program

SUGGESTED ACTION: The Board of Directors is asked to adopt Resolution No. 2023-XX, authorizing staff to submit an application to the California Department of Housing and Community Development for \$38.7 million as the remainder of the funding allocation under the Regional Early Action Planning program.

ATTACHMENTS:
[REAP 2.0 Full Application Staff Report.pdf](#)
[Att 1 - REAP 2.0 Full Application Resolution.pdf](#)

Regional Early Action Planning Funds: Regional Housing Acceleration Program

Overview

The Housing Acceleration Program supports implementation of the 6th Cycle Regional Housing Needs Assessment and 2021 Regional Plan with funding from the state's Regional Early Action Planning (REAP) programs. The REAP Grants of 2021 (REAP 2.0) provide a \$600 million statewide investment to fund transformational planning and implementation activities that meet the following objectives: (1) accelerate infill housing; (2) affirmatively further fair housing; and (3) reduce vehicle miles traveled. The California Department of Housing and Community Development (HCD) is the lead agency for the program and is working collaboratively with other state agencies to implement REAP 2.0.

The \$43 million allocated to SANDAG would be used to award capital and planning grants to local jurisdictions, contribute to a regional housing trust fund for affordable housing development, advance transit-oriented development, and partner with tribal nations on their unique housing needs.

Key Considerations

A majority of REAP 2.0 funds are allocated to Metropolitan Planning Organizations based on a population formula, and the maximum allocation amount for SANDAG is \$43,037,322.72. Earlier this year, HCD awarded SANDAG an Advance Application Award of 10% (\$4.3 million). The advance funding has been used to develop an education and outreach strategy, solicit input on proposed uses of REAP 2.0 funds, and prepare SANDAG's full funding application.

Since February 2022, SANDAG has been engaging stakeholders and the public in discussions around REAP 2.0 and potential uses of the funds. In October 2022, SANDAG released the [REAP 2.0 Program Framework](#) for public review and comment. The REAP 2.0 Program Framework outlines SANDAG's REAP 2.0 Program Priorities and Proposed Uses in alignment with the State's program objectives and requirements. SANDAG met with local jurisdiction staff and tribal representatives, held a REAP 2.0 workshop, coordinated with community-based organizations on local events, and conducted an online public survey to receive input on proposed uses. Special efforts were made to solicit feedback from under-resourced and underserved communities, environmental justice communities, and tribal communities.

Action: **Adopt**

The Board of Directors is asked to adopt Resolution No. 2023-08, authorizing staff to submit a request for, and accept, Regional Early Action Planning Grant funds from the Department of Housing and Community Development.

Fiscal Impact:

Allows SANDAG to apply for and receive the agency's remaining allocation of \$38,733,590.44 of the Regional Early Action Planning Grants of 2021 (REAP 2.0) funds. Funds will be programmed in the Overall Work Program Project No. 3321901.

Schedule/Scope Impact:

REAP 2.0 funds must be expended by June 2026 and used to implement activities that accelerate infill housing, affirmatively further fair housing, and reduce vehicle miles traveled.

SANDAG intends to suballocate a majority of funds directly to local jurisdictions and affordable housing developers through competitive grant programs. The REAP 2.0 Proposed Uses and Funding Amounts are as follows:

- Local Jurisdiction Support (\$19 million): provide capital and planning grants and technical assistance for efforts to implement local housing elements and accelerate the development of affordable housing.
- Affordable Housing Programs (\$15.5 million): develop and contribute to a regional housing trust fund. The contribution from REAP 2.0 would be leveraged with funding from partners across the region to provide grants for affordable housing development.
- Transit Agency Partnership (\$1.7 million): support activities that advance housing, particularly workforce housing, near major transit stations in the San Diego region. Funding would advance transit-oriented development on land owned by Metropolitan Transit System and North County Transit District.
- Tribal Partnership (\$1.5 million): a complementary program to support each of the 17 federally recognized Tribe's unique housing needs.
- Administration, Program Development, Education and Outreach (\$5.4 million): activities that support implementation of the other proposed uses.

REAP 2.0 also includes competitive funding opportunities, and SANDAG is assisting local tribal nations with their applications to the competitive set aside for tribal applicants.

Next Steps

Upon adoption of Resolution No. 2023-08, SANDAG will submit a full funding application to HCD. Pending award from HCD, funds will be programmed in Overall Work Program Project No. 3321901 and activities will be implemented through June 2026.

Antoinette Meier, Senior Director of Regional Planning

Key Staff Contact: Allison Wood, (619) 699-1973, allison.wood@sandag.org

Attachment: 1. Resolution No. 2023-08: A Resolution Authorizing a Request for, and Acceptance of, Regional Early Action Planning Grant Funds from the Department of Housing and Community Development



San Diego, CA 92101
 Phone (619) 699-1900
 Fax (619) 699-1905
 sandag.org

Resolution No. 2023-08

A Resolution Authorizing a Request for, and Acceptance of, Regional Early Action Planning Grant Funds from the Department of Housing and Community Development

WHEREAS, the State of California (the "State"), Department of Housing and Community Development ("Department") is authorized to provide up to \$510,000,000 to Metropolitan Planning Organizations and Councils of Government listed in Health and Safety Code Section 50515.08, subdivisions (a)(1)-(6) under the Regional Early Action Planning grant program (REAP 2.0), as detailed in Health and Safety Code Section 50515.08-10;

WHEREAS, the State Department issued a Notice of Funding Availability on July 26, 2022, for REAP 2.0 grants available to Metropolitan Planning Organizations and Councils of Government;

WHEREAS, SANDAG is a Metropolitan Planning Organization or Council of Government eligible to submit a Request for Funds pursuant to Health and Safety Code Section 50515.08(c) to develop and accelerate the implementation of the requirements described in Health and Safety Code section 50515.08(c)(1); and

WHEREAS, the Department shall approve the Request for Funds, subject to the terms and conditions of Eligibility, Guidelines, NOFAs, Program requirements, and the Standard Agreement by and between the Department and REAP 2.0 Grant Recipients;

NOW THEREFORE BE IT RESOLVED THAT, SANDAG is hereby authorized and directed to request an allocation of funds not to exceed \$38,733,590.44 (the difference between the advance allocation amount received and the total amount allocated pursuant to Health and Safety Code section 50515.07(a) consistent with the methodology described in 50515.09(a)).

BE IT FURTHER RESOLVED THAT, the Chief Executive Officer or its designee is authorized to execute the Request for Funds, on behalf of SANDAG as required by the Department for receipt of REAP 2.0 Funds.

BE IT FURTHER RESOLVED THAT, when SANDAG receives an allocation of REAP 2.0 funds in the authorized amount of \$38,733,590.44 from the Department pursuant to the above referenced Request for Funds, it represents and certifies that it will use all such funds only for eligible activities as set forth in Health and Safety Code section 50515.08(c)(1), as approved by the Department and in accordance with all REAP 2.0 requirements, guidelines, all applicable state and federal statutes, rules, regulations, and the Standard Agreement executed by and between SANDAG and the Department.

BE IT FURTHER RESOLVED THAT, the Chief Executive Officer or its designee is authorized to enter into, execute, and deliver a State of California Standard Agreement for the amount of \$38,733,590.44, and any and all other documents required or deemed necessary or appropriate to evidence and secure the REAP 2.0 Allocation, SANDAC's obligations related thereto and all amendments the Department deems necessary and in accordance with REAP 2.0.

PASSED AND ADOPTED this 18th of November 2022.

Attest:

Chair

Secretary

Member Agencies: Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach, Vista, and County of San Diego.

Advisory Members: California Department of Transportation, Metropolitan Transit System, North County Transit District, Imperial County, U.S. Department of Defense, Port of San Diego, San Diego County Water Authority, Southern California Tribal Chairmen's Association, and Mexico.



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BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Data Science

ITEM TYPE: Approve

AGENDA SECTION: Consent

SUBJECT: New Grant Funding: Project Safe Neighborhoods Fiscal Agent 2022

SUGGESTED ACTION: The Public Safety Committee recommends that the Board of Directors approve a budget amendment to the FY 2023 Overall Work Program and Budget to accept \$1.47 million in funding from the U.S. Department of Justice on behalf of three U.S. Attorney's Offices in California.

ATTACHMENTS:

- [New Grant Funding Staff Report.pdf](#)
- [Att 1 - 2347300_PSN-22-Southern_BudgetAmendment.pdf](#)
- [Att 2 - 2347400_PSN-22-Central_BudgetAmendment.pdf](#)
- [Att 3 - 2347500_PSC-22-Northern_BudgetAmendment.pdf](#)

New Grant Funding: Project Safe Neighborhoods Fiscal Agent 2022

Overview

As part of Project Safe Neighborhoods (PSN), funding support from the U.S. Department of Justice (DOJ) is allocated to the 94 federal judicial districts nationally to establish collaborative teams to implement a strategic plan for investigating, prosecuting, and preventing violent crimes in their respective districts. Because the U.S. Attorney's Offices in these districts are unable to directly accept the funding, a fiscal agent for each of the districts is required to oversee the distribution and use of the funding. In 2022, three districts in California asked SANDAG to serve as their fiscal agent to apply for and accept FFY 2023 PSN funding.

Key Considerations

As the fiscal agent, SANDAG will work with the Southern District of California to administer its \$182,672 in funding (Overall Work Program [OWP] Project No. 2347300), the Central District of California to administer its \$894,151 in funding (OWP Project No. 2347400), and the Northern District of California to administer its \$399,193 in funding (OWP Project No. 2347500). As the fiscal agent, SANDAG will organize, draft, and support the required PSN application and subaward materials; manage all fiscal matters; prepare required federal reports; work with Bureau of Justice Assistance staff to submit Grant Adjustment Notices as needed; work with federal monitors or auditors; and establish a process to award and monitor each subaward to ensure the subaward adheres to financial and administrative rules. SANDAG is currently serving as the fiscal agent for the four Districts of California and has the experience and ability to successfully manage these federal funds. Ten percent of the funds received are allocated to reimburse SANDAG for its fiscal agent responsibilities.

Next Steps

Pending Board of Directors approval, SANDAG staff will amend the FY 2023 SANDAG OWP and Budget to accept the \$1,476,016 in federal funding and work with three U.S. Attorney's Offices to fulfill the fiscal agent responsibilities.

Dr. Cindy Burke, Senior Director Data Science

Key Staff Contact: Octavio Rodriguez Ferreira, (619) 595-5342, octavio.rodriguezferreira@sandag.org

Attachments:

1. OWP Project No. 2347300 Budget Amendment – Southern
2. OWP Project No. 2347400 Budget Amendment – Central
3. OWP Project No. 2347500 Budget Amendment – Northern

Action: **Approve**

The Board of Directors is asked to approve a budget amendment to the FY 2023 Overall Work Program and Budget to accept \$1.47 million in funding on behalf of three U.S. Attorney's Offices in California from the U.S. Department of Justice.

Fiscal Impact:

A total of \$1.47 million (OWP Project Nos. 2347300, 2347400, and 2347500) will be added to the FY 2023 Program Budget and SANDAG will receive 10% of the funding to serve as the fiscal agent.

Schedule/Scope Impact:

Schedule/Scope Impact: The new funding will support activities in three U.S. Attorney districts in California for up to three years.

WORK ELEMENT: 2347300 NEW - CJAM - Southern District USAO Project Safe Neighborhoods 2022

FY 2023 BUDGET: ~~\$0~~ \$48,409

AREA OF EMPHASIS: Modeling and Research

Amendment Title: PSN 22 Southern

Note: Amendment to authorize budget from new grant received.

Funds Source				
	Prior	FY 2023	FY 2024 - 2026	Total
U.S. Department of Justice	\$0	\$0 \$48,409	\$0 \$134,263	\$0 \$182,672
TOTAL	\$0	\$0 \$48,409	\$0 \$134,263	\$0 \$182,672

Funds Application				
	Prior	FY 2023	FY 2024 - 2026	Total
Salaries, Benefits, Indirect	\$0	\$0 \$7,308	\$0 \$10,960	\$0 \$18,267
Pass Through to Other Agencies	\$0	\$0 \$41,101	\$0 \$123,304	\$0 \$164,405
TOTAL	\$0	\$0 \$48,409	\$0 \$134,263	\$0 \$182,672

OBJECTIVE

Project Safe Neighborhood (PSN) is a federally-funded initiative designed to foster safer neighborhoods through the reduction in gun and gang violence. PSN is coordinated by the U.S. Attorney's Office (USAO) across the nation. Because of its respected reputation and prior work on PSN, SANDAG was asked to serve as the Fiscal Agent for the San Diego USAO and three other counties in California including Southern, Central, Northern, and Eastern. In this role, SANDAG will ensure contracts are managed and deliverables are provided on time and as described. Focus in FY 2023 will be to execute contracts, provide quarterly reports to USAO, and monitor contracts.

PREVIOUS ACCOMPLISHMENTS

SANDAG has acted Fiscal Agent on past PSN efforts and has the experience and background knowledge to administer the PSN funds

Project Manager: Rodriguez Ferreira, Octavio

Committee(s): Public Safety Committee

Working Group(s):

PRODUCTS, TASKS, AND SCHEDULES FOR FY2023

Task No.	% of Effort	Task Description / Product / Schedule
1	25	Task Description: Administer PSN funds Product: Executed contracts Completion Date: 6/30/2023
2	75	Task Description: Monitor contracts Product: Contracts compliant Completion Date: 6/30/2023

FUTURE ACTIVITIES

Funds can be spent over a three-year period through FY26.

WORK ELEMENT: 2347400 NEW - CJAM - Central District USAO Project Safe Neighborhoods 2022

FY 2023 BUDGET: ~~\$0~~ \$236,943

AREA OF EMPHASIS: Modeling and Research

Amendment Title: PSN 22 Central

Note: Amendment to authorize budget from new grant received.

Funds Source				
	Prior	FY 2023	FY 2024 - 2026	Total
U.S. Department of Justice	\$0	\$0 \$236,943	\$0 \$657,208	\$0 \$894,151
TOTAL	\$0	\$0 \$236,943	\$0 \$657,208	\$0 \$894,151

Funds Application				
	Prior	FY 2023	FY 2024 - 2026	Total
Salaries, Benefits, Indirect	\$0	\$0 \$35,759	\$0 \$53,656	\$0 \$89,415
Pass Through to Other Agencies	\$0	\$0 \$201,184	\$0 \$603,552	\$0 \$804,736
TOTAL	\$0	\$0 \$236,943	\$0 \$657,208	\$0 \$894,151

OBJECTIVE

Project Safe Neighborhood (PSN) is a federally-funded initiative designed to foster safer neighborhoods through the reduction in gun and gang violence. PSN is coordinated by the U.S. Attorney's Office (USAO) across the nation. Because of its respected reputation and prior work on PSN, SANDAG was asked to serve as the Fiscal Agent for the San Diego USAO and three other counties in California including Southern, Central, Northern, and Eastern. In this role, SANDAG will ensure contracts are managed and deliverables are provided on time and as described. Focus in FY 2023 will be to execute contracts, provide quarterly reports to USAO, and monitor contracts.

PREVIOUS ACCOMPLISHMENTS

SANDAG has acted Fiscal Agent on past PSN efforts and has the experience and background knowledge to administer the PSN funds.

Project Manager: Rodriguez Ferreira, Octavio

Committee(s): Public Safety Committee

Working Group(s):

PRODUCTS, TASKS, AND SCHEDULES FOR FY2023

Task No.	% of Effort	Task Description / Product / Schedule	
1	25	Task Description:	Administer PSN funds
		Product:	Executed contracts
		Completion Date:	6/30/2023
2	75	Task Description:	Monitor contracts
		Product:	Contracts compliant
		Completion Date:	6/30/2023

FUTURE ACTIVITIES

Funds can be spent over a three-year period through FY26.

WORK ELEMENT: 2347500 NEW - CJAM - Northern District USAO Project Safe Neighborhoods 2022

FY 2023 BUDGET: ~~\$0~~ \$105,763

AREA OF EMPHASIS: Modeling and Research

Amendment Title: PSN 22 Northern

Note: Amendment to authorize budget from new grant received.

Funds Source				
	Prior	FY 2023	FY 2024 - 2026	Total
U.S. Department of Justice	\$0	\$0 \$105,763	\$0 \$293,430	\$0 \$399,193
TOTAL	\$0	\$0 \$105,763	\$0 \$293,430	\$0 \$399,193

Funds Application				
	Prior	FY 2023	FY 2024 - 2026	Total
Salaries, Benefits, Indirect	\$0	\$0 \$15,944	\$0 \$23,975	\$0 \$39,920
Pass Through to Other Agencies	\$0	\$0 \$89,818	\$0	\$0 \$89,818
Debt Service and Project Reserves	\$0	\$0 \$269,455	\$0 \$269,455	\$0 \$269,455
TOTAL	\$0	\$0 \$105,763	\$0 \$23,975	\$0 \$129,738

OBJECTIVE

Project Safe Neighborhood (PSN) is a federally-funded initiative designed to foster safer neighborhoods through the reduction in gun and gang violence. PSN is coordinated by the U.S. Attorney's Office (USAO) across the nation. Because of its respected reputation and prior work on PSN, SANDAG was asked to serve as the Fiscal Agent for the San Diego USAO and three other counties in California including Southern, Central, Northern, and Eastern. In this role, SANDAG will ensure contracts are managed and deliverables are provided on time and as described. Focus in FY 2023 will be to execute contracts, provide quarterly reports to USAO, and monitor contracts.

PREVIOUS ACCOMPLISHMENTS

SANDAG has acted Fiscal Agent on past PSN efforts and has the experience and background knowledge to administer the PSN funds.

Project Manager: Rodriguez Ferreira, Octavio

Committee(s): Public Safety Committee

Working Group(s):

PRODUCTS, TASKS, AND SCHEDULES FOR FY2023

Task No.	% of Effort	Task Description / Product / Schedule	
1	25	Task Description:	Administer PSN funds
		Product:	Executed contracts
		Completion Date:	6/30/2023
2	75	Task Description:	Monitor contracts
		Product:	Contracts compliant
		Completion Date:	6/30/2023

FUTURE ACTIVITIES

Funds can be spent over a three-year period through FY26.



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BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Finance Services

ITEM TYPE: Information

AGENDA SECTION: Consent

SUBJECT: Chief Executive Officer Delegated Actions

SUGGESTED ACTION: In accordance with various Board Policies, this report summarizes certain delegated actions taken by the Chief Executive Officer.

ATTACHMENTS:
[CEO Delegated Actions.pdf](#)

Chief Executive Officer Delegated Actions

Overview

Various Board Policies require the Chief Executive Officer to report certain actions to the Board of Directors monthly or upon taking specified actions.

Action: **Information**

In accordance with various Board Policies, this report summarizes delegated actions taken by the Chief Executive Officer.

Delegated Actions

Legal Matters: SANDAG Board Policy No. 008 authorizes the Office of the General Counsel or outside counsel to file documents and make appearances on behalf of the agency in court proceedings.

Fiscal Impact:

None.

Schedule/Scope Impact:

None.

In the matter of Shinn v. Milavetz et al. (Superior Ct. Case No. 2022-00024648), the following actions were taken by Bremer Whyte Brown & O'Meara on behalf of SANDAG:

- On October 28, 2022, filed a Stipulation and Order re: Stay of Entire Civil Proceeding Pending Resolution of Criminal Proceeding Against Defendant Milavetz Arising from the Same Accident

In the matter of Jacoby v. Metropolitan System et al. (Superior Ct. Case No. 2022-00008212), the following actions were taken by Bremer Whyte Brown & O'Meara on behalf of SANDAG:

- On October 28, 2022, attended a demurrer hearing on the State of California's demurrer

In the matter of City of Philadelphia et al. v. Bank of America Corp. et al. (U.S. Dist. Ct Southern Dist. of New York Case No. 19-cv-1608 (JMF)), the following actions were taken by Ellis George Cipollone on behalf of SANDAG:

- On October 27, 2022, filed a Plaintiffs' Memorandum of Law in Support of Their Motion for Class Certification and Appointment of Class Counsel, and two supporting Exhibits

Plans, Specifications, and Estimates (PS&E) Design Approvals: SANDAG Board Policy No. 017, Section 4.2, states a monthly report of all approvals of design PS&E for capital improvement projects shall be submitted to the Board. The PS&Es for the following capital improvement project was approved.

- Otay Mesa East Port of Entry Utility Construction Project, CIP 1201106

Contract Award: SANDAG Board Policy No. 017, Section 1, authorizes the Executive Director to enter into any agreements or take any other actions necessary to implement the budget items or other actions approved by the Board.

- In an agreement executed October 24, 2022, Range Partners-SD, Inc., was awarded a contract for Real Estate Broker Services (Contract No. S1116046) for SANDAG's future office space needs. There is no fiscal impact to SANDAG as a result of this contract. The consultant will be compensated through fair market rate commission paid by the property owner or landlord.

Contract Relief from Maintenance: SANDAG Board Policy No. 024: Procurement and Contracting – Construction Policy, 5.1, authorizes the Chief Executive Officer to grant Relief from Maintenance and Responsibility on major elements of each major construction project on behalf of the Board.

- In a letter dated September 27, 2022, Mid-Coast Transit Constructors was granted Limited Relief from Maintenance for the P701 Parking Lot Project – Effective January 27, 2022 (CIP 1257001, Contract No. 5008600, Supplement 4B).
- In a letter dated September 27, 2022, Mid-Coast Transit Constructors was granted Limited Relief from Maintenance for the P707 Parking Lot Project – Effective January 28, 2022 (CIP 1257001, Contract No. 5008600, Supplement 6).
- In a letter dated September 27, 2022, Mid-Coast Transit Constructors was granted Limited Relief from Maintenance for the Pepper Canyon and P406 Parking Lot Project – Effective May 9, 2022 (CIP 1257001, Contract No. 5008600, Supplement 4B).
- In a letter dated September 27, 2022, Mid-Coast Transit Constructors was granted Limited Relief from Maintenance for the Warren Field Project – Effective February 10, 2022 (CIP 1257001, Contract No. 5008600, Supplement 4B).

Hasan Ikhata, Chief Executive Officer

Key Staff Contact: Kimberly Monasi, (619) 699-6902, kimberly.monasi@sandag.org



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BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of the Clerk of the Board

ITEM TYPE: Information

AGENDA SECTION: Consent

SUBJECT: Meetings and Events Attended on Behalf of SANDAG

SUGGESTED ACTION: This report summarizes external meetings and events attended by Board members on behalf of SANDAG.

ATTACHMENTS:
[Meetings and Events.pdf](#)

Meetings and Events Attended on Behalf of SANDAG

Overview

In accordance with Government Code requirements, when members of a legislative body attend external meetings at the expense of the local agency, a report is to be provided summarizing such external meetings. Since the last report, Board of Directors members participated in the following meetings and events on behalf of SANDAG. Key topics of discussion are also summarized.

October 9, 2022: SANDAG Community Fair

Chair Catherine Blakespear (City of Encinitas) and Second Vice Chair Alejandra Sotelo-Solis (City of National City) participated in the SANDAG Community Fair as the official representatives. The Chair and Second Vice Chair gave welcoming remarks, participated in various activities and other festivities throughout the day that showcased SANDAG projects and programs.

October 17, 2022: LOSSAN Board of Directors Meeting

Councilmember Joe Mosca (City of Encinitas) participated in the LOSSAN Board meeting as the SANDAG representative. Councilmember Mosca participated in discussions regarding SANDAG's efforts to realign the LOSSAN corridor off the Del Mar Bluffs and on emergency repairs to restore rail service in San Clemente. The Board received a LOSSAN marketing update as well.

October 21, 2022: SANDAG Diamond Awards; San Diego, CA

Chair Blakespear participated in an event to honor the 2022 SANDAG Diamond Awards winners. The SANDAG Diamond Awards recognize employers in the San Diego region that have made strides to develop and implement programs that encourage alternative commute choices.

October 25, 2022: LOSSAN Tour and Press Conference with Secretary Pete Buttigieg; San Diego, CA

Chair Blakespear participated as the official SANDAG representative in the visit, tour, and press conference of the LOSSAN rail corridor with U.S. Secretary of Transportation Pete Buttigieg, along with several other local, state, and federal officials. The LOSSAN rail corridor is a key freight corridor and the second busiest railway in the nation. Funding for repairs to the Del Mar Bluffs rail section and replacing the San Louis Rey Bridge are two key projects that will ensure the corridor remains sustainable for years to come.

Action: **Information**

This report summarizes external meetings and events attended by Board members on behalf of SANDAG.

Fiscal Impact:

Funding for expenses related to these meetings is provided via Overall Work Program Element No. 9000100 in accordance with Section 5 of the SANDAG Bylaws.

Schedule/Scope Impact:

None.

October 27, 2022: FACT Board Meeting; San Diego, CA

Councilmember Jewel Edson (City of Solana Beach) participated in the FACT Board meeting as the SANDAG representative. Councilmember Edson participated in discussions on Contactless Fare Payments and ongoing discussions with SANDAG on several topics, including driver shortage and inflation, compliance with grant agreements, and advocacy for additional funds for Specialized Transportation.

Robyn Wapner, Director of Public Affairs

Key Staff Contact: Francesca Webb, (619) 699-1985, francesca.webb@sandag.org



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BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Finance Services

ITEM TYPE: Information

AGENDA SECTION: Consent

SUBJECT: Overview of Developments in the Financial Markets, Quarterly Finance Report as of September 30, 2022

SUGGESTED ACTION: This report provides an update on the latest developments in the financial markets, economy, sales tax revenues, and strategies being explored and implemented to minimize possible impacts to the TransNet Program.

ATTACHMENTS:

[Quarterly Financial Report_093022.pdf](#)
[Att 1 - Financial Market Review_093022.pdf](#)
[Att 2 - Local Economy and Sales Tax Revenues_93022.pdf](#)
[Att 3a - Investments and Debt Portfolio_93022.pdf](#)
[Att 3b - Quarterly Investment Report_093022.pdf](#)
[Att 3c - Quarterly Investments](#)
[Att 3d - Quarterly Investments](#)
[Att 4 - Quarterly Report](#)

Overview of Developments in the Financial Markets, Quarterly Finance Report as of September 30, 2022

Overview

Staff provides quarterly briefings on the latest developments in the financial markets, economy, sales tax revenues, and the strategies being explored and implemented to minimize possible impacts to the TransNet Program; and a quarterly report on investments as required per SANDAG Board Policy No. 003.

In addition, SANDAG Board Policy No. 032 requires an annual presentation to the Board of Directors, which includes a written description of the interest rate swaps and an evaluation of the risks associated with outstanding swaps.

Key Considerations

- The \$537 million the Transportation Infrastructure Finance and Innovation Act loan was drawn in September 2022 and proceeds used to retire the 2021A Notes on October 1, 2022.
- After dropping 2.1% in FY 2020, sales tax revenue collection surged in FY 2021 registering a 9.2% increase. FY 2022 saw an unprecedented 21.5% increase over FY 2021, with revenues topping \$405 million. Through October 2022, FY 2023 revenues have totaled \$297.6 million, running 7.5% above the first four months of FY 2022 collection.
- Senior lien maximum annual debt service coverage, using sales tax receipts of \$415.9 million for the 12 months ending September 30, 2022, is 3.90 times. Meaning, for every \$1 of senior lien debt service, SANDAG received \$3.90 of sales tax revenue providing ample coverage, supporting SANDAG senior lien triple-A ratings.
- In September 2022, the Consumer Price Index for all items (headline inflation) increased 8.2% over the year, which was slightly less than 8.3% in May 2022 but well below the record 18.3% in January 1980.
- The interest rate swaps continue to perform as expected, and there has not been any material event involving outstanding swap agreements, nor has there been any default by a swap counterparty or counterparty termination.

André Douzdjian, Chief Financial Officer

Key Staff Contacts: André Douzdjian, (619) 699-6931, andre.douzdjian@sandag.org
 Ray Major, (619) 699-1930, ray.major@sandag.org

- Attachments:
1. Financial Market Review
 2. Local Economy and Sales Tax Revenue
 3. Investment and Debt Portfolio
 4. TransNet Extension Quarterly Report

Action: Information

This report provides an update on the latest developments in the financial markets, economy, sales tax revenues, and strategies being explored and implemented to minimize possible impacts to the *TransNet* Program.

Fiscal Impact:

Senior lien debt service coverage remains strong at 3.90 times, providing ample coverage and supporting triple-A ratings.

Schedule/Scope Impact:

The San Diego economy has bounced back almost fully from the COVID-19 recession, having regained virtually all the jobs lost to the pandemic, despite a chaotic reshuffling of employment.

Market Review and Update

Overview

The third quarter of 2022 continued to be dominated with rising inflation concerns. Consumer Price Index (CPI) for the months of August and September continued to climb higher, moving up to 8.3% and 8.2%, respectively.

The Federal Reserve has continued to combat inflation with interest rate increases. Its Federal Funds Rate is up to a range of 3.00% - 3.25% after raising rates for the fifth time in 2022. The Fed has indicated there could be several more rate hikes through the end of 2022 and in early 2023. While such an aggressive tightening should be the key to bringing down inflation, currently running at over 40-year highs in the US, investors fear that it will also tip the economy into a recession.

Interest Rates

- **Treasury Rates:** Short-term treasury rates (industry accepted benchmark for taxable bonds) have increased significantly since the beginning of the year with the two-year treasury bond currently at approximately 4.50%. Long-term treasury rates have also increased with the ten-year treasury currently yielding 4.20% and the 30-year treasury bond yielding 4.30%. With short-term rates exceeding long-term rates, this inverted yield curve could be indicative of a recession to come.
- **Municipal Market Rates:** The AAA MMD rates (the industry accepted benchmark for tax-exempt rates) have been increasing with the short-end having shot up from 0.17% at the beginning of the year to 2.93% in mid-October. The 30-year rate has also seen a significant increase from 1.50% at the beginning of the year to 3.76% in mid-October.
- **Fed Funds Rate:** The Fed made another rate hike of 0.75% at the September FOMC meeting, following the 0.75% increases at both the June and July meetings. The current target range is set at 3.00% to 3.25%. Market consensus is that there will be two more rate hikes by end of the year and another at its January 2023 meeting.

Municipal Market Supply-Demand Dynamics: Tax-exempt municipal bond issuance is 9.5% lower year-to-date through September 2022 relative to 2021. Investor demand weakened over the quarter as yields continued to rise.

Equity Markets: Domestic equity markets on a quarterly basis continue their downward trajectory as the Fed continues to raise rates aggressively without regard to recessionary pressures. Year-to-date the S&P is down 23%, the Dow is down 17 % and the Nasdaq is down 32%.

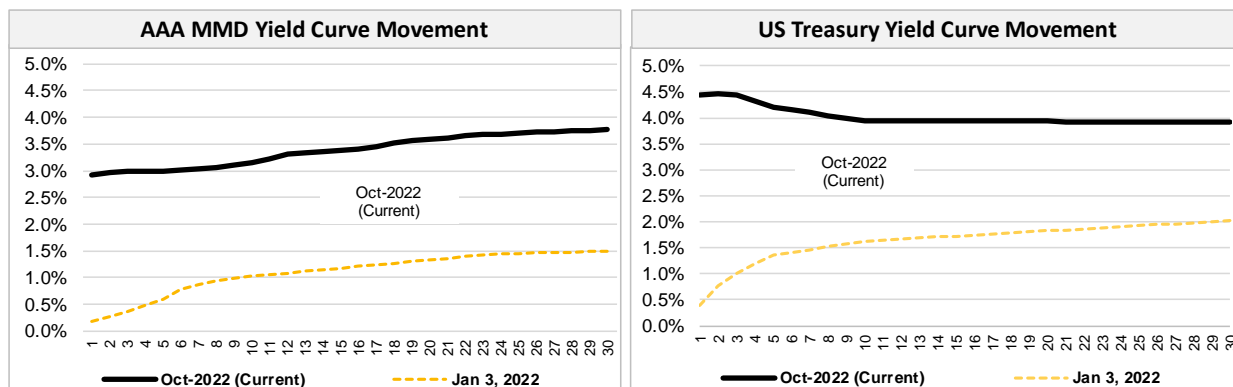
U.S. Economy

- **Jobs and Unemployment:** The Initial Jobless Claims have increased recently with initial claims at 228,000 for the week ending October 8. That said, the unemployment rate remained low in September at 3.5%
- **GDP:** Real GDP decreased at an annual rate of 1.6% in the first quarter and 0.6% in the second quarter and *technically* entering a recession.
- **Personal Spending:** As the economy's key driver, personal spending increased slightly by 0.4% in August, after a decrease in July by 0.2%.

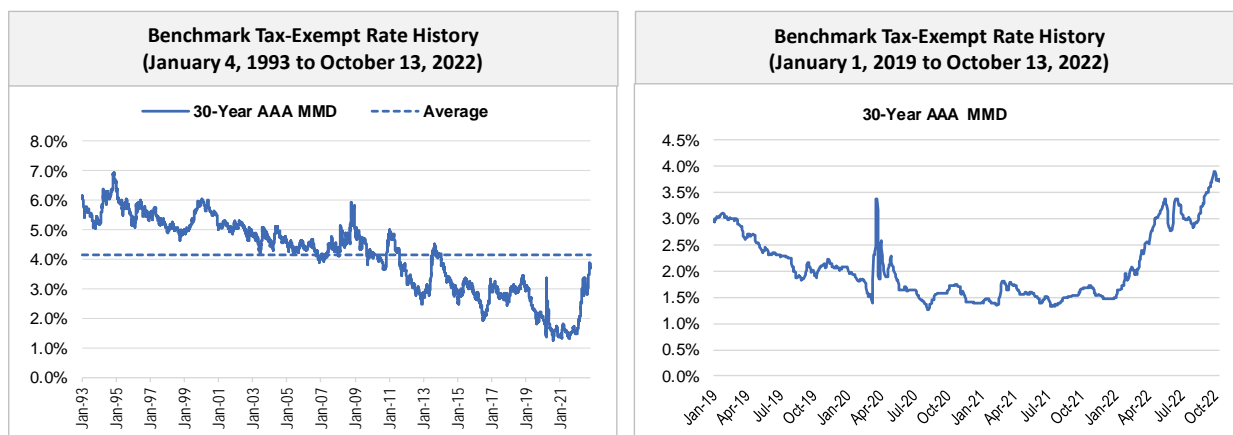
- Manufacturing and Service data: The Markit U.S. Composite Purchasing Managers Index in September showed a smaller contraction in the private sector than the previous month and a slight expansion in manufacturing. However, that was outweighed by declining service sector performance.
- Consumer Sentiment: Preliminary estimates of the University of Michigan Consumer Confidence Index increased slightly to 59.8 in October, but this improvement remains tentative. Continued uncertainty over the future trajectory of prices, economies, and financial markets around the world indicate a bumpy road ahead for consumers.

Long-Term Tax-Exempt and Taxable Interest Rates

The AAA Municipal Market Data (MMD) rates have risen significantly in 2022 thus far. The two charts below show current interest rates in comparison to where they were at the beginning of the year. As seen in the chart, the AAA MMD yield curve is almost entirely above 3.0 – rising by 2.11% to 2.76% across the curve since the beginning of the year. U.S. Treasury rates also rose in response to the September rate hike and in anticipation of future rate hikes. Long-term treasury rates increased by about 1.9% between January 3, 2022, and October 13, 2022, but the short-term rates increased by much more - over 4.0% - resulting in an “inverted” yield curve.

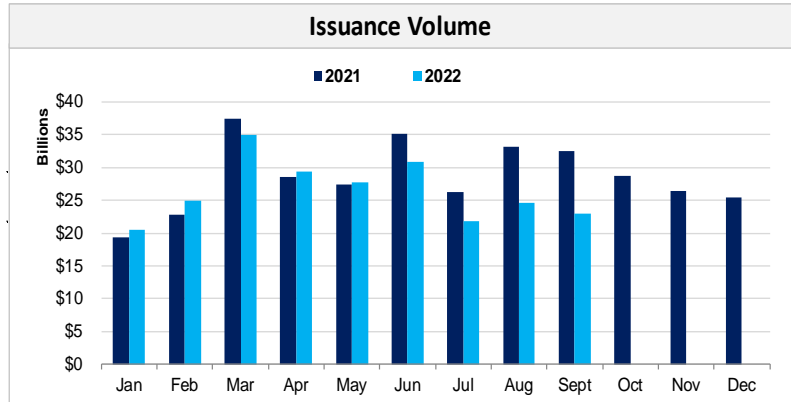


The current 30-year AAA MMD bond yield is 3.76%, which is 2.26% or 226 basis point (bps) higher than it was at the beginning of the year but is still lower than its historic average of 4.17% as seen in the chart below. In general, rates are on the rise and approaching historic averages.



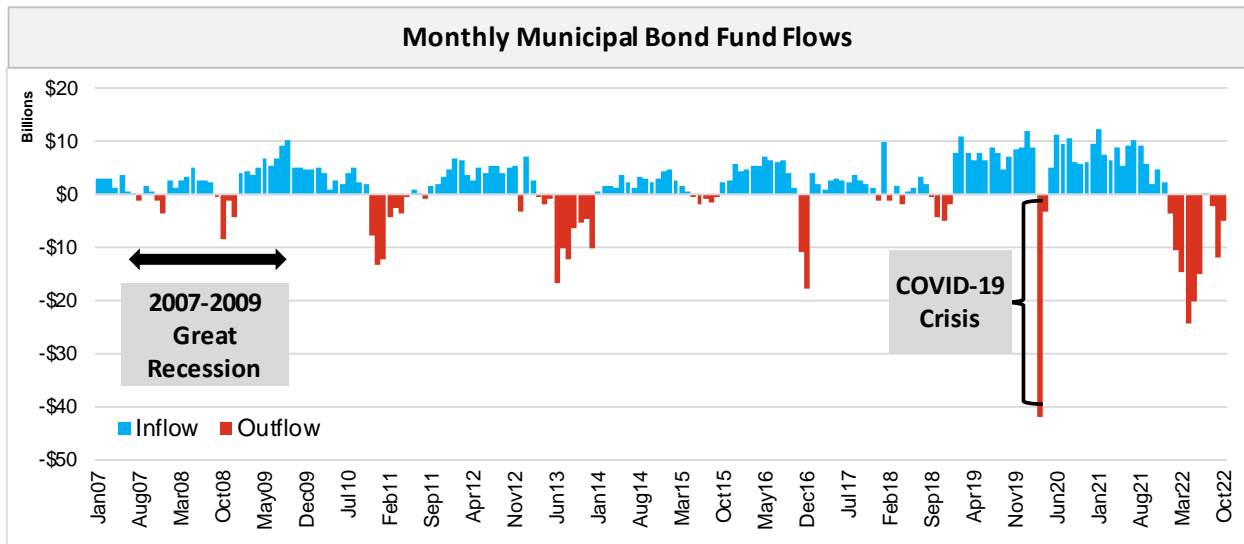
Municipal Market Supply and Demand

As yields continued to rise, tax-exempt issuance through September 2022 was \$237.7 billion, 9.5% lower than in 2021. The combined taxable and tax-exempt issuance volume of \$308.4 billion through September 2022 was 14.8% lower than the 2021 volume. A majority of the decline is



attributable to drop in taxable issuance. As treasury yields rose in 2022, many taxable advance refundings went out-of-the-money and many of the more compelling advance refundings have already been executed in 2019-2021. Higher rates and volatility in 2022 also caused issuers to defer discretionary projects and related borrowings.

Mutual funds are one of the largest investors in municipal bonds and the net inflow or net outflow from mutual funds is indicative of demand for municipal bonds. Municipal bond funds have seen outflows in eight of the last nine months, including outflows in August and September, indicative of falling investor demand as yields rise. Early October data is indicating more of the same trend.



Credit Spreads

The bond markets have been volatile in 2022 with significant widening in credit spreads throughout the year. The secondary bond market has been seen significant “bids wanted” lists as many large investors offload bonds, creating a “shadow supply” that competes with primary market offerings. With high secondary market supply and the concern of rising interest rates, issuers have had to provide additional yield or “spread” and structuring concessions in order to attract investors.

Inflation and expected Fed actions, fears of a recession, stock market declines, stressed supply chain, among other domestic and global concerns may continue to pose challenges for the remainder of 2022.

Interest Rate Forecasts

The Fed increased the target rate at the September FOMC meeting and the dot-plot indicates the expectation for additional rate hikes in November and December and potentially one more rate hike in 2023. The Fed initially indicated that it may slow the pace of rate increases so as to avoid over-tightening. That was a topic of ongoing debate among Fed officials, leading to market volatility in prior months as investors attempted to understand how quickly and severely the Fed will act. However, with the September meeting it was made clear that the Fed was focused on bringing inflation under control and that the cost of a recession far outweighed the cost of runaway inflation in the longer term. With that direction the market has adjusted its own expectation for future rate hikes.

The next table provides an average of interest rate forecasts by industry professionals. These are surveyed and compiled by Bloomberg. In light of the Fed's most recent statement, the market also expects four to five additional rate hikes in 2022 and another one in early 2023. The anticipated rate hikes have already been priced into short-term rates for the most part. Therefore, the two-year U.S. Treasury rate is forecasted to decrease slightly by 0.08% by end of 2022. The ten-year U.S. Treasury rate is forecasted to decrease as well by 0.10% by the end of 2022. The 30-year U.S. Treasury rate is also forecast to decrease slightly by 0.04% to 3.88% by the end of 2022.

The Street's Interest Rate Forecast											
Forecast	10/13/2022	Q422	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
30-Year UST	3.92%	3.88%	3.89%	3.82%	3.73%	3.64%	3.65%	3.55%	3.50%	3.46%	3.58%
10-Year UST	3.95%	3.85%	3.84%	3.72%	3.59%	3.44%	3.39%	3.30%	3.21%	3.18%	3.33%
2-Year UST	4.47%	4.39%	4.35%	4.15%	3.88%	3.63%	3.44%	3.27%	3.12%	3.04%	3.21%
3M Secured Overnight Financing Rate	3.78%	4.26%	4.51%	4.40%	4.17%	4.03%	3.82%	3.67%	3.46%	3.27%	3.21%
Federal Funds Target Rate Upper Bound	3.25%	4.40%	4.65%	4.60%	4.50%	4.30%	3.90%	3.60%	3.25%	3.05%	3.10%
Federal Funds Target Rate Lower Bound	3.00%	4.16%	4.40%	4.35%	4.23%	4.04%	3.66%	3.33%	3.01%	2.79%	2.83%

Local Economy and Sales Tax Revenues

The San Diego economy has almost fully recovered from the COVID-19 recession, having returned to the employment levels before the March 2020 start of the pandemic. In September 2022, the unemployment rate was 3.1%, having rebounded from the pandemic-impacted high of 16.2% in May 2020 and posting below the 3.2% of February 2020.¹ The labor force in September 2022 had 1.59 million workers, approximately 13,200 fewer participants than in February 2020. As has been the trend nationally since COVID, workers have changed jobs and sometimes industries in search of higher wages, hybrid work options, and better opportunities. Local companies, particularly those in hospitality, are still facing labor shortages and, consequently, upward pressure on compensation to recruit and retain qualified workers.

While the labor market remains strong, San Diegans are continuing to grapple with persistent, unsustainably high inflation that they haven't experienced since the early 1980s. In September 2022, the Consumer Price Index for all items (headline inflation) increased 8.2% over the year, which was slightly less than 8.3% in May 2022 but well below the record 18.3% in January 1980.² Soaring prices for gas, groceries, and rents/mortgages have been raised the cost of living, leaving less money for discretionary purchases. Moreover, prices for all items less food and energy (core inflation) jumped to 7.6% in September 2022, up from 5.9% in July 2022 and tying the January 1985 high. The elevated core measure, which was driven by higher over-the-year prices for new and used motor vehicles (10.0%), recreation (9.3%), and shelter (7.3%), indicates how broad-based inflation has become in our local economy.

Prices have been escalating since March 2021 when high consumer demand for goods—stoked by homebound lockdown life and pandemic relief payments (stimulus checks, advanced child tax credits, and supplemental unemployment benefits)—overwhelmed supply chains already short on raw materials, labor, and transportation resources. China's zero-COVID policy that closed major production and shipping centers and the War in Ukraine, which affects global markets for energy, grains, and metals, have complicated trade worldwide. To tamp down on inflation, the Federal Reserve has raised its benchmark rate five times since March 2022 for a combined 300 basis points, increasing the cost of borrowing to cool demand and setting the monetary policy pace that other central banks are following.

Sales Tax Revenues

Inflation, along with higher consumer spending on taxable goods and services, has generated more sales tax revenue. After dropping 2.1% in FY 2020, sales tax revenue collection surged 9.2% in FY 2021 to \$334 million. FY 2022 saw an unprecedented 21.5% annual increase, with revenues topping \$405 million. Through October 2022, FY 2023 revenues have totaled \$148.8 million, running 7.5% above the first four months of FY 2022 collection.

As strong as San Diego's recovery has been, the combination of inflation worries, global and national recession fears, and geopolitical tensions has given rise to economic uncertainty. Two quarters of negative growth of the U.S. real GDP (-1.6% in 2022 Q1 and -0.6% 2022 Q2) indicate a slowing economy but not yet a recession, given continued consumer spending and a tight labor market.³ Healthy economic fundamentals and lingering inflation are expected to result in 5% sales tax collection growth through FY 2023.

¹ San Diego-Carlsbad MSA, Employment Development Department, Not Seasonally Adjusted (Oct. 2022).

² Consumer Price Index, All Items (San Diego), Bureau of Labor Statistics, Not Seasonally Adjusted (Oct. 2022).

³ Gross Domestic Product, Bureau of Economic Analysis (2022).

The following tables provide a breakdown of sales tax collected, with a comparison by month for the past two fiscal years and the annual revenue beginning in FY 2009 (first year of the TransNet Extension Ordinance):

**Table 1:
TransNet Revenue by Month**

	FY 2022	FY 2023
July	\$43,209,697	\$44,478,683
August	\$24,271,096	\$28,995,480
September	\$32,823,354	\$36,853,062
October	\$38,064,769	\$38,474,980
November	\$28,370,272	
December	\$33,611,034	
January	\$32,787,727	
February	\$40,232,661	
March	\$31,621,084	
April	\$31,161,228	
May	\$36,034,028	
June	\$33,374,188	
TOTAL	\$405,921,138	\$148,802,205

** July-October 2022 only in FY 2023*

**Table 2:
TransNet Revenue by Year**

Annual Revenue	
FY 2009	\$221,991,360
FY 2010	\$204,191,748
FY 2011	\$221,304,014
FY 2012	\$236,947,113
FY 2013	\$247,221,162
FY 2014	\$260,114,931
FY 2015	\$268,840,549
FY 2016	\$275,500,023
FY 2017	\$284,456,260
FY 2018	\$294,501,324
FY 2019	\$312,303,669
FY 2020	\$305,851,214
FY 2021	\$333,998,568
FY 2022	\$405,921,138
FY 2023*	\$148,802,205
TOTAL	\$4,021,945,278

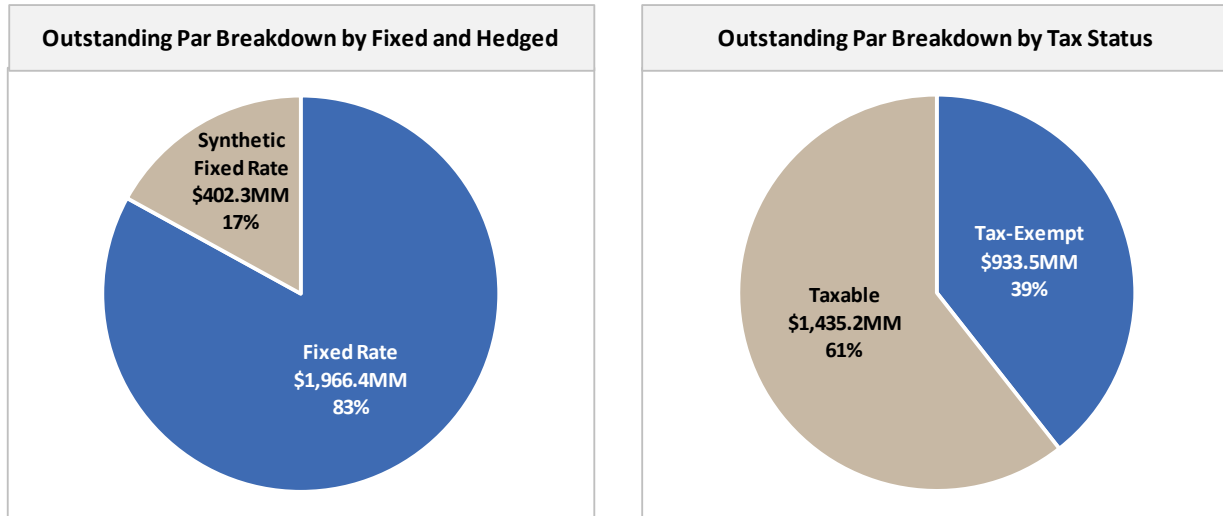
SANDAG Debt Portfolio Overview

Commission Outstanding Debt Overview

SANDAG, serving as the San Diego County Regional Transportation Commission, has \$2.37 billion of outstanding long-term debt. The TIFIA loan was drawn in September 2022 and proceeds used to retire the 2021A Notes on October 1, 2022. A summary of the outstanding bonds is tabulated and graphically presented below.

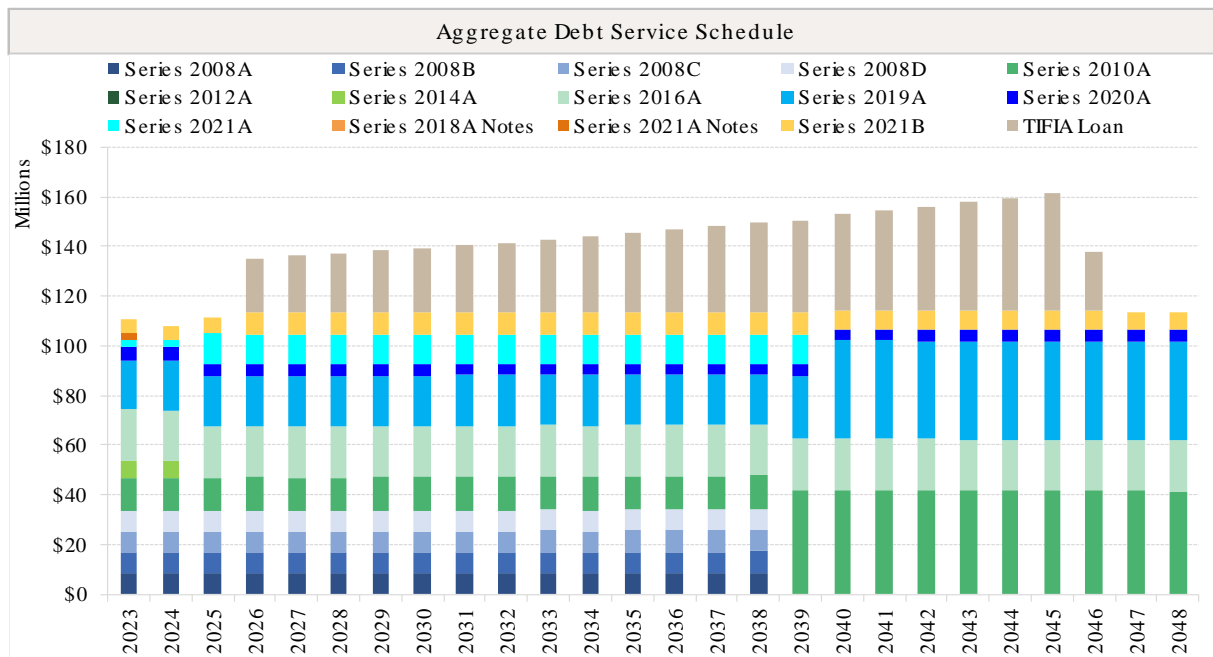
Summary of Outstanding Debt							
Series	Lien	Tax Status	Coupon Type	Original Issue Size	Outstanding Par	Call Option	Final Maturity
2008A	Senior	Tax-Exempt	Synthetic Fixed Rate	\$150,000,000	\$100,575,000	Current	4/1/2038
2008B	Senior	Tax-Exempt	Synthetic Fixed Rate	\$150,000,000	\$100,575,000	Current	4/1/2038
2008C	Senior	Tax-Exempt	Synthetic Fixed Rate	\$150,000,000	\$100,575,000	Current	4/1/2038
2008D	Senior	Tax-Exempt	Synthetic Fixed Rate	\$150,000,000	\$100,575,000	Current	4/1/2038
2010A	Senior	Taxable	Fixed Rate	\$338,960,000	\$338,960,000	Make-Whole	4/1/2048
2014A	Senior	Tax-Exempt	Fixed Rate	\$350,000,000	\$12,615,000	4/1/2024	4/1/2024
2016A	Senior	Tax-Exempt	Fixed Rate	\$325,000,000	\$297,075,000	4/1/2026	4/1/2048
2019A	Senior	Taxable	Fixed Rate	\$442,620,000	\$442,620,000	4/1/2030	4/1/2048
2020A	Senior	Tax-Exempt	Fixed Rate	\$74,820,000	\$71,660,000	4/1/2030	4/1/2048
2021A	Senior	Tax-Exempt	Fixed Rate	\$149,840,000	\$149,840,000	4/1/2031	4/1/2048
2021B	Subordinate	Taxable	Fixed Rate	\$116,150,000	\$116,150,000	4/1/2031	4/1/2039
TIFIA*	Junior Sub.	Taxable	Fixed Rate	\$537,484,439	\$537,484,439	None	10/1/2045
Total				\$2,934,874,439	\$2,368,704,439		

Of the total debt portfolio, 17% consists of synthetic, fixed-rate bonds (variable-rate bonds hedged with fixed-payer interest rate swaps), and the remaining 83% are fixed-rate bonds.



Debt Service and Coverage

SANDAG has debt obligations on three separate lien levels, providing different priority of sales tax payment to investors based on their respective lien level. Senior lien obligations are paid first, followed by subordinate lien obligations and then junior subordinate lien obligations (i.e., TIFIA loan). The TIFIA loan is repayable from a third lien that is subordinate to the senior lien bonds, the 2021B Bonds, the commercial paper notes, and the SANDAG's revolving credit facility. This three-tiered lien structure has been developed by SANDAG to maximize program capacity, keep senior lien ratings as high as possible, and minimize borrowing costs.



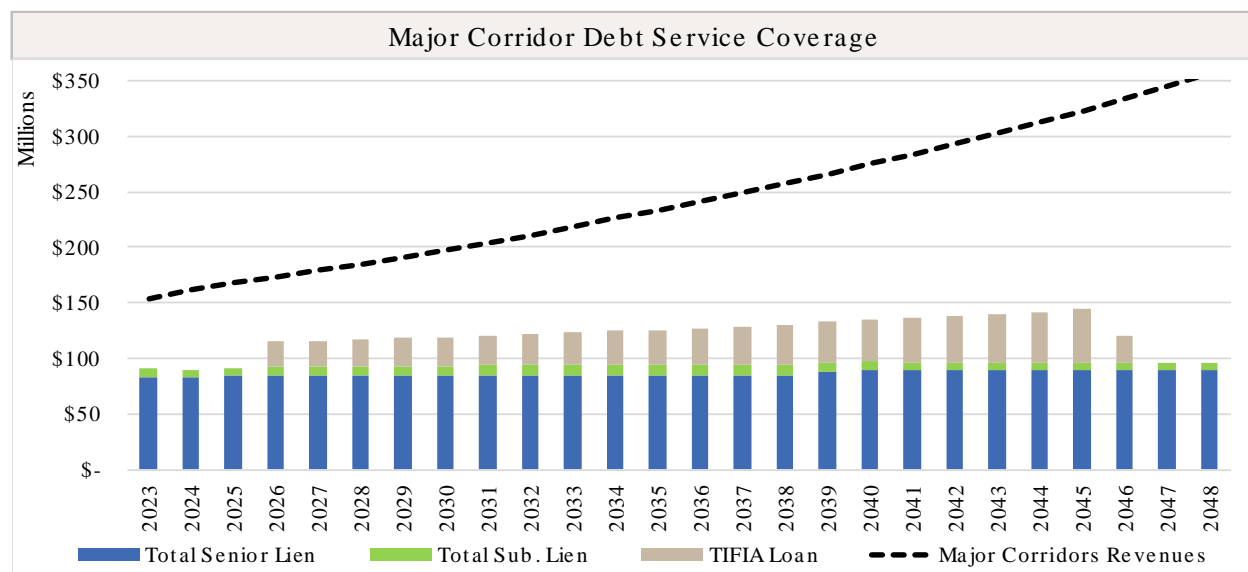
Excluding the TIFIA loan, SANDAG has a level debt service profile with senior lien annual debt service ranging from \$102.4 million to \$106.7 million per year through FY 2048. The aggregate senior and subordinate lien debt service ranges from \$108.2 million to \$114.1 million. With the recent draw on the TIFIA loan as expected, SANDAG’s aggregate debt service is ascending with peak debt service of \$161.2 million in FY 2045.

Senior lien debt service coverage, using sales tax receipts of \$415.9 million for the 12 months ending September 30, 2022, is 3.90 times. Meaning, for every \$1 of senior lien debt service, SANDAG received \$3.90 of sales tax revenue providing ample coverage, supporting SANDAG senior lien triple-A ratings. Total coverage, when comparing the annual revenues for the 12 months ending September 30, 2022, to peak debt service in FY 2045, is 2.38 times.

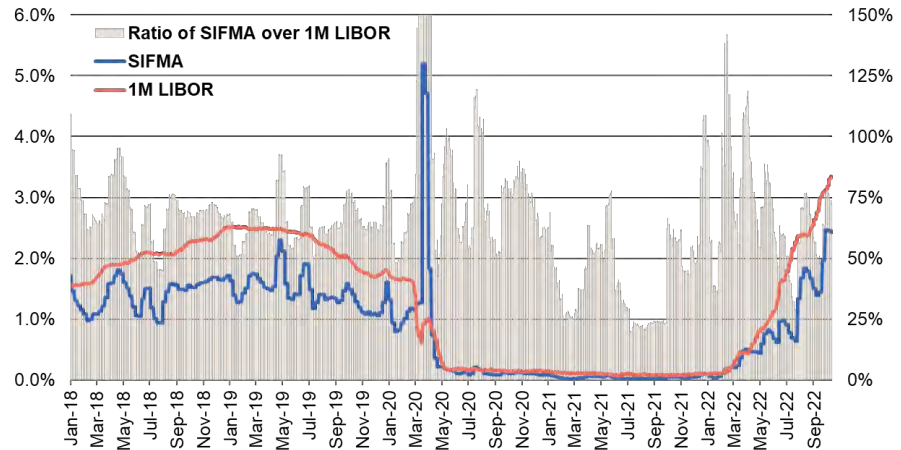
Major Corridors Coverage

In accordance with the *TransNet* Ordinance, the Major Corridors subprogram receives 38% of *TransNet* revenues after allocations for administrative and ITOC expenses. Major Corridors is the most capital-intensive program, funding various projects, including the Mid-Coast Corridor Transit Project. Costs associated with these projects can and have been funded with tax-exempt bonds. SANDAG Board Policy No. 036: San Diego County Regional Transportation Commission Debt Policy, dictates that the Major Corridors subprogram (and other *TransNet* subprograms) maintain an annual debt service coverage ratio of at least 1 times, meaning that for every \$1 of *TransNet* revenue, there is no more than \$1 of debt service allocated to the subprogram in any given year. Board Policy No. 036, Section 2.3, states as follows:

2.3 Borrowing requirements are determined for each eligible sub-program and debt service is allocated to each sub-program based upon its pro rata share of bond proceeds. It is the general principal for the TransNet Plan of Finance that the annual debt service for each sub-program be less than the annual sales tax revenue allocated to a sub-program on an annual basis. This 1.0 times program debt service coverage requirement ensures that no single sub-program incurs more debt than it can afford.



For planning purposes, debt service has been structured using a forecast of sales tax receipts. Based on this forecast, coverage in the Major Corridors Program is estimated at 1.65 times in FY 2023. Based on that revenue forecast, annual coverage is projected to dip to 1.49 times when the TIFIA loan



payments start in FY 2026. The TIFIA debt service structure in the Major Corridors Program increases over time, in anticipation of increase in sales tax revenue.

Recent Variable-Rate Demand Bond and Swap Mark-to-Market Performance

SANDAG has \$402.3 million of outstanding variable-rate demand bonds (VRDBs) (Series 2008A, B, C, and D), as shown below. These VRDBs are backed by standby bond purchase agreements from certain financial institutions. The interest rates on these bonds reset weekly through a remarketing process. As a performance measure, the bonds are compared to the Securities Industry and Financial Markets Association (SIFMA) benchmark index.

SIFMA is a variable rate index that resets weekly and, as such, can be volatile reacting to near-term market conditions. SIFMA dropped to near-zero levels in the aftermath of COVID mirroring the Fed rate cuts in March 2020. As the Fed reversed course and increased rates to counter inflation, SIFMA followed suit. The SIFMA rate has increased to 2.43% as of October 13, 2022, or 73% of the 1-Month LIBOR (i.e., the taxable short-term index). SANDAG VRDBs continued to trade well compared to SIFMA.

SANDAG Series 2008A–D VRDB Resets Since December 31, 2015					
Series	SBPA Provider	Remarketing Agent	Reset Average	SIFMA Average	Spread to SIFMA
2008A	JPMorgan Chase Bank, N.A.	Barclays Capital Inc.	0.69%	0.79%	-10 bps
2008B	JPMorgan Chase Bank, N.A.	Goldman, Sachs & Company	0.69%	0.79%	-10 bps
2008C	Bank of America, N.A.	JPMorgan Securities LLC	0.69%	0.79%	-10 bps
2008D	State Street	Stifel, Nicolaus & Company, Inc.	0.69%	0.79%	-10 bps

SANDAG also has \$402.3 million of fixed-payer interest rate swaps outstanding, the purpose of which is to hedge the interest rate variability associated with the \$402.3 million of variable-rate bonds. Additionally, SANDAG has \$268.2 million of basis swaps outstanding. Under the basis swaps, which became effective on April 1, 2018, SANDAG pays its counterparty a floating interest rate payment based on the SIFMA index and receives a floating payment based on 107.4% of three-month LIBOR. The market value of the SANDAG swap portfolio changes with interest rate fluctuations. The mark-to-market (MTM) valuation as of October 13, 2022, is negative \$1,483,005; meaning SANDAG would need to pay approximately \$1.4 million to terminate the entire swap portfolio in the current market. As interest rates continue to rise, there may be case where SANDAG can terminate the swaps at no cost or potentially receive

a payment from the swap counterparties. Typically, when swaps are terminated the underlying variable rate bonds are converted to fixed rate bonds. SANDAG staff and PFM are monitoring the swap portfolio and the fixed rate bond market to identify opportunities for SANDAG to potentially terminate the swaps and fix-out the bonds to simplify SANDAG's debt portfolio. That said, the swaps continue to perform as expected. Additionally, SANDAG is not required to post collateral under the swap agreements.

Swap Portfolio Overview								
Associated Series	SANDAG Pays	SANDAG Receives	Trade Date	Effective Date	Maturity Date	MTM Value (As of 10/13/2022)	Notional Outstanding	Bank Counterparty
Series 2008	3.8165%	65% of USD-LIBOR until 4/2018; SIFMA Swap Index thereafter	5/23/2012	5/23/2012	4/1/2038	(\$8,991,125)	\$134,100,000	Bank of America, N.A. (Aa2/A+/AA)
Series 2008	3.8165%	65% of USD-LIBOR until 4/2018; SIFMA Swap Index thereafter	5/23/2012	5/23/2012	4/1/2038	(\$6,341,177)	\$134,100,000	Goldman Sachs Mitsui Marine Derivative Products, L.P. (Aa2/AA-/NA)
Series 2008	3.4100%	65% of USD-LIBOR	5/23/2012	5/23/2012	4/1/2038	(\$6,341,177)	\$134,100,000	Bank of America, N.A. (Aa2/A+/AA)
Total Fixed-Payer Swaps						(\$21,673,479)	\$402,300,000	
Series 2008	SIFMA Swap Index	107.4% of 3-month USD-LIBOR	3/19/2009	4/1/2018	4/1/2038	\$10,095,237	\$134,100,000	Barclays Bank PLC (A1/A/A+)
Series 2008	SIFMA Swap Index	107.4% of 3-month USD-LIBOR	3/19/2009	4/1/2018	4/1/2038	\$10,095,237	\$134,100,000	Barclays Bank PLC (A1/A/A+)
Total Index Conversion Swaps						\$20,190,474	\$268,200,000	
Total Combined						(\$1,483,005)	\$670,500,000	

Cost of Capital

SANDAG has a very attractive weighted average cost of capital (WACC) of 3.05%. This cost can vary based on swap performance and the cost of liquidity to support the variable-rate debt.

The 2008A–D bonds, with the current swap rate and associated fees, provide a cost of capital equal to 4.1%. The 2010A bonds were issued as taxable Build America Bonds and have a borrowing cost of 3.89%. The 2012A, 2014A, 2016A, and 2020A bonds were issued at an all-in cost of 3.72%, 3.85%, 3.29%, and 2.62% respectively. The 2019A refunding bonds that refunded a part of 2012A and 2014A bonds were issued at an all-in cost of 3.19%. The taxable 2021A bonds refunded a portion of the remaining 2014A bonds were issued at an all-in cost of 2.21%. The tax-exempt 2021B bonds raised new money funding as well as refunded a portion of the 2014A bonds and issued at an all-in cost of 2.71%. The TIFIA loan has a borrowing cost of 1.75%. Taken together, SANDAG has issued over \$2.0 billion in long-term debt to accelerate project delivery and for refunding, for a WACC of 3.05%.

SANDAGs WACC Calculations					
Synthetic Fixed Rate:					
Series	Par Post 2012 Refunding	Swap Rate	SBPA Fee	Remarketing Agent Fee	Cost of Capital
2008A	\$100,575,000	3.8165%	0.400%	0.06%	4.2765%
2008B	\$100,575,000	3.8165%	0.400%	0.06%	4.2765%
2008C1	\$67,050,000	3.8165%	0.300%	0.06%	4.1765%
2008C2	\$33,525,000	3.4100%	0.300%	0.06%	3.7700%
2008D	\$100,575,000	3.4100%	0.340%	0.06%	3.8100%
2008 Weighted Average					4.1010%
Fixed Rate:					
Series	Par Post 2021 Refunding	-	-	-	All-in True Interest Cost
2010A	\$338,960,000	-	-	-	3.8871%
2012A	\$59,635,000	-	-	-	3.7167%
2014A	\$24,055,000	-	-	-	3.8507%
2016A	\$325,000,000	-	-	-	3.2947%
2019A	\$442,620,000	-	-	-	3.1890%
2020A	\$74,820,000	-	-	-	2.6226%
2021A	\$149,840,000	-	-	-	2.2136%
2021B	\$116,150,000	-	-	-	2.7146%
TIFIA Loan	\$537,484,439	-	-	-	1.7500%
Total Weighted Average Without TIFIA Loan					3.0547 %

Credit Ratings

SANDAG's debt secured by *TransNet* sales tax revenues is rated by Standard and Poor's (S&P) and Fitch as shown here. The ratings were most recently reviewed and confirmed in June 2022.

SANDAG Ratings (<i>TransNet</i>)		
Lien	S&P	Fitch
Senior Lien	AAA/Stable	AAA/Stable
Subordinate Lien Bonds	AA/Stable	AA/Stable
Third Lien TIFIA Loan	A+/Stable	A/Stable

Commercial Paper and Revolving Credit Facility

In addition to the long-term debt, SANDAG has a short-term Commercial Paper Program supported by a Letter of Credit (LOC) from Bank of America Merrill Lynch. The Commercial Paper Program was authorized at \$100 million and has a current outstanding balance of \$46.4 million as of September 30, 2022, when it was remarketed out 91 days, at a rate of 1.81%. The supporting LOC is in place through August 2024 at an annual cost of 0.30%.

In March 2022, SANDAG established a new Revolving Credit Agreement with U.S. Bank National Association in the amount not-to-exceed \$100 million. This drawdown facility provides SANDAG with additional flexibility to manage short-term cash flow needs when capital expenses are incurred prior to the receipt of federal and state grant funds. The facility has a term of 3.5 years, a commitment fee of 0.20%, and a variable interest rate of SIFMA plus 0.34% on any outstanding balance. Currently there is an outstanding balance of \$1 million on the Revolving Credit Agreement.

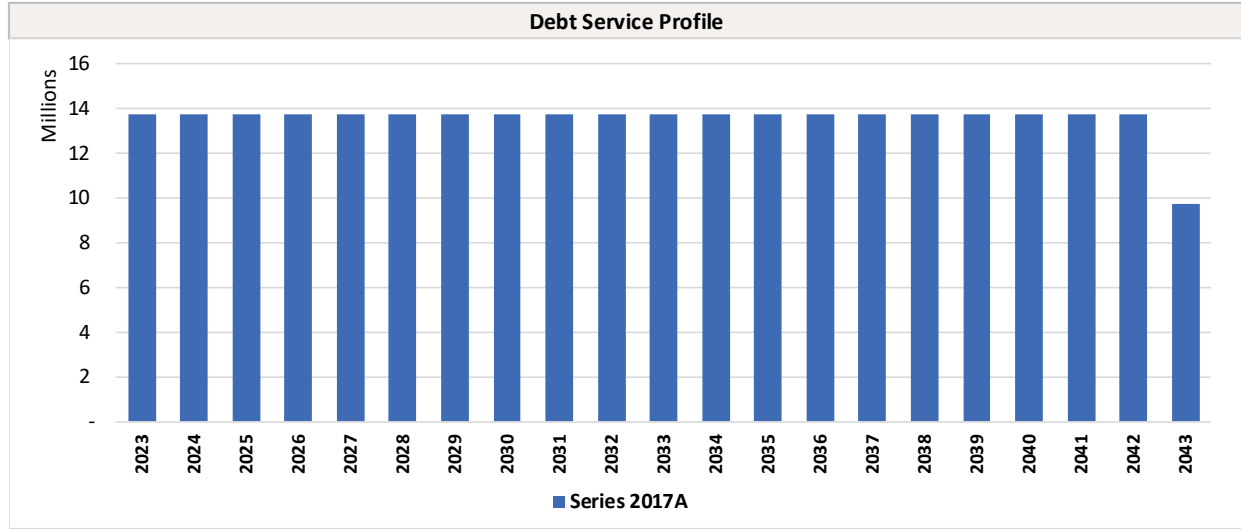
SANDAG: Debt Portfolio Overview and Update

SANDAG has debt outstanding in conjunction with the South Bay Expressway toll road as well as the Mid-Coast Corridor Transit Project as summarized in the table below.

Summary of Outstanding Debt						
South Bay Expressway						
Series	Tax Status	Coupon Type	Original Par	Outstanding Par	Call Date	Final Maturity
2017A	Tax-Exempt	Fixed-Rate	\$194,140,000	172,445,000	7/1/2027	7/1/2042
Mid-Coast Corridor Transit Project						
Series	Tax Status	Coupon Type	Original Par	Outstanding Par	Call Date	Final Maturity
2019A	Tax-Exempt	Fixed-Rate	\$210,000,000	\$210,000,000	one year before maturity	11/15/2026
2019B	Tax-Exempt	Fixed-Rate	\$12,000,000	\$125,000,000	NA (turbo redemption)	11/15/2027
Total				\$335,000,000		

South Bay Expressway

The SANDAG debt portfolio for South Bay Expressway (SBX) is comprised of a single bond series. In November 2017, SANDAG issued Toll Revenue First Senior Lien Bonds, 2017 Series A to refinance indebtedness incurred with the acquisition of SBX. The bonds are secured from the toll revenues generated on SBX, net of operating expenses. As of July 1, 2022, the debt outstanding is \$172.4 million. An annual debt service chart is provided presented below.



The annual payment on the bonds is level at about \$13.8 million through final maturity in FY 2043. Based on estimated annual net toll revenues of \$21.5 million for FY 2022, the coverage on future maximum annual debt service payment was 1.55 times. This demonstrates a recovery in traffic and revenue, compared to FY 2021 and satisfies the rate covenant of 1.50x in the bond documents.

In January 2022, S&P revised their outlook on these bonds to stable from negative on account of traffic recovery to near-pre-pandemic levels in the preceding months. S&P also recognized the prospect for additional traffic growth due to the opening of new southern connectors to Route 905 and, eventually, SR-11.

Mid-Coast Corridor Transit Project

SANDAG issued \$335 million Capital Grant Receipts Revenue Bonds, Series 2019A and Series 2019B in August 2019 to provide funding for the Mid-Coast Project. A summary of the outstanding debt is provided in the table above. The bonds are secured solely by future grants under the Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA) signed in 2016. A schedule of grants in the FFGA, detailed below, provides for a commitment of \$100 million annually starting 2016 through 2026. To date SANDAG has received \$802.0 million of the total \$1.043 billion committed under the FFGA. All remaining grant receipts have been pledged for the repayment of the bonds.

FFGA Grant Receipts (Received and Anticipated)			
Federal FY	Original Grant Commitment	Grants Received	Grants Anticipated
2016	\$100,000,000	\$100,000,000	-
2017	\$125,000,000	\$50,000,000	-
2018	\$100,000,000	\$180,024,740	-
2019	\$100,000,000	\$100,000,000	-
2020	\$100,000,000	\$100,000,000	-
2021	\$100,000,000	\$97,710,967	-
2022	\$100,000,000	\$174,272,731	-
2023	\$100,000,000	-	\$100,000,000
2024	\$100,000,000	-	\$100,000,000
2025	\$100,000,000	-	\$41,371,562
2026	\$18,380,000	-	-
Total	\$1,043,380,000	\$802,008,438	\$241,371,562
Total Debt Outstanding			\$335,000,000

The bonds have a stated maturity schedule that is conservative. The first principal payment is scheduled for November 15, 2023, with interest-only payment until then. Should future grants installments be received as scheduled in the FFGA, SANDAG has the option to call the bonds early. Series 2019B also has certain turbo redemption provisions that cause excess grant revenues to be automatically applied to redeeming bonds early. While the average life based on the stated maturity schedule is 6.7 year, the bonds are expected to be repaid a couple years sooner with an average life of 4.6 years. Furthermore, SANDAG achieved a very attractive rate of interest on the bonds. The cost of capital or the all-in true interest cost (TIC) on the bonds is 1.91% under the stated case but could end up being as low as 1.57% if grants arrive on schedule and the debt is retired sooner, as in the expected case.

The bonds and the structure achieved an investment grade “A-” rating from S&P along with a stable outlook.

Looking Ahead

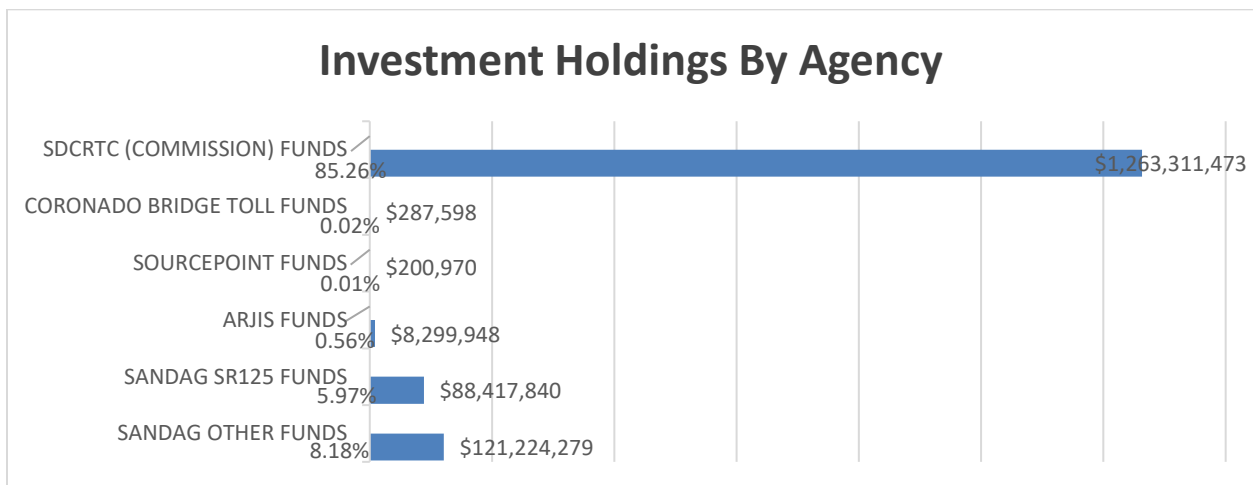
SANDAG took advantage of low rates in 2021 to refund bonds, extend the TIFIA note and refinance the TIFIA loan. SANDAG also set up a \$100 million revolving credit facility earlier this year to supplement the CP program and provide additional funding flexibility to deliver its sizeable capital plan. A majority of the upcoming project needs are anticipated to be funded from grants and local dollars on a pay-go basis. SANDAG is currently evaluating increased borrowing capacity driven by strong *TransNet* sales tax revenue receipts over the past two years. Staff will evaluate borrowing capacity in the context of project delivery needs and determine any recommendation for future bond issuance that may be presented to the Board for consideration. Additionally, SANDAG and PFM will continue to monitor the interest rate swaps and the possibility of terminating those swaps at no-cost and eventually fixing out the variable rate bonds to simplify SANDAG's debt portfolio. Any potential strategies will be presented to the Board for discussion and consideration.

Quarterly Investment Data

Included with this quarterly finance report through September 30, 2022, are a Detail of Portfolio Balances (by Account); and a Detail of Portfolio Balances (by Investment Type) for all money under the direction or care of SANDAG, including funds of the Commission, SourcePoint, and the Automated Regional Justice Information System (ARJIS).

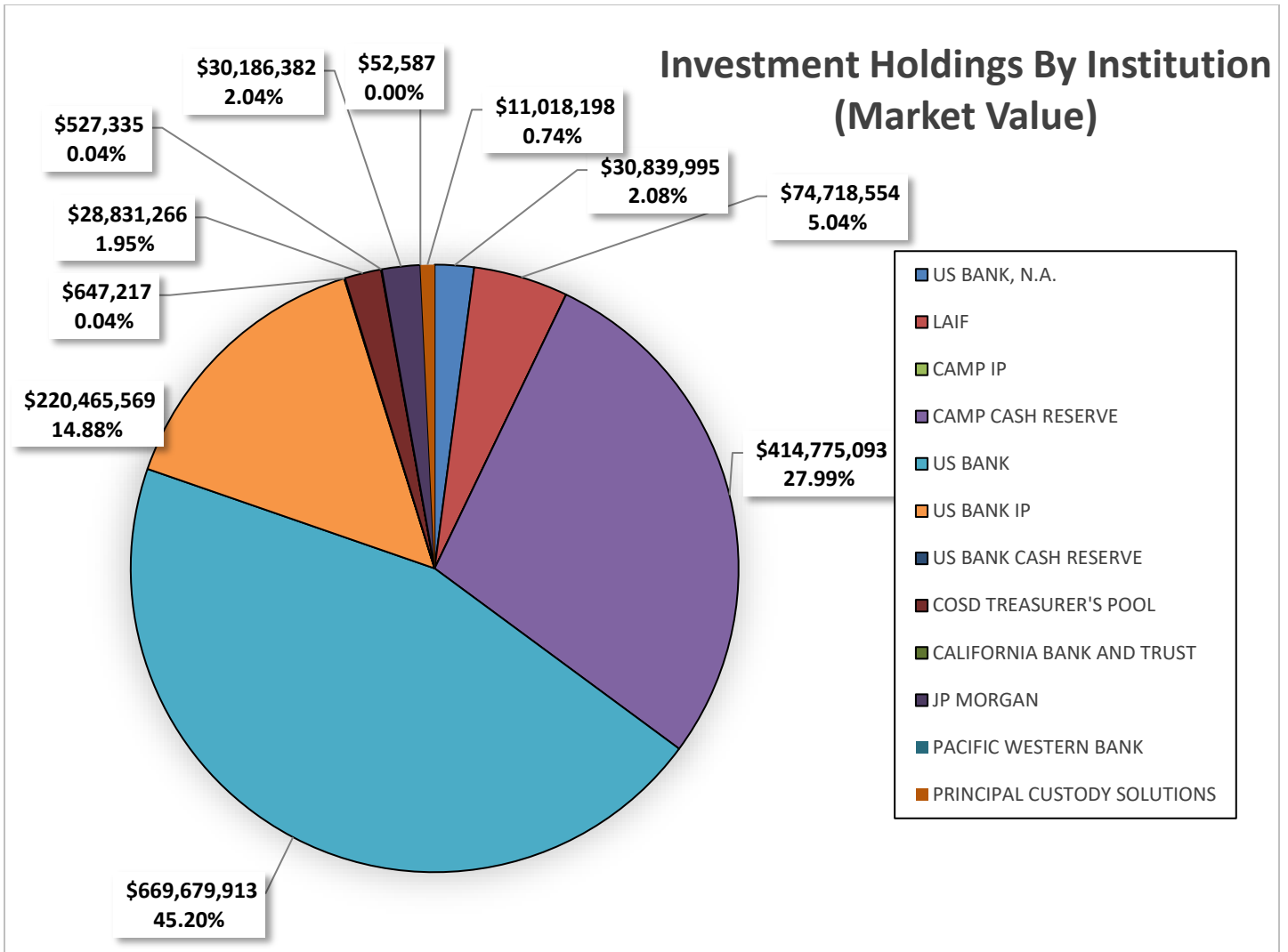
As of September 30, 2022, a total of \$1.48 billion was held by SANDAG in a number of investment accounts, in comparison to \$881 million held in the previous quarter. The \$573.5 million increase during the quarter is primarily due to the \$537 million draw on the TIFIA loan to pay final principal payment on the 2021 Short Term Note on October 1st, as well as withheld sales tax in order to meet October 1st interest payments on existing debt.¹

The chart below provides a summary of the holdings by Agency.



Approximately \$30.8 million was held in eleven U.S. Bank, N.A. accounts at the end of the quarter, which are used for operating purposes. Approximately \$1.45 billion was invested in eight institutions.

¹ Due to rounding, the numbers below may not tie to the attached detail of investments.



The Finance Department has continued to implement the Board of Directors investment objectives of safety, liquidity, and return on investment for the SANDAG investment portfolio. These will continue to be important investment objectives for the future.

Certifications

The Chief Financial Officer reports that this investment portfolio, together with the authorized short-term Commercial Paper Program, will provide the necessary liquidity to meet the expenditure requirements of SANDAG, the Commission, ARJIS, and SourcePoint for the next six months. This portfolio is in compliance with state law and SANDAG Board Policy No. 003: Investment Policy.

The Chief Financial Officer reports that there has not been any material event involving outstanding swap agreements, nor has there been any default by a swap counterparty or counterparty termination.

SANDAG
Summary of Portfolio Balances (by Institution)
as of September 30, 2022

Institution	Book Value	Percent of Portfolio	Market Value	Market Price	Unrealized Gain/(Loss)	Yield on Cost	Wtd Avg. Days to Maturity
US BANK, N.A.	\$ 30,839,995.45	2.06%	\$ 30,839,995.45	100.00%	\$ -	N/A	1
STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND	74,718,553.59	5.00%	74,718,553.59	100.00%	-	1.63%	304
CAMP CASH RESERVE PORTFOLIO	414,775,092.75	27.74%	414,775,092.75	100.00%	-	2.97%	22
US BANK TRUST	669,679,912.61	44.78%	669,679,912.61	100.00%	-	2.37%	1
US BANK INDIVIDUAL PORTFOLIO	232,352,905.66	15.54%	220,465,568.56	94.88%	(11,887,337.10)	1.34%	565
US BANK CASH RESERVE PORTFOLIO	647,216.89	0.04%	647,216.89	100.00%	-	0.00%	1
SAN DIEGO COUNTY TREASURER'S POOLED MONEY FUND	28,831,266.07	1.93%	28,831,266.07	100.00%	-	1.80%	628
JP MORGAN	30,196,367.30	2.02%	30,186,382.45	99.97%	(9,984.85)	2.50%	11
CALIFORNIA BANK AND TRUST	527,334.61	0.04%	527,334.61	100.00%	-	N/A	1
PACIFIC WESTERN BANK	52,587.31	0.00%	52,587.31	100.00%	-	N/A	1
PRINCIPAL CUSTODY SOLUTIONS	12,754,771.43	0.85%	11,018,198.30	86.38%	(1,736,573.13)	3.59%	1
TOTAL	<u>\$ 1,495,376,003.67</u>	<u>100.00%</u>	<u>\$ 1,481,742,108.59</u>	<u>99.09%</u>	<u>\$ (13,633,895.08)</u>	<u>2.34%</u>	<u>118</u>

Summary of Portfolio Balances (by Agency)

Agency	Book Value	Percent of Portfolio	Market Value	Market Price	Unrealized Gain/(Loss)	Yield on Cost	Wtd Avg. Days to Maturity
SANDAG FUNDS	\$ 211,378,692.37	14.14%	\$ 209,642,119.24	99.18%	\$ (1,736,573.13)	2.19%	43
AUTOMATED REGIONAL JUSTICE INFORMATION SYSTEM FUNDS	8,299,947.53	0.56%	8,299,947.53	100.00%	-	2.97%	20
SOURCEPOINT FUNDS	200,970.43	0.01%	200,970.43	100.00%	-	1.80%	575
CORONADO BRIDGE TOLL FUNDS	287,598.27	0.02%	287,598.27	100.00%	-	2.97%	22
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION FUNDS	1,275,208,795.07	85.28%	1,263,311,473.12	99.07%	(11,897,321.95)	2.36%	132
TOTAL	<u>\$ 1,495,376,003.67</u>	<u>100.00%</u>	<u>\$ 1,481,742,108.59</u>	<u>99.09%</u>	<u>\$ (13,633,895.08)</u>	<u>2.34%</u>	<u>118</u>

Note: In addition to the funds held above, there is \$4,977.66 petty cash held at SANDAG.

SANDAG
Detail of Portfolio Balances (by Account)
as of September 30, 2022

Institution / Account	Book Value	Percent of Portfolio	Market Value	Market Price	Unrealized Gain/(Loss)	Yield on Cost	Wtd Avg. Days to Maturity
US BANK, N.A.:							
Checking - (ARJIS)	\$ 795,322.16	0.05%	\$ 795,322.16	100.00%	\$ -	N/A	1
Checking - (RTC) TransNet Sales Tax	1,335,948.39	0.09%	1,335,948.39	100.00%	-	N/A	1
Checking - (SANDAG) Flexible Spending Acct (FSA)	37,686.53	0.00%	37,686.53	100.00%	-	N/A	1
Checking - (SANDAG) General	15,212,738.08	1.02%	15,212,738.08	100.00%	-	N/A	1
Checking - (SANDAG) Interstate 15 (I-15) FasTrak®	5,295,560.36	0.35%	5,295,560.36	100.00%	-	N/A	1
Checking - (SANDAG) Refund Account Common	821,361.85	0.05%	821,361.85	100.00%	-	N/A	1
Checking - (SANDAG) Revenue Account Common	633,418.10	0.04%	633,418.10	100.00%	-	N/A	1
Checking - (SANDAG) SAFE Program Account	903,836.46	0.06%	903,836.46	100.00%	-	N/A	1
Checking - (SANDAG) State Route 125 (SR-125) Collection Account	64,419.94	0.00%	64,419.94	100.00%	-	N/A	1
Checking - (SANDAG) State Route 125 (SR-125) Payment Account	5,722,807.94	0.38%	5,722,807.94	100.00%	-	N/A	1
Checking - (SourcePoint)	16,895.64	0.00%	16,895.64	100.00%	-	N/A	1
TOTAL US BANK, N.A.	\$ 30,839,995.45	2.06%	\$ 30,839,995.45	100.00%	\$ -	N/A	1
STATE OF CA LOCAL AGENCY INVESTMENT FUND (LAIF):							
(RTC) TransNet	\$ 74,639,550.88	4.99%	\$ 74,639,550.88	100.00%	\$ -	1.63%	304
(SANDAG)	79,002.71	0.01%	79,002.71	100.00%	-	1.63%	304
TOTAL LAIF	\$ 74,718,553.59	5.00%	\$ 74,718,553.59	100.00%	\$ -	1.63%	304
CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP):							
CASH RESERVE PORTFOLIO:							
(ARJIS)	\$ 7,498,873.07	0.50%	\$ 7,498,873.07	100.00%	\$ -	2.97%	22
(RTC) 2008 Bond Series A - Principal	2,335,065.63	0.16%	2,335,065.63	100.00%	-	2.97%	22
(RTC) 2008 Bond Series B - Principal	2,335,065.63	0.16%	2,335,065.63	100.00%	-	2.97%	22
(RTC) 2008 Bond Series C - Principal	2,335,065.63	0.16%	2,335,065.63	100.00%	-	2.97%	22
(RTC) 2008 Bond Series D - Principal	2,335,065.63	0.16%	2,335,065.63	100.00%	-	2.97%	22
(RTC) 2008 Cap Proj DSRF Release	17,286,741.63	1.16%	17,286,741.63	100.00%	-	2.97%	22
(RTC) 2008 Sales Tax Account - TransNet Extension	213,673,886.51	14.29%	213,673,886.51	100.00%	-	2.97%	22
(RTC) 2010 Bond Series A - Interest	10,062,401.91	0.67%	10,062,401.91	100.00%	-	2.97%	22
(RTC) 2014 Bond Series A Interest	2,416,989.02	0.16%	2,416,989.02	100.00%	-	2.97%	22
(RTC) 2014 Bond Series A Principal	3,091,130.36	0.21%	3,091,130.36	100.00%	-	2.97%	22
(RTC) 2016 Bond Series A Interest	7,459,847.88	0.50%	7,459,847.88	100.00%	-	2.97%	22
(RTC) 2016 Bond Series A Principal	2,917,897.67	0.20%	2,917,897.67	100.00%	-	2.97%	22
(RTC) 2020 Bond Series A Interest	1,705,454.57	0.11%	1,705,454.57	100.00%	-	2.97%	22
(RTC) 2020 Bond Series A Principal	856,311.75	0.06%	856,311.75	100.00%	-	2.97%	22
(RTC) Custody Account	4,541,782.44	0.30%	4,541,782.44	100.00%	-	2.97%	22
(RTC) Sage Hill Endowment	884,547.06	0.06%	884,547.06	100.00%	-	2.97%	22
(RTC) TransNet Program Reserve	56,751,384.15	3.80%	56,751,384.15	100.00%	-	2.97%	22
(RTC) Wetland Mitigation TransNet Sales Tax	313,865.94	0.02%	313,865.94	100.00%	-	2.97%	22
(SANDAG) 2019 Series AB Cap- I Fund	102,093.08	0.01%	102,093.08	100.00%	-	2.97%	22
(SANDAG) 2019 Series AB DSR Fund	12,850,281.63	0.86%	12,850,281.63	100.00%	-	2.97%	22
(SANDAG) California Coastal Commission	1,063,102.09	0.07%	1,063,102.09	100.00%	-	2.97%	22
(SANDAG) Coronado Bridge Toll Funds	287,598.27	0.02%	287,598.27	100.00%	-	2.97%	22
(SANDAG) EI Portal Project	1,932,622.26	0.13%	1,932,622.26	100.00%	-	2.97%	22

Institution / Account	Book Value	Percent of Portfolio	Market Value	Market Price	Unrealized Gain/(Loss)	Yield on Cost	Wtd Avg. Days to Maturity
(SANDAG) I-15 FasTrak®	668,286.92	0.04%	668,286.92	100.00%	-	2.97%	22
(SANDAG) SR 125	1,991,892.84	0.13%	1,991,892.84	100.00%	-	2.97%	22
(SANDAG) SR 125	33,844,698.30	2.26%	33,844,698.30	100.00%	-	2.97%	22
(SANDAG) SR 125	23,059,314.67	1.54%	23,059,314.67	100.00%	-	2.97%	22
(SANDAG) Shoreline Management	173,826.21	0.01%	173,826.21	100.00%	-	2.97%	22
TOTAL CASH RESERVE PORTFOLIO	\$ 414,775,092.75	27.74%	\$ 414,775,092.75	100.00%	\$ -	2.97%	22
TOTAL CAMP	\$ 414,775,092.75	27.74%	\$ 414,775,092.75	100.00%	\$ -	2.97%	22
US BANK TRUST:							
Money Market - (RTC) 2008 Bond Series A/B/C/D Main Interest	\$ 2,906,903.81	0.19%	\$ 2,906,903.81	100.00%	\$ -	0.00%	1
Money Market - (RTC) 2019 Bond Series A Principal	3,222,803.42	0.22%	3,222,803.42	100.00%	-	2.41%	1
Money Market - (RTC) 2019 Revenue Bond Series A Interest	6,819,932.00	0.46%	6,819,932.00	100.00%	-	2.41%	1
Money Market - (RTC) 2021 Revenue Bond Series A COI	0.02	0.00%	0.02	100.00%	-	0.00%	1
Money Market - (RTC) 2021 Revenue Bond Series A Interest	1,486,829.68	0.10%	1,486,829.68	100.00%	-	2.56%	1
Money Market - (RTC) 2021 Revenue Bond Series B COI	0.01	0.00%	0.01	100.00%	-	0.00%	1
Money Market - (RTC) 2021 Revenue Bond Series B Interest	2,909,183.19	0.19%	2,909,183.19	100.00%	-	2.56%	1
Money Market - (RTC) 2021 Revenue Bond Series B Project Fund	40.07	0.00%	40.07	100.00%	-	2.57%	1
Money Market - (RTC) 2021A Short-term Notes Interest	12,432,561.41	0.83%	12,432,561.41	100.00%	-	2.56%	1
Money Market - (RTC) 2022 Subordinate Sales Tax Revenue Interest	19,570.15	0.00%	19,570.15	100.00%	-	2.77%	1
Money Market - (RTC) 2022 Subordinate Sales Tax Revenue Revolving Notes Project Fund	872,840.77	0.06%	872,840.77	100.00%	-	2.77%	1
Money Market - (RTC) Commercial Paper Notes Series B Interest	47,299.47	0.00%	47,299.47	100.00%	-	2.41%	1
Money Market - (RTC) Commercial Paper Notes Series B Principal	76,607.02	0.01%	76,607.02	100.00%	-	2.41%	1
Money Market - (RTC) Commercial Paper Series B - NCTD Interest	242,249.65	0.02%	242,249.65	100.00%	-	0.00%	1
Money Market - (RTC) Sales Tax Revenue STN 2021 Series A - Principal	537,484,439.00	35.94%	537,484,439.00	100.00%	-	2.56%	1
Money Market - (SANDAG) Grant Receipt 2019 AB Grant Receipts Construction	2,290,480.46	0.15%	2,290,480.46	100.00%	-	2.73%	1
Money Market - (SANDAG) Grant Receipt 2019 AB Interest	37,328,343.46	2.50%	37,328,343.46	100.00%	-	2.73%	1
Money Market - (SANDAG) SB Expressway 2017 Series A Maint Reserve	0.11	0.00%	0.11	100.00%	-	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A	4,053,255.89	0.27%	4,053,255.89	100.00%	-	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A Interest	2,245,977.70	0.15%	2,245,977.70	100.00%	-	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A Principal	1,343,019.01	0.09%	1,343,019.01	100.00%	-	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A Reserve	13,760,491.86	0.92%	13,760,491.86	100.00%	-	0.00%	1
Money Market - (SANDAG) SR 125 FasTrak Customer Prepaid Fund	2,331,961.80	0.16%	2,331,961.80	100.00%	-	0.00%	1
Certificates of Participation - (RTC) North County Transit District	19,100,000.00	1.28%	19,100,000.00	100.00%	-	1.81%	1
Capital Project Retention Accounts	18,705,122.65	1.25%	18,705,122.65	100.00%	-	N/A	1
TOTAL US BANK TRUST	\$ 669,679,912.61	44.78%	\$ 669,679,912.61	100.00%	\$ -	2.37%	1
US BANK:							
INDIVIDUAL PORTFOLIO:							
(RTC) TransNet Extension	\$ 232,352,905.66	15.54%	\$ 220,465,568.56	94.88%	\$ (11,887,337.10)	1.34%	565
TOTAL INDIVIDUAL PORTFOLIO	\$ 232,352,905.66	15.54%	\$ 220,465,568.56	94.88%	\$ (11,887,337.10)	1.34%	565
CASH RESERVE:							
(RTC) TransNet Extension	\$ 647,216.89	0.04%	\$ 647,216.89	100.00%	\$ -	0.00%	1
TOTAL CASH RESERVE	\$ 647,216.89	0.04%	\$ 647,216.89	100.00%	\$ -	0.00%	1

Institution / Account	Book Value	Percent of Portfolio	Market Value	Market Price	Unrealized Gain/(Loss)	Yield on Cost	Wtd Avg. Days to Maturity
TOTAL US BANK	\$ 233,000,122.55	15.58%	\$ 221,112,785.45	94.90%	\$ (11,887,337.10)	1.34%	563
SAN DIEGO COUNTY TREASURER'S POOLED MONEY FUND:							
San Diego County Treasurer's Pooled Money Fund - (ARJIS)	\$ 5,752.30	0.00%	\$ 5,752.30	100.00%	\$ -	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (RTC) 2020 Bonds	13,827,327.57	0.92%	13,827,327.57	100.00%	-	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (RTC) 2021 Bonds	3,182,827.27	0.21%	3,182,827.27	100.00%	-	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (RTC) TransNet Extension	102,888.03	0.01%	102,888.03	100.00%	-	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (SANDAG) I-15 FasTrak®	4,441,642.72	0.30%	4,441,642.72	100.00%	-	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (SANDAG) SAFE Program	7,086,753.39	0.47%	7,086,753.39	100.00%	-	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (SourcePoint)	184,074.79	0.01%	184,074.79	100.00%	-	1.80%	628
TOTAL SAN DIEGO COUNTY TREASURER'S POOLED MONEY FUND	\$ 28,831,266.07	1.93%	\$ 28,831,266.07	100.00%	\$ -	1.80%	628
JP MORGAN:							
(RTC) JPMorgan Prime Money Market Fund	\$ 20,130,461.28	1.35%	\$ 20,122,472.14	99.96%	\$ (7,989.14)	2.48%	10
(RTC) Morgan Stanley Institutional Liquidity Funds: Prime Portfolio	10,065,906.02	0.67%	10,063,910.31	99.98%	(1,995.71)	2.55%	13
TOTAL JP MORGAN	\$ 30,196,367.30	2.02%	\$ 30,186,382.45	99.97%	\$ (9,984.85)	2.50%	11
CALIFORNIA BANK AND TRUST:							
Capital Project Retention Accounts	\$ 527,334.61	0.04%	\$ 527,334.61	100.00%	\$ -	N/A	1
TOTAL CALIFORNIA BANK AND TRUST	\$ 527,334.61	0.04%	\$ 527,334.61	100.00%	\$ -	N/A	1
PACIFIC WESTERN BANK:							
Capital Project Retention Accounts	\$ 52,587.31	0.00%	\$ 52,587.31	100.00%	\$ -	N/A	1
TOTAL PACIFIC WESTERN BANK	\$ 52,587.31	0.00%	\$ 52,587.31	100.00%	\$ -	N/A	1
PRINCIPAL CUSTODY SOLUTIONS:							
(SANDAG) Section 115 Pension Trust	\$ 12,754,771.43	0.85%	\$ 11,018,198.30	86.38%	\$ (1,736,573.13)	3.59%	1
TOTAL PRINCIPAL CUSTODY SOLUTIONS	\$ 12,754,771.43	0.85%	\$ 11,018,198.30	86.38%	\$ (1,736,573.13)	3.59%	1
TOTAL	\$ 1,495,376,003.67	100.00%	\$ 1,481,742,108.59	99.09%	\$ (13,633,895.08)	2.34%	118

Legend:

- Automated Regional Justice Information System (ARJIS)
- Commercial Paper (CP)
- State of California Local Agency Investment Fund (LAIF)
- North County Transit District (NCTD)
- San Diego County Regional Transportation Commission (RTC)

SANDAG
Detail of Portfolio Balances (by Investment Type)
as of September 30, 2022

Investment	Trade Date	Maturity Date	Book Value	Market Value	Unrealized Gain/(Loss)	Par Value	S&P Rating	Moody's Rating	Fitch Rating	Yield on Cost	Wtd. Avg. Days to Maturity
Cash and cash equivalents:											
Demand deposits:											
(ARJIS)	N/A	N/A	\$ 795,322.16	\$ 795,322.16	\$ -	N/A	NR	NR	NR	N/A	1
(RTC) TransNet Sales Tax	N/A	N/A	1,335,948.39	1,335,948.39	-	N/A	NR	NR	NR	N/A	1
(SANDAG) Flexible Spending Acct (FSA)	N/A	N/A	37,686.53	37,686.53	-	N/A	NR	NR	NR	N/A	1
(SANDAG) General	N/A	N/A	15,212,738.08	15,212,738.08	-	N/A	NR	NR	NR	N/A	1
(SANDAG) Interstate 15 (I-15) FasTrak®	N/A	N/A	5,295,560.36	5,295,560.36	-	N/A	NR	NR	NR	N/A	1
(SANDAG) Refund Account Common	N/A	N/A	821,361.85	821,361.85	-	N/A	NR	NR	NR	N/A	1
(SANDAG) Revenue Account Common	N/A	N/A	633,418.10	633,418.10	-	N/A	NR	NR	NR	N/A	1
(SANDAG) SAFE Program Account	N/A	N/A	903,836.46	903,836.46	-	N/A	NR	NR	NR	N/A	1
(SANDAG) State Route 125 (SR-125) Collection Account	N/A	N/A	64,419.94	64,419.94	-	N/A	NR	NR	NR	N/A	1
(SANDAG) State Route 125 (SR-125) Payment Account (SourcePoint)	N/A	N/A	5,722,807.94	5,722,807.94	-	N/A	NR	NR	NR	N/A	1
			16,895.64	16,895.64	-	N/A	NR	NR	NR	N/A	1
Total demand deposits			\$ 30,839,995.45	\$ 30,839,995.45	\$ -	\$ -				N/A	1
Money market accounts and funds:											
CAMP Cash Reserve Portfolio - (ARJIS)	N/A	N/A	\$ 7,498,873.07	\$ 7,498,873.07	\$ -	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2008 Bond Series A - Principal	N/A	N/A	2,335,065.63	2,335,065.63	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2008 Bond Series B - Principal	N/A	N/A	2,335,065.63	2,335,065.63	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2008 Bond Series C - Principal	N/A	N/A	2,335,065.63	2,335,065.63	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2008 Bond Series D - Principal	N/A	N/A	2,335,065.63	2,335,065.63	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2008 Cap Proj DSRF Release	N/A	N/A	17,286,741.63	17,286,741.63	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2008 Sales Tax Account - TransNet Extension	N/A	N/A	213,673,886.51	213,673,886.51	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2010 Bond Series A - Interest	N/A	N/A	10,062,401.91	10,062,401.91	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2014 Bond Series A Interest	N/A	N/A	2,416,989.02	2,416,989.02	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2014 Bond Series A Principal	N/A	N/A	3,091,130.36	3,091,130.36	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2016 Bond Series A Interest	N/A	N/A	7,459,847.88	7,459,847.88	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2016 Bond Series A Principal	N/A	N/A	2,917,897.67	2,917,897.67	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2020 Bond Series A Interest	N/A	N/A	1,705,454.57	1,705,454.57	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) 2020 Bond Series A Principal	N/A	N/A	856,311.75	856,311.75	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) Custody Account	N/A	N/A	4,541,782.44	4,541,782.44	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) Sage Hill Endowment	N/A	N/A	884,547.06	884,547.06	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) TransNet Program Reserve	N/A	N/A	56,751,384.15	56,751,384.15	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (RTC) Wetland Mitigation TransNet Sales Tax	N/A	N/A	313,865.94	313,865.94	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) 2019 Series AB Cap- I Fund	N/A	N/A	102,093.08	102,093.08	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) 2019 Series AB DSR Fund	N/A	N/A	12,850,281.63	12,850,281.63	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) California Coastal Commission	N/A	N/A	1,063,102.09	1,063,102.09	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) Coronado Bridge Toll Funds	N/A	N/A	287,598.27	287,598.27	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) El Portal Project	N/A	N/A	1,932,622.26	1,932,622.26	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) I-15 FasTrak®	N/A	N/A	668,286.92	668,286.92	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) SANDAG Shoreline Management	N/A	N/A	173,826.21	173,826.21	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) SR 125	N/A	N/A	23,059,314.67	23,059,314.67	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) SR 125	N/A	N/A	33,844,698.30	33,844,698.30	-	N/A	AAAm	NR	NR	2.97%	22
CAMP Cash Reserve Portfolio - (SANDAG) SR 125	N/A	N/A	1,991,892.84	1,991,892.84	-	N/A	AAAm	NR	NR	2.97%	22
Money Market - (RTC) 2008 Bond Series A/B/C/D Main Interest	N/A	N/A	2,906,903.81	2,906,903.81	-	N/A	NR	NR	NR	0.00%	1
Money Market - (RTC) 2019 Bond Series A Principal	N/A	N/A	3,222,803.42	3,222,803.42	-	N/A	NR	NR	NR	2.41%	1
Money Market - (RTC) 2019 Revenue Bond Series A Interest	N/A	N/A	6,819,932.00	6,819,932.00	-	N/A	NR	NR	NR	2.41%	1
Money Market - (RTC) 2021 Revenue Bond Series A COI	N/A	N/A	0.02	0.02	-	N/A	NR	NR	NR	0.00%	1
Money Market - (RTC) 2021 Revenue Bond Series A Interest	N/A	N/A	1,486,829.68	1,486,829.68	-	N/A	NR	NR	NR	2.56%	1
Money Market - (RTC) 2021 Revenue Bond Series B COI	N/A	N/A	0.01	0.01	-	N/A	NR	NR	NR	0.00%	1
Money Market - (RTC) 2021 Revenue Bond Series B Interest	N/A	N/A	2,909,183.19	2,909,183.19	-	N/A	NR	NR	NR	2.56%	1
Money Market - (RTC) 2021 Revenue Bond Series B Project Fund	N/A	N/A	40.07	40.07	-	N/A	NR	NR	NR	2.57%	1
Money Market - (RTC) 2021A Short-term Notes Interest	N/A	N/A	12,432,561.41	12,432,561.41	-	N/A	NR	NR	NR	2.56%	1
Money Market - (RTC) 2022 Subordinate Sales Tax Revenue Interest	N/A	N/A	19,570.15	19,570.15	-	N/A	NR	NR	NR	2.77%	1
Money Market - (RTC) 2022 Subordinate Sales Tax Revenue Revolving Notes Project Fund	N/A	N/A	872,840.77	872,840.77	-	N/A	NR	NR	NR	2.77%	1
Money Market - (RTC) Commercial Paper Notes Series B Interest	N/A	N/A	47,299.47	47,299.47	-	N/A	NR	NR	NR	2.41%	1
Money Market - (RTC) Commercial Paper Notes Series B Principal	N/A	N/A	76,607.02	76,607.02	-	N/A	NR	NR	NR	2.41%	1
Money Market - (RTC) Commercial Paper Series B - NCTD Interest	N/A	N/A	242,249.65	242,249.65	-	N/A	NR	NR	NR	0.00%	1
Money Market - (RTC) Sales Tax Revenue STN 2021 Series A - Principal	N/A	N/A	537,484,439.00	537,484,439.00	-	N/A	NR	NR	NR	2.56%	1
Money Market - (SANDAG) Grant Receipt 2019 AB Grant Receipts Construction	N/A	N/A	2,290,480.46	2,290,480.46	-	N/A	NR	NR	NR	2.73%	1
Money Market - (SANDAG) Grant Receipt 2019 AB Interest	N/A	N/A	37,328,343.46	37,328,343.46	-	N/A	NR	NR	NR	2.73%	1

Investment	Trade Date	Maturity Date	Book Value	Market Value	Unrealized Gain/(Loss)	Par Value	S&P Rating	Moody's Rating	Fitch Rating	Yield on Cost	Wtd. Avg. Days to Maturity
Money Market - (SANDAG) SB Expressway 2017 Series A Maint Reserve	N/A	N/A	0.11	0.11	-	N/A	NR	NR	NR	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A	N/A	N/A	4,053,255.89	4,053,255.89	-	N/A	NR	NR	NR	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A Interest	N/A	N/A	2,245,977.70	2,245,977.70	-	N/A	NR	NR	NR	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A Principal	N/A	N/A	1,343,019.01	1,343,019.01	-	N/A	NR	NR	NR	0.00%	1
Money Market - (SANDAG) SR 125 2017 Bond Series A Reserve	N/A	N/A	13,760,491.86	13,760,491.86	-	N/A	NR	NR	NR	0.00%	1
Money Market - (SANDAG) SR 125 FasTrak Customer Prepaid Fund	N/A	N/A	2,331,961.80	2,331,961.80	-	N/A	NR	NR	NR	0.00%	1
Principal Custody Solutions - (SANDAG) Section 115 Pension Trust	N/A	N/A	12,754,771.43	11,018,198.30	(1,736,573.13)	N/A	NR	NR	NR	3.59%	1
San Diego County Treasurer's Pooled Money Fund - (ARJIS)	N/A	N/A	5,752.30	5,752.30	-	N/A	NR	NR	AAA/ S1	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (RTC) 2020 Bonds	N/A	N/A	13,827,327.57	13,827,327.57	-	N/A	NR	NR	AAA/ S1	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (RTC) 2021 Bonds	N/A	N/A	3,182,827.27	3,182,827.27	-	N/A	NR	NR	AAA/ S1	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (RTC) TransNet Extension	N/A	N/A	102,888.03	102,888.03	-	N/A	NR	NR	AAA/ S1	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (SANDAG) I-15 FasTrak®	N/A	N/A	4,441,642.72	4,441,642.72	-	N/A	NR	NR	AAA/ S1	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (SANDAG) SAFE Program	N/A	N/A	7,086,753.39	7,086,753.39	-	N/A	NR	NR	AAA/ S1	1.80%	628
San Diego County Treasurer's Pooled Money Fund - (SourcePoint)	N/A	N/A	184,074.79	184,074.79	-	N/A	NR	NR	AAA/ S1	1.80%	628
State of CA Local Agency Investment Fund (LAIF) - (RTC) TransNet	N/A	N/A	74,639,550.88	74,639,550.88	-	N/A	NR	NR	NR	1.63%	304
State of CA Local Agency Investment Fund (LAIF) - (SANDAG)	N/A	N/A	79,002.71	79,002.71	-	N/A	NR	NR	NR	1.63%	304
US Bank Cash Reserve Portfolio - (RTC) TransNet Extension	N/A	N/A	647,216.89	647,216.89	-	N/A	NR	NR	NR	0.00%	1
JP Morgan (RTC) JPMorgan Prime Money Market Fund	N/A	N/A	20,130,461.28	20,122,472.14	(7,989.14)	N/A	AAAm	Aaa-mf	AAAmf	2.48%	10
JP Morgan (RTC) Morgan Stanley Institutional Liquidity Funds: Prime Portfolio	N/A	N/A	10,065,906.02	10,063,910.31	(1,995.71)	N/A	AAAm	Aaa-mf	AAAmf	2.55%	13
Capital Project Retention Accounts - US Bank	N/A	N/A	18,705,122.65	18,705,122.65	-	N/A	NR	NR	NR	N/A	1
Capital Project Retention Accounts - CA Bank & Trust	N/A	N/A	527,334.61	527,334.61	-	N/A	NR	NR	NR	N/A	1
Capital Project Retention Accounts - Pacific Western Bank	N/A	N/A	52,587.31	52,587.31	-	N/A	NR	NR	NR	N/A	1
Total money market accounts and funds			\$ 1,213,083,102.56	\$ 1,211,336,544.58	\$ (1,746,557.98)	\$ -				2.54%	42
Total cash and cash equivalents			\$ 1,243,923,098.01	\$ 1,242,176,540.03	\$ (1,746,557.98)	N/A				2.54%	41
Investments:											
U.S. Agencies:											
FEDERAL FARM CREDIT BANK	06/24/2019	02/08/2023	\$ 5,082,900.00	\$ 4,977,609.35	\$ (105,290.65)	\$ 5,000,000.00	AA+	Aaa	AAA	1.77%	131
FEDERAL FARM CREDIT BANK	09/28/2020	03/28/2024	5,995,500.00	5,635,176.66	(360,323.34)	6,000,000.00	AA+	Aaa	AAA	0.32%	545
FEDERAL FARM CREDIT BANK	08/27/2019	07/26/2024	6,615,310.00	6,210,684.74	(404,625.26)	6,500,000.00	AA+	Aaa	AAA	1.47%	665
FEDERAL FARM CREDIT BANK	09/17/2019	09/10/2024	5,079,870.00	4,789,600.90	(290,269.10)	5,000,000.00	AA+	Aaa	AAA	1.74%	711
FEDERAL FARM CREDIT BANK	10/16/2020	10/13/2023	5,794,200.00	5,546,756.51	(247,443.49)	5,800,000.00	AA+	Aaa	AAA	0.31%	378
FEDERAL FARM CREDIT BANK	05/15/2019	11/08/2023	6,022,560.00	5,874,563.40	(147,996.60)	6,000,000.00	AA+	Aaa	AAA	2.21%	404
FEDERAL FARM CREDIT BANK	04/11/2019	04/05/2023	6,968,500.00	6,937,144.48	(31,355.52)	7,000,000.00	AA+	Aaa	AAA	2.37%	187
FEDERAL HOME LOAN BANK	03/25/2019	12/09/2022	3,648,843.00	3,309,244.69	(339,598.31)	3,300,000.00	AA+	Aaa	-	2.25%	70
FEDERAL HOME LOAN BANK	06/24/2019	03/10/2023	5,063,453.47	4,957,069.55	(106,383.92)	5,000,000.00	AA+	Aaa	-	1.77%	161
FEDERAL HOME LOAN BANK	02/08/2021	02/10/2025	6,017,160.00	5,455,479.00	(561,681.00)	6,000,000.00	AA+	Aaa	-	0.21%	864
FEDERAL HOME LOAN MORTGAGE CORP	03/09/2021	05/15/2024	4,993,750.00	4,675,086.70	(318,663.30)	5,000,000.00	-	Aaa	AAA	0.40%	593
FEDERAL HOME LOAN MORTGAGE CORP	09/28/2020	03/29/2024	5,000,000.00	4,698,029.50	(301,970.50)	5,000,000.00	-	Aaa	AAA	0.35%	546
FEDERAL NATIONAL MORTGAGE ASSOCIATION	11/08/2019	07/02/2024	4,993,150.00	4,787,103.75	(206,046.25)	5,000,000.00	AA+	Aaa	AAA	1.78%	641
FEDERAL NATIONAL MORTGAGE ASSOCIATION	06/09/2021	01/07/2025	6,461,206.00	5,849,443.51	(611,762.49)	6,200,000.00	AA+	Aaa	AAA	0.44%	830
UNITED STATES TREASURY NOTE/BOND	04/06/2022	04/30/2025	4,657,812.50	4,529,101.55	(128,710.95)	5,000,000.00	AA+	Aaa	AAA	2.73%	943
UNITED STATES TREASURY NOTE/BOND	06/23/2022	12/31/2025	5,184,328.13	5,040,269.52	(144,058.61)	5,700,000.00	AA+	Aaa	AAA	3.12%	1,188
UNITED STATES TREASURY NOTE/BOND	08/02/2022	06/30/2026	4,909,332.03	4,692,156.25	(217,175.78)	5,300,000.00	AA+	Aaa	AAA	2.88%	1,369
UNITED STATES TREASURY NOTE/BOND	06/24/2019	05/31/2023	4,980,078.13	4,919,921.90	(60,156.23)	5,000,000.00	AA+	Aaa	AAA	1.73%	243
UNITED STATES TREASURY NOTE/BOND	06/13/2019	08/31/2023	3,925,794.65	3,895,625.00	(30,169.65)	4,000,000.00	AA+	Aaa	AAA	1.84%	335
UNITED STATES TREASURY NOTE/BOND	12/13/2021	09/15/2023	5,256,523.44	5,095,246.11	(161,277.33)	5,300,000.00	AA+	Aaa	AAA	0.60%	350
UNITED STATES TREASURY NOTE/BOND	06/24/2019	09/30/2023	4,235,500.00	4,178,390.63	(57,109.37)	4,300,000.00	AA+	Aaa	AAA	1.74%	365
UNITED STATES TREASURY NOTE/BOND	10/13/2021	10/31/2023	4,819,152.34	4,567,078.13	(252,074.21)	4,700,000.00	AA+	Aaa	AAA	0.38%	396
UNITED STATES TREASURY NOTE/BOND	01/11/2022	11/15/2023	4,793,164.06	4,635,917.99	(157,246.07)	4,850,000.00	AA+	Aaa	AAA	0.89%	411
UNITED STATES TREASURY NOTE/BOND	11/22/2021	11/30/2023	6,180,937.50	5,854,687.50	(326,250.00)	6,000,000.00	AA+	Aaa	AAA	0.61%	426
UNITED STATES TREASURY NOTE/BOND	09/27/2019	04/30/2024	5,091,423.00	4,822,851.55	(268,571.45)	5,000,000.00	AA+	Aaa	AAA	1.58%	578
UNITED STATES TREASURY NOTE/BOND	08/19/2021	11/30/2024	5,888.61	5,377.37	(511.24)	5,700.00	AA+	Aaa	AAA	0.48%	792
UNITED STATES TREASURY NOTE/BOND	09/08/2021	11/30/2024	6,093,593.75	5,566,050.80	(527,542.95)	5,900,000.00	AA+	Aaa	AAA	0.47%	792
UNITED STATES TREASURY NOTE/BOND	03/23/2022	12/15/2024	5,111,187.50	4,938,730.48	(172,457.02)	5,300,000.00	AA+	Aaa	AAA	2.36%	807
UNITED STATES TREASURY NOTE/BOND	09/13/2021	12/31/2024	5,727,323.11	5,211,250.00	(516,073.11)	5,500,000.00	AA+	Aaa	AAA	0.48%	823
UNITED STATES TREASURY NOTE/BOND	03/23/2022	01/31/2025	5,322,152.34	5,091,726.54	(230,425.80)	5,300,000.00	AA+	Aaa	AAA	2.35%	854
Total U.S. Agencies			\$ 154,030,593.56	\$ 146,747,374.06	\$ (7,283,219.50)	\$ 153,955,700.00				1.38%	576
Corporate Medium Term Notes:											
BANK OF AMERICA CORP	10/14/2020	12/20/2023	\$ 2,628,700.00	\$ 2,486,726.35	\$ (141,973.65)	\$ 2,500,000.00	A-	A2	AA-	0.61%	446
BANK OF AMERICA CORP	03/23/2021	10/24/2024	4,012,600.00	3,803,196.28	(209,403.72)	4,000,000.00	A-	A2	AA-	0.69%	755
CATERPILLAR FINANCIAL SERVICES	05/16/2019	12/07/2023	3,121,890.00	2,966,527.77	(155,362.23)	3,000,000.00	A	A2	A	2.69%	433
CHEVRON CORP	05/10/2022	05/11/2025	5,719,560.00	5,543,559.54	(176,000.46)	6,000,000.00	AA-	Aa2	-	3.20%	954

Investment	Trade Date	Maturity Date	Book Value	Market Value	Unrealized Gain/(Loss)	Par Value	S&P Rating	Moody's Rating	Fitch Rating	Yield on Cost	Wtd. Avg. Days to Maturity
CITIBANK	06/21/2021	01/23/2024	6,565,064.00	6,016,366.01	(548,697.99)	6,100,000.00	A+	Aa3	A+	0.67%	480
HONEYWELL INTERNATIONAL	11/08/2019	08/15/2024	2,933,756.00	2,783,383.34	(150,372.66)	2,900,000.00	A	A2	A	2.04%	685
INTERNATIONAL BUSINESS MACHINES CORP	09/04/2019	08/01/2023	5,156,295.10	4,855,784.34	(300,510.76)	4,895,000.00	A-	A3	-	1.95%	305
JP MORGAN CHASE & CO	08/18/2021	03/16/2024	5,019,250.00	4,894,480.05	(124,769.95)	5,000,000.00	A-	A1	AA-	0.45%	533
JP MORGAN CHASE & CO	02/12/2021	04/23/2024	3,739,435.00	3,464,265.00	(275,170.00)	3,500,000.00	A-	A1	AA-	0.41%	571
MICROSOFT CORP	07/18/2019	02/06/2024	6,043,518.00	5,731,304.79	(312,213.21)	5,850,000.00	AAA	Aaa	AAA	2.11%	494
PFIZER INC	09/30/2019	05/15/2024	4,036,968.00	3,732,005.12	(304,962.88)	3,800,000.00	A+	A2	A	1.98%	593
PNC BANK	02/07/2020	07/25/2023	3,185,370.00	2,983,464.42	(201,905.58)	3,000,000.00	A-	A3	A	1.95%	298
US BANCORP	01/20/2022	02/05/2024	5,208,050.00	4,913,963.30	(294,086.70)	5,000,000.00	A+	A2	A+	1.29%	493
WELLS FARGO AND CO	07/09/2020	06/02/2024	2,546,750.00	2,441,282.83	(105,467.17)	2,500,000.00	BBB+	A1	A+	0.99%	611
Total Corporate Medium Notes			<u>\$ 59,917,206.10</u>	<u>\$ 56,616,309.14</u>	<u>\$ (3,300,896.96)</u>	<u>\$ 58,045,000.00</u>				<u>1.53%</u>	<u>552</u>
Supra-National Agency Bond/Note											
INTL BANK FOR RECON AND DEVELOPMENT	03/08/2021	01/15/2025	\$ 6,229,560.00	\$ 5,645,043.66	\$ (584,516.34)	\$ 6,000,000.00	AAA	Aaa	-	0.62%	838
INTER-AMERICAN DEVELOPMENT BANK	04/15/2021	05/24/2023	6,739,396.00	6,546,436.00	(192,960.00)	6,700,000.00	AAA	Aaa	-	0.22%	236
INTER-AMERICAN DEVELOPMENT BANK	11/06/2020	02/21/2024	5,436,150.00	4,910,405.70	(525,744.30)	5,000,000.00	AAA	Aaa	AAA	0.32%	509
Total Supra-National Agency Bond/Notes			<u>\$ 18,405,106.00</u>	<u>\$ 17,101,885.36</u>	<u>\$ (1,303,220.64)</u>	<u>\$ 17,700,000.00</u>				<u>0.38%</u>	<u>513</u>
Certificates of Participation:											
(RTC) North County Transit District Certificates of Participation	09/01/2022	12/01/2022	\$ 19,100,000.00	\$ 19,100,000.00	\$ -	\$ 19,100,000.00	NR	A1	NR	1.81%	1
Total Certificates of Participation			<u>\$ 19,100,000.00</u>	<u>\$ 19,100,000.00</u>	<u>\$ -</u>	<u>\$ 19,100,000.00</u>				<u>1.81%</u>	<u>1</u>
Total investments			<u>\$ 251,452,905.66</u>	<u>\$ 239,565,568.56</u>	<u>\$ (11,887,337.10)</u>	<u>\$ 248,800,700.00</u>				<u>1.37%</u>	<u>520</u>
Total Portfolio:			<u>\$ 1,495,376,003.67</u>	<u>\$ 1,481,742,108.59</u>	<u>\$ (13,633,895.08)</u>	<u>N/A</u>				<u>2.34%</u>	<u>118</u>

Legend:

- Automated Regional Justice Information System (ARJIS)
- Commercial Paper (CP)
- State of California Local Agency Investment Fund (LAIF)
- North County Transit District (NCTD)
- San Diego County Regional Transportation Commission (RTC)

TransNet EXTENSION QUARTERLY REPORT

FISCAL YEAR: FY 2023 QUARTER: 1												
PROGRAM & RECIPIENT	TransNet Allocations					Fund Disbursements						
	Sales Tax Allocations			Other Income ¹	Total Allocation	Program Disbursements ²			Debt Service ³			Total Disbursements
	This Quarter	FY to Date	Program to Date	Program to Date	Program to Date	This Quarter	FY to Date	Program to Date	This Quarter	FY to Date	Program to Date	Program to Date
SANDAG Admin	\$2,206,545	\$2,206,545	\$44,997,187	\$180,262	\$45,177,449	\$(1,840,000)	\$(1,840,000)	\$(44,358,445)	\$0	\$0	\$0	\$(44,358,445)
ITOC	\$115,403	\$115,403	\$3,917,291	\$50,865	\$3,968,156	\$(27,233)	\$(27,233)	\$(3,704,798)	\$0	\$0	\$0	\$(3,704,798)
Bicycle/Pedestrian/Neighborhood Safety	\$2,206,545	\$2,206,545	\$79,669,406	\$3,911,901	\$83,581,307	\$(608,116)	\$(608,116)	\$(169,860,183)	\$(1,313,820)	\$(1,313,820)	\$(16,774,759)	\$(186,634,942)
Major Corridor Capital Projects	\$40,203,519	\$40,203,519	\$1,464,856,837	\$(198,079,695)	\$1,266,777,142	\$(10,003,016)	\$(10,003,016)	\$(2,893,041,214)	\$(22,088,486)	\$(22,088,486)	\$(1,175,940,381)	\$(4,068,981,595)
Major Corridor Project EMP	\$4,655,144	\$4,655,144	\$169,615,002	\$152,611,549	\$322,226,551	\$(302,375)	\$(302,375)	\$(414,188,011)	\$(3,435,576)	\$(3,435,576)	\$(217,542,119)	\$(631,730,130)
Local Project EMP	\$1,904,377	\$1,904,377	\$69,387,956	\$3,264,659	\$72,652,615	\$(905,625)	\$(905,625)	\$(13,657,302)	\$0	\$0	\$(54)	\$(13,657,356)
Smart Growth Incentive Program	\$2,221,773	\$2,221,773	\$80,952,615	\$3,559,267	\$84,511,882	\$(88,331)	\$(88,331)	\$(46,816,156)	\$0	\$0	\$0	\$(46,816,156)
Local Streets and Roads												
City of Carlsbad	\$1,141,389	\$1,141,389	\$40,189,637	\$9,732,500	\$49,922,137	\$(86)	\$(86)	\$(25,843,031)	\$0	\$0	\$0	\$(25,843,031)
City of Chula Vista	\$2,286,237	\$2,286,237	\$80,190,313	\$5,201,971	\$85,392,284	\$(902,797)	\$(902,797)	\$(67,408,920)	\$0	\$0	\$0	\$(67,408,920)
City of Coronado	\$209,486	\$209,486	\$8,195,330	\$992,310	\$9,187,640	\$(14)	\$(14)	\$(6,364,940)	\$0	\$0	\$0	\$(6,364,940)
City of Del Mar	\$70,096	\$70,096	\$2,848,514	\$188,207	\$3,036,721	\$(4)	\$(4)	\$(4,865,990)	\$(31,978)	\$(31,978)	\$(2,057,975)	\$(6,923,965)
City of El Cajon	\$895,561	\$895,561	\$32,994,233	\$2,688,172	\$35,682,405	\$(67)	\$(67)	\$(27,145,483)	\$0	\$0	\$0	\$(27,145,483)
City of Encinitas	\$603,086	\$603,086	\$22,889,806	\$4,009,041	\$26,898,847	\$(342,716)	\$(342,716)	\$(25,255,287)	\$0	\$0	\$0	\$(25,255,287)
City of Escondido	\$1,367,768	\$1,367,768	\$49,219,610	\$5,946,191	\$55,165,801	\$(2,550,103)	\$(2,550,103)	\$(43,003,921)	\$0	\$0	\$0	\$(43,003,921)
City of Imperial Beach	\$260,771	\$260,771	\$9,769,734	\$573,386	\$10,343,120	\$(19)	\$(19)	\$(10,493,591)	\$(28,292)	\$(28,292)	\$(703,837)	\$(11,197,428)
City of La Mesa	\$570,336	\$570,336	\$21,284,487	\$3,445,314	\$24,729,801	\$(43)	\$(43)	\$(21,529,208)	\$(45,110)	\$(45,110)	\$(4,139,872)	\$(25,669,080)
City of Lemon Grove	\$253,016	\$253,016	\$9,750,673	\$642,665	\$10,393,338	\$(60,353)	\$(60,353)	\$(9,094,664)	\$0	\$0	\$0	\$(9,094,664)
City of National City	\$522,569	\$522,569	\$19,307,197	\$1,510,311	\$20,817,508	\$(39)	\$(39)	\$(18,307,845)	\$0	\$0	\$(8,233,109)	\$(26,540,954)
City of Oceanside	\$1,657,029	\$1,657,029	\$62,560,614	\$8,830,040	\$71,390,654	\$(124)	\$(124)	\$(60,534,540)	\$(133,675)	\$(133,675)	\$(5,049,364)	\$(65,583,904)
City of Poway	\$528,360	\$528,360	\$20,543,443	\$1,254,576	\$21,798,019	\$(39)	\$(39)	\$(18,253,556)	\$0	\$0	\$0	\$(18,253,556)
City of San Diego	\$12,508,189	\$12,508,189	\$447,090,387	\$27,985,223	\$475,075,610	\$(6,861,596)	\$(6,861,596)	\$(455,828,112)	\$(79,065)	\$(79,065)	\$(424,553)	\$(456,252,665)
City of San Marcos	\$826,283	\$826,283	\$29,526,453	\$3,844,986	\$33,371,439	\$(61)	\$(61)	\$(30,919,385)	\$(229,883)	\$(229,883)	\$(7,491,244)	\$(38,410,629)
City of Santee	\$514,329	\$514,329	\$19,682,066	\$1,208,860	\$20,890,926	\$(85,038)	\$(85,038)	\$(23,729,194)	\$(193,711)	\$(193,711)	\$(13,444,363)	\$(37,173,557)
City of Solana Beach	\$150,703	\$150,703	\$5,985,330	\$541,698	\$6,527,028	\$(38,010)	\$(38,010)	\$(8,284,643)	\$(80,651)	\$(80,651)	\$(2,662,417)	\$(10,947,060)

PROGRAM & RECIPIENT	TransNet Allocations					Fund Disbursements						
	Sales Tax Allocations			Other Income ¹	Total Allocation	Program Disbursements ²			Debt Service ³			Total Disbursements
	This Quarter	FY to Date	Program to Date	Program to Date	Program to Date	This Quarter	FY to Date	Program to Date	This Quarter	FY to Date	Program to Date	Program to Date
City of Vista	\$854,774	\$854,774	\$31,484,534	\$3,868,092	\$35,352,626	\$(64)	\$(64)	\$(30,773,683)	\$0	\$0	\$0	\$(30,773,683)
San Diego County	\$5,567,451	\$5,567,451	\$208,259,586	\$17,270,803	\$225,530,389	\$(420)	\$(420)	\$(152,861,103)	\$(269,003)	\$(269,003)	\$(24,120,646)	\$(176,981,749)
Total Local Streets and Roads	\$30,787,433	\$30,787,433	\$1,121,771,947	\$99,734,346	\$1,221,506,293	\$(10,841,593)	\$(10,841,593)	\$(1,040,497,096)	\$(1,091,368)	\$(1,091,368)	\$(68,327,380)	\$(1,108,824,476)
Transit Services												
MTS	\$11,997,523	\$11,997,523	\$437,104,430	\$707,292	\$437,811,722	\$(17,565,083)	\$(17,565,083)	\$(433,418,402)	\$0	\$0	\$0	\$(433,418,402)
NCTD	\$4,891,923	\$4,891,923	\$178,280,000	\$268,587	\$178,548,587	\$(3,165,367)	\$(3,165,367)	\$(174,802,883)	\$(2,004)	\$(2,004)	\$(1,715,469)	\$(176,518,352)
Senior Grant Program	\$567,346	\$567,346	\$20,671,828	\$185,684	\$20,857,512	\$(43)	\$(43)	\$(19,280,889)	\$0	\$0	\$0	\$(19,280,889)
Total Transit Services	\$17,456,792	\$17,456,792	\$636,056,258	\$1,161,563	\$637,217,821	\$(20,730,493)	\$(20,730,493)	\$(627,502,174)	\$(2,004)	\$(2,004)	\$(1,715,469)	\$(629,217,643)
New Major Corridor Transit Operations	\$8,569,697	\$8,569,697	\$312,245,800	\$16,833,386	\$329,079,186	\$9,604,687	\$9,604,687	\$(166,009,772)	\$0	\$0	\$0	\$(166,009,772)
TOTAL TRANSNET EXTENSION	\$110,327,228	\$110,327,228	\$3,983,470,299	\$83,228,103	\$4,066,698,402	\$(35,742,095)	\$(35,742,095)	\$(5,419,635,151)	\$(27,931,254)	\$(27,931,254)	\$(1,480,300,162)	\$(6,899,935,313)

Commercial Paper Program Activity

PROGRAM & RECIPIENT	Commercial Paper Disbursements	
	FY to Date	Program to Date
City of National City	\$0	\$(4,500,000)
City of Santee	\$0	\$(3,950,000)
NCTD	\$0	\$(34,000,000)
City of Imperial Beach	\$0	\$(1,807,000)
City of San Diego	\$0	\$(26,167,000)
City of La Mesa	\$0	\$(4,500,000)
City of Oceanside	\$0	\$(4,991,000)
City of Del Mar	\$0	\$(704,000)
Major Corridor Capital Projects	\$0	\$(99,899,679)
Major Corridor Project EMP	\$0	\$(16,052,321)
Total CP Disbursements	\$0	\$(196,571,000)

PROGRAM & RECIPIENT	Commercial Paper Program Availability			
	Prior Years	This Quarter	FY to Date	Program to Date
CP Program	\$100,000,000	\$0	\$0	\$100,000,000
NCTD	\$(20,450,000)	\$1,350,000	\$1,350,000	\$(19,100,000)
City of La Mesa	\$(917,000)	\$500,000	\$500,000	\$(417,000)
City of Oceanside	\$(1,296,000)	\$1,296,000	\$1,296,000	\$0
City of Imperial Beach	\$(1,046,000)	\$297,000	\$297,000	\$(749,000)
Major Corridor Capital Projects	\$0	\$0	\$0	\$0
City of San Diego	\$(26,167,000)	\$0	\$0	\$(26,167,000)
Major Corridor Project EMP	\$0	\$0	\$0	\$0
CP Outstanding	\$(49,876,000)			\$(46,433,000)
CP AVAILABLE FOR ISSUANCE	\$50,124,000			\$53,567,000

Other Activity				
PROGRAM & RECIPIENT	Sales Tax Revenue Transfers for EMP Debt Service Payments			
	Prior Years	This Quarter	FY to Date	Program to Date
Major Corridor Capital Projects	\$(151,839,904)	\$0	\$0	\$(151,839,904)
Major Corridor Project EMP	\$151,839,904	\$0	\$0	\$151,839,904
Total Other Activity	\$0	\$0	\$0	\$0

2008 ABCD Sales Tax Revenue Bond Activity - \$600,000,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ⁴			
	Prior Years	This Quarter	FY to Date	Program to Date
San Diego County	\$16,893,500	\$0	\$0	\$16,893,500
Major Corridor Capital Projects	\$392,721,119	\$0	\$0	\$392,721,119
Major Corridor Project EMP	\$45,517,182	\$0	\$0	\$45,517,182
<i>Total 2008 Bond Disbursement</i>	\$455,131,801	\$0	\$0	\$455,131,801

2010 A Sales Tax Revenue Bond Activity - \$338,960,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ⁵			
	Prior Years	This Quarter	FY to Date	Program to Date
City of San Marcos	\$15,253,815	\$0	\$0	\$15,253,815
City of Solana Beach	\$5,515,065	\$0	\$0	\$5,515,065
Major Corridor Capital Projects	\$276,292,690	\$0	\$0	\$276,292,690
Major Corridor Project EMP	\$43,419,140	\$0	\$0	\$43,419,140
<i>Total 2010 A Bond Disbursement</i>	\$340,480,710	\$0	\$0	\$340,480,710

2010 B Sales Tax Revenue Bond Activity - \$11,040,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ⁵			
	Prior Years	This Quarter	FY to Date	Program to Date
City of National City	\$3,383,956	\$0	\$0	\$3,383,956
City of Santee	\$8,519,844	\$0	\$0	\$8,519,844
<i>Total 2010 B Bond Disbursement</i>	\$11,903,800	\$0	\$0	\$11,903,800

2020 A Sales Tax Revenue Bond Activity - 74,820,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ⁶			
	Prior Years	This Quarter	FY to Date	Program to Date
Bike/Pedestrian	\$44,152,093	\$5,550,850	\$18,013,324	\$62,165,417
TOTAL TRANSNET EXTENSION	\$44,152,093	\$5,550,850	\$18,013,324	\$62,165,417

2021 B Sales Tax Revenue Bond Activity - \$116,150,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ⁶			
	Prior Years	This Quarter	FY to Date	Program to Date
Major Corridor Capital Projects	\$119,909,821	\$8,016,665	\$8,016,665	\$127,926,486
<->Total 2021 B Bond Disbursement	\$119,909,821	\$8,016,665	\$8,016,665	\$127,926,486

2012 A Sales Tax Revenue Bond Activity - \$420,585,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ^{4,5,6}			
	Prior Years	This Quarter	FY to Date	Program to Date
San Diego County	\$5,706,500	\$0	\$0	\$5,706,500
Major Corridor Capital Projects	\$444,770,201	\$0	\$0	\$444,770,201
Major Corridor Project EMP	\$26,812,066	\$0	\$0	\$26,812,066
<i>Total 2012 A Bond</i>	\$477,288,767	\$0	\$0	\$477,288,767

2014 A Sales Tax Revenue Bond Activity - \$350,000,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ^{5,6}			
	Prior Years	This Quarter	FY to Date	Program to Date
City of Del Mar	\$3,518,350	\$0	\$0	\$3,518,350
City of San Marcos	\$1,152,611	\$0	\$0	\$1,152,611
City of Santee	\$4,938,727	\$0	\$0	\$5,397,979
Major Corridor Capital Projects	\$343,906,117	\$0	\$0	\$343,906,117
Major Corridor Project EMP	\$52,162,768	\$0	\$0	\$52,162,768
<i>Total 2014 A Bond Disbursement</i>	\$405,678,573	\$0	\$0	\$406,137,825

2016 A Sales Tax Revenue Bond Activity - \$325,000,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ⁶			
	Prior Years	This Quarter	FY to Date	Program to Date
Bicycle/Pedestrian/Neighborhood Safety	\$31,224,192	\$0	\$0	\$31,224,192
Major Corridor Capital Projects	\$322,425,541	\$0	\$0	\$322,425,541
Major Corridor Project EMP	\$54,042,182	\$0	\$0	\$54,042,182
<i>Total 2016 A Bond Disbursement</i>	\$407,691,915	\$0	\$0	\$407,691,915

2018 A Sales Tax Revenue Bond Activity - \$537,480,000				
PROGRAM & RECIPIENT	Bond Proceeds Disbursements ⁶			
	Prior Years	This Quarter	FY to Date	Program to Date
Major Corridor Capital Projects	\$573,453,241	\$0	\$0	\$573,453,241
<i>Total 2018 A Bond Disbursement</i>	\$573,453,241	\$0	\$0	\$573,453,241

- FOOTNOTES:
1. *Other income includes interest revenue, transfers from TransNet I, other non-sales tax revenue, and the one-time swap of Major Corridor Sales Tax Revenue (to LSI Cities and County) for ARRA funds.*
 2. *Program Disbursements include payments to TransNet recipient agencies and program costs, including payments made for Early Action Projects in prior years, and return of funds.*
 3. *Debt Service includes principal and interest payments, including debt payments beginning in March 2008 upon issuance of the 2008 ABCD Sales Tax Revenue Bonds, and other debt service costs net of interest earnings.*
 4. *2008 Bond Proceeds have been fully disbursed, net of Reserve Requirement of \$17.1 million. The Program to Date total includes interest earnings. The 2008 Bonds were partially defeased with the issuance of the 2012 Bonds on June 14, 2012, thereby reducing the 2008 Bond Proceed Disbursement.*
 5. *2010, 2012, 2014, 2016, and 2018 Bond Proceeds have been fully disbursed and the Program to Date includes interest earnings.*
 6. *The 2012 Bond total includes a premium of \$55.8 million, the 2014 Bond total includes a premium of \$55.3 million, the 2016 Bond total includes a premium of \$78.8 million, the 2018 Bond includes a premium of \$31.6 million and the 2020 bond includes a premium of \$20 million.*
 7. *On March 25, 2021 the Commission issued \$265.9 million in 2021AB bonds of which \$170 million was used to refund the 2014A bonds. The bonds were issued at a premium of \$36 million with \$130 million in project funds available to be used on Major Corridor projects. No project funds as of June 30 have been expended.*



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Executive Office

ITEM TYPE: Information

AGENDA SECTION: Reports

SUBJECT: Regional Economic Update

SUGGESTED ACTION: Staff will present an update on the regional economy.

ATTACHMENTS:
[Economic Update Presentation.pdf](#)



Regional Economic Update

Board of Directors | Item 12

Presented by
Ray Major, Deputy CEO of Business and Operations
November 18, 2022

1



State of the Economy

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Current State of San Diego's Economy

Industry Recovery

- **Tourism** (driving sector) is rebounding, with visitor spending **up 131%** from 2021.
- **Innovation and Military** (driving sectors) are **strengthening**.
- **Healthcare** (supporting sector) has been **resilient** and is **growing**.

Employment Restored

- Nearly all **290,000 civilian jobs** lost during the initial stage of the pandemic have been **recovered**.
- **Civilian labor force** has **16,000 fewer participants** than pre-COVID.

Source: San Diego Tourism Authority; Bureau of Labor Statistics, Local Area Unemployment Statistics, San Diego MSA, Not Seasonally Adjusted, (Sept. 2022)

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Current State of San Diego's Economy

Housing Affordability Still Challenging

- **Rising mortgage rates (6.90%)** are offsetting recent easing of housing prices.
- Fewer San Diego households (**13%**) can afford to buy a **median-priced home (\$810,000)**.

Inflation and Uncertainty Persist

- **Rising inflation (8.2%)** is moderating demand for discretionary items.
- **Interest rate hikes** temper personal spending and business investment.

Source: Primary Mortgage Market Survey, 30-Year Fixed, Freddie Mac (Oct. 2022); San Diego Median Home Prices, All Residential Types (Oct. 2022); Bureau of Labor Statistics, CPI-U San Diego All Items (Sept. 2022)

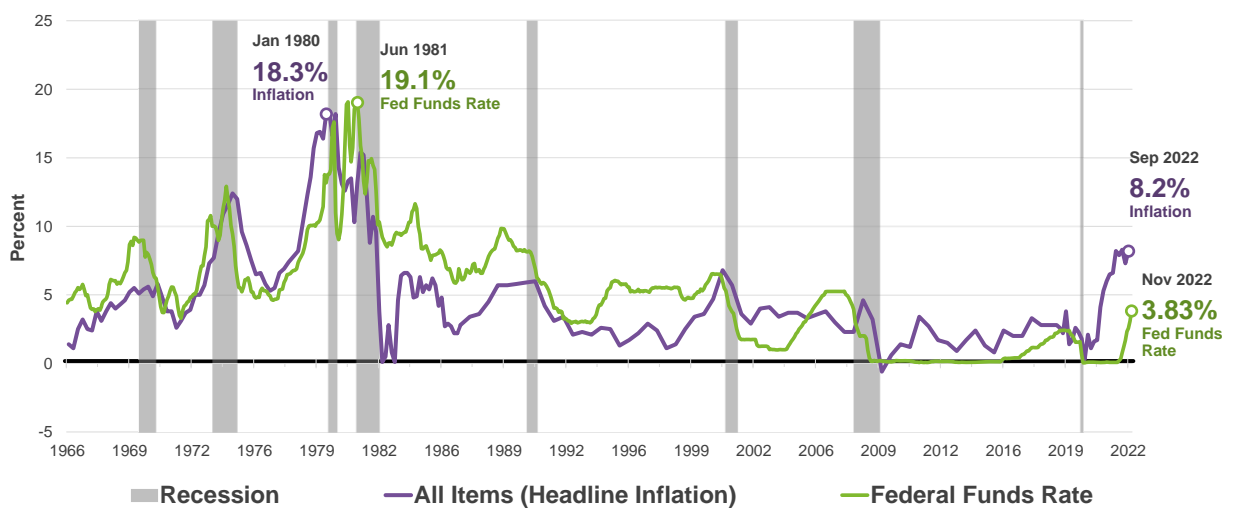
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Inflation

5

San Diego Inflation and Federal Funds Rate Current level not a historic high



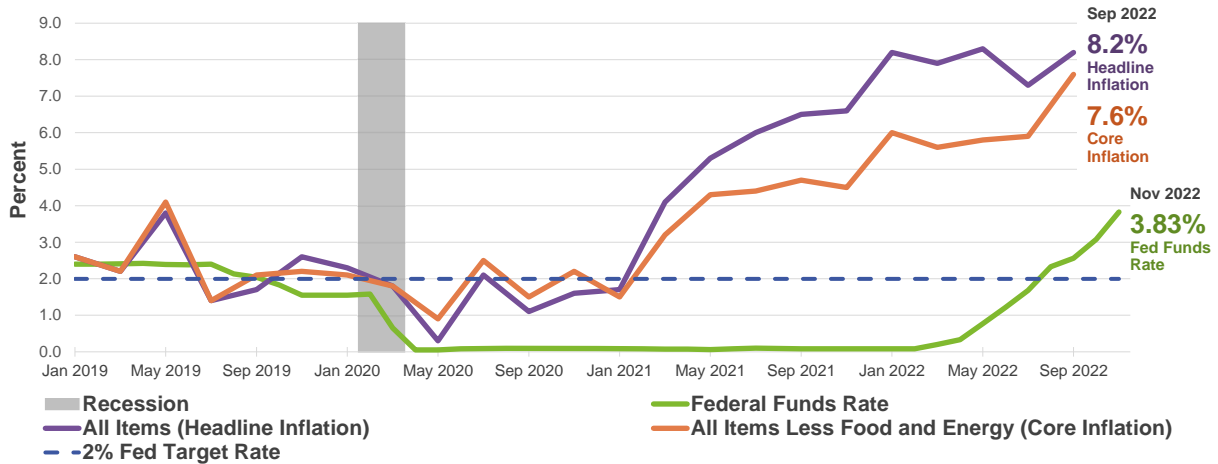
Source: Bureau of Labor Statistics (2022); Board of Governors of the Federal Reserve System (U.S.), Federal Funds Effective Rate [FF], Not Seasonally Adjusted

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San Diego Inflation and Federal Funds Rate

Sharp rise since January 2021

In Nov. 2022, the Fed raised its benchmark rate 75 basis points for the fourth time in five months. Since March 2022, the Fed's six rate hikes to slow inflation have totaled 375 basis points, with more rate increases expected this year.



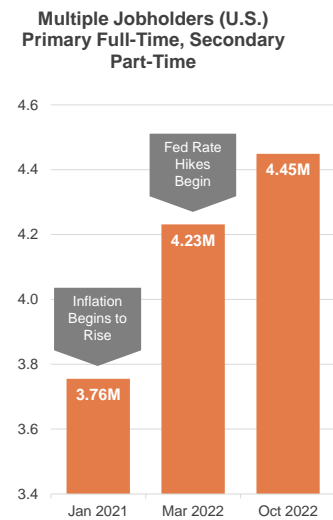
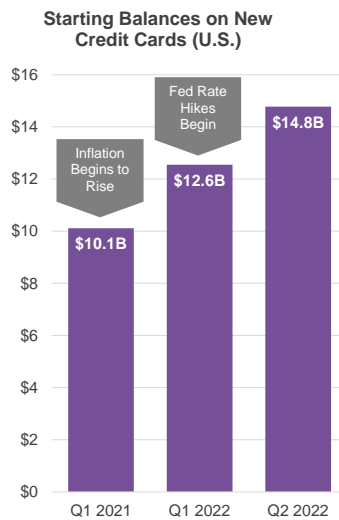
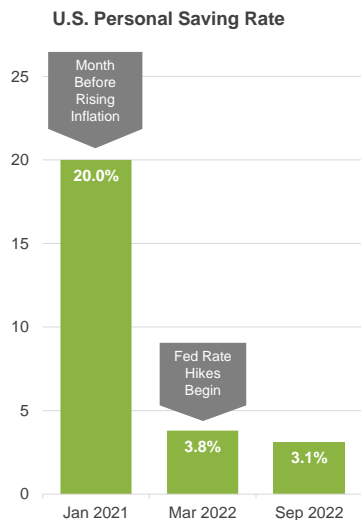
Source: Bureau of Labor Statistics (2022); Board of Governors of the Federal Reserve System (U.S.), Federal Funds Effective Rate [FF], Not Seasonally Adjusted

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Impact of Rising Inflation

Less saving, more credit cards, and second jobs to make ends meet



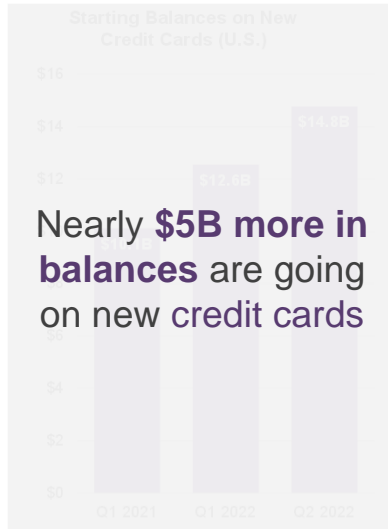
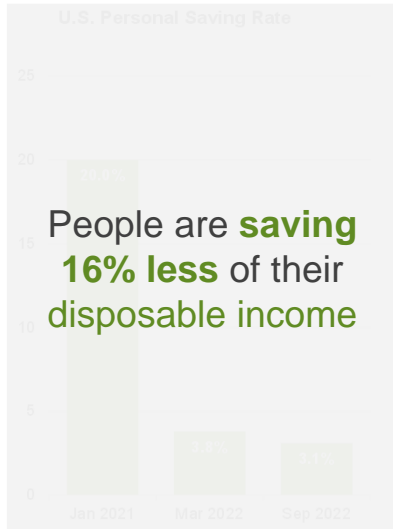
Source: Bureau of Economic Analysis (2022), Federal Reserve Bank of Philadelphia (2022), Bureau of Labor Statistics (2022)

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Impact of Rising Inflation

Less saving, more credit cards, and second jobs to make ends meet



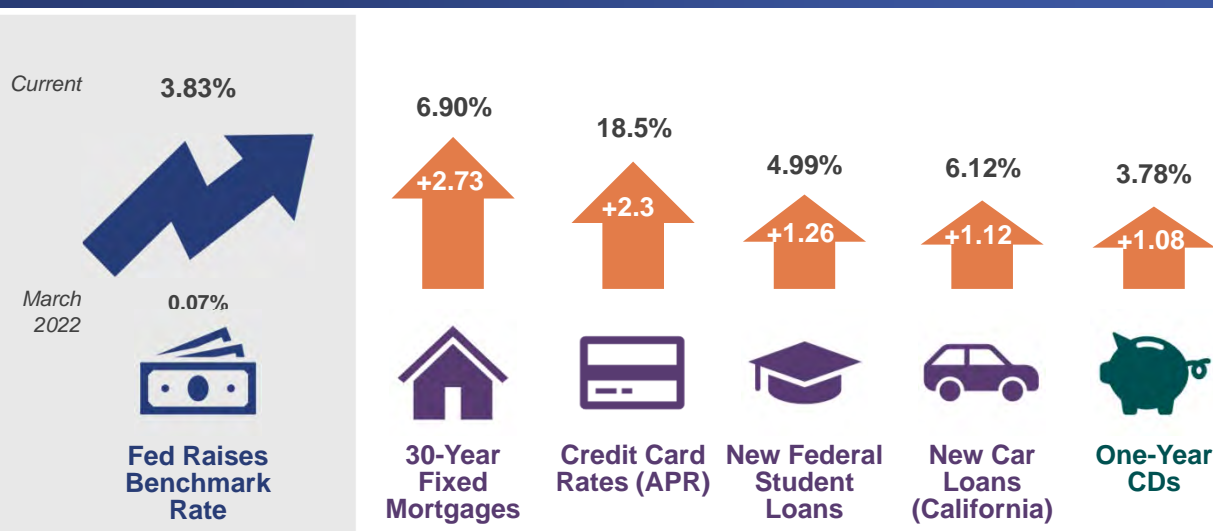
Source: Bureau of Economic Analysis (2022), Federal Reserve Bank of Philadelphia (2022), Bureau of Labor Statistics (2022)

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Impact of Fed Rate-Hike Cycle

Increases since March 2022 raise cost of borrowing, incentivize saving



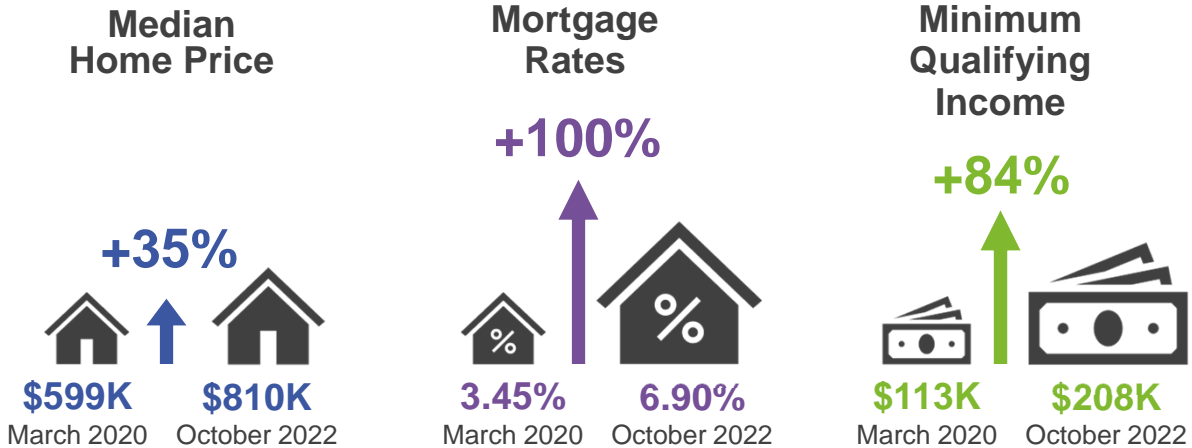
Source: Board of Governors, Federal Reserve System (Nov 2022); Freddie Mac (Oct. 2022); Federal Reserve G.19 (Nov. 2022), Edmunds (Oct. 2022), Bankrate.com, DepositAccounts.com (Nov. 2022)

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Median Home Sale Price and Mortgage Rates

Qualifying income rises sharply



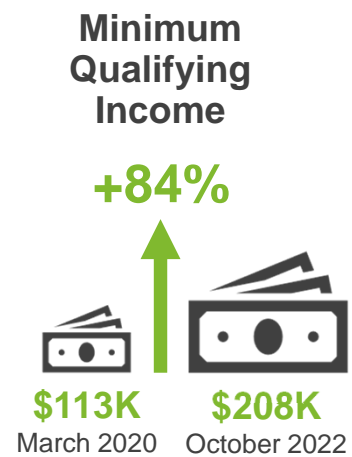
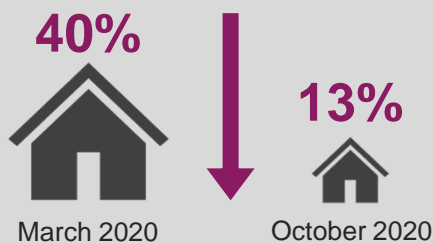
Source: Redfin Data Center (Oct 2022), Freddie Mac 30-Year Fixed (Oct 2022), IPUMS-CPS (2021), CAR Traditional Housing Affordability Index, SANDAG calculations. Median home sale price, all residential types, for Oct 2022.

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Housing Affordability

How Many San Diego Households Can Afford the Median-Priced Home?



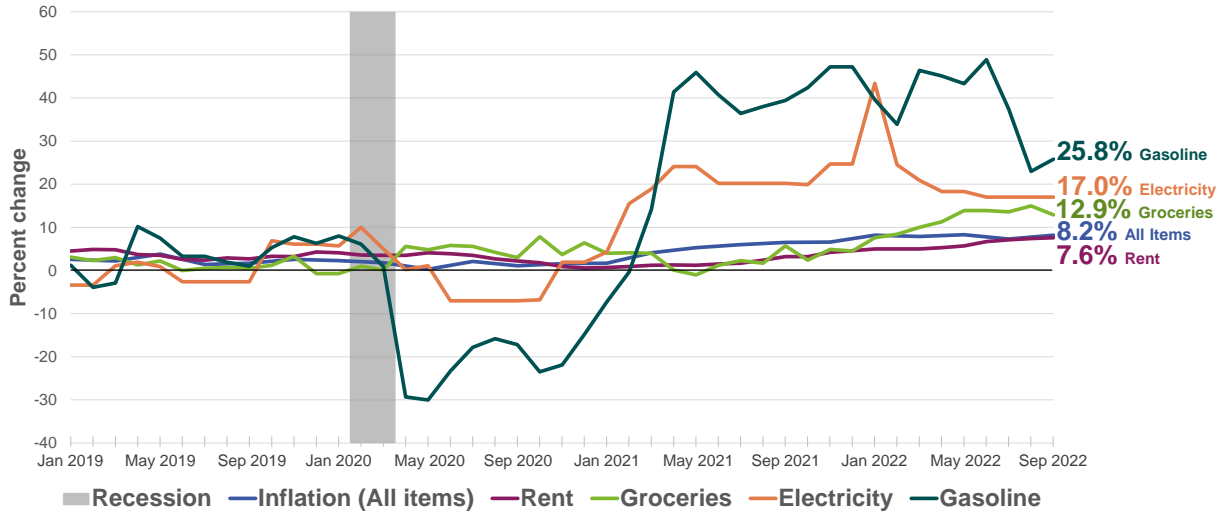
Source: Redfin Data Center (Oct 2022), Freddie Mac 30-Year Fixed (Oct 2022), IPUMS-CPS (2021), CAR Traditional Housing Affordability Index, SANDAG calculations. Median home sale price, all residential types, for Oct 2022.

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San Diego Inflation

Key components of a household budget track higher than headline inflation



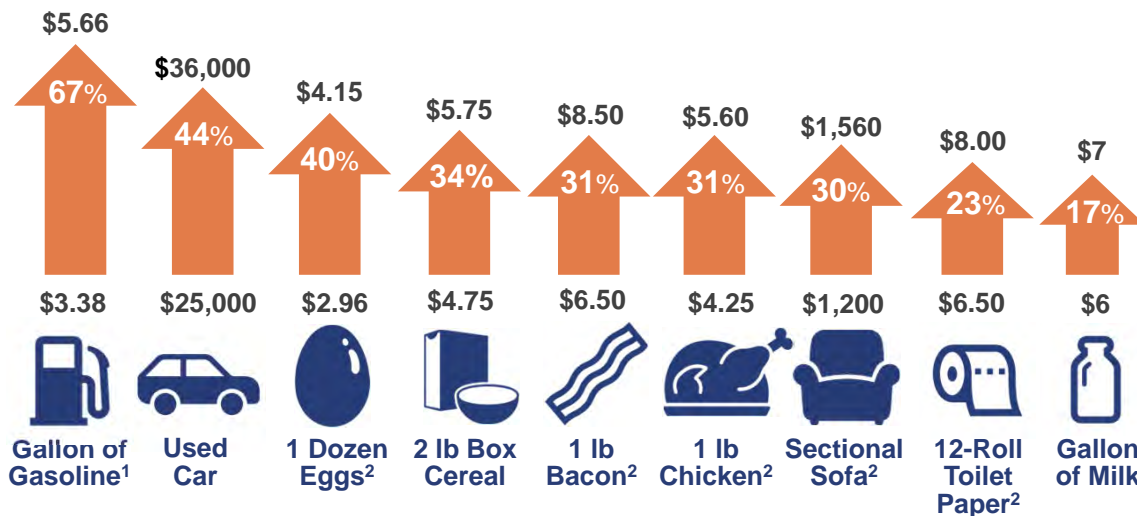
Source: Bureau of Labor Statistics, CPI-U San Diego MSA (Sept. 2022)

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Price Increases for Everyday Items

Impact is high and varied (March 2020 to September 2022)



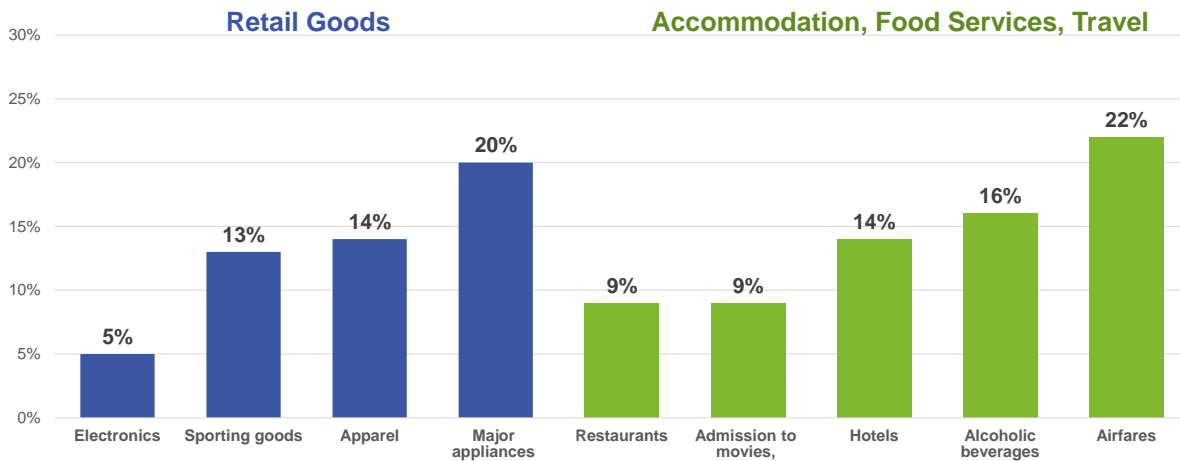
Notes: ¹Average monthly gas prices from AAA, San Diego; ²CPI-U used for All U.S. Cities for item specificity
Source: Bureau of Labor Statistics, CPI-U for San Diego region and All U.S. Cities, Not Seasonally Adjusted (2022)

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Price Increases for Discretionary Items

Inflation not as high compared to necessities

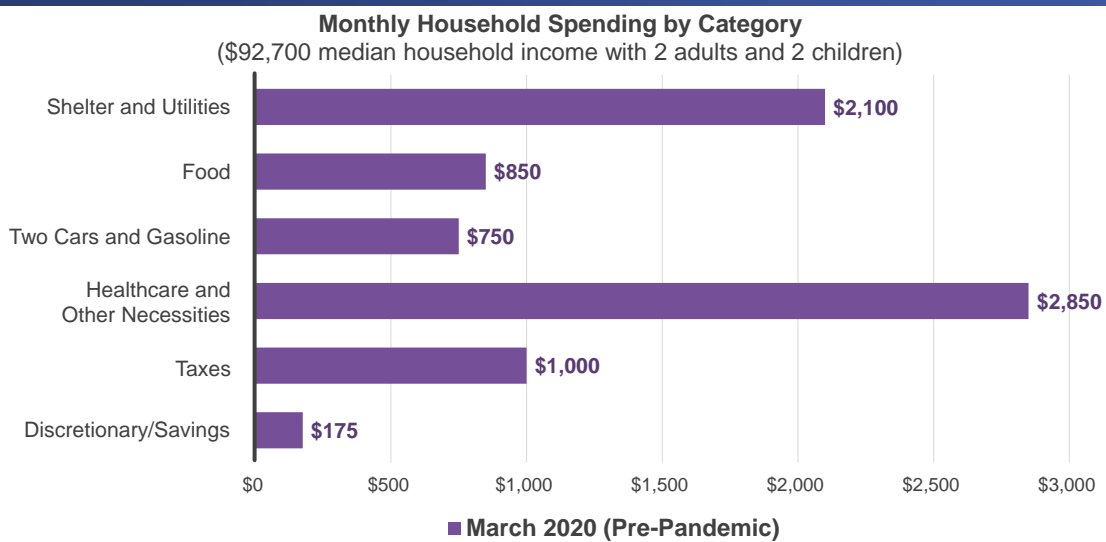


Source: Bureau of Labor Statistics (Sept. 2022), CPI-U for San Diego region (Apparel, Durables, New and used cars, Restaurants, Alcoholic beverages, Recreation), CPI-U for all U.S. Cities for other items, Not Seasonally Adjusted

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Cost of Living Before the Pandemic

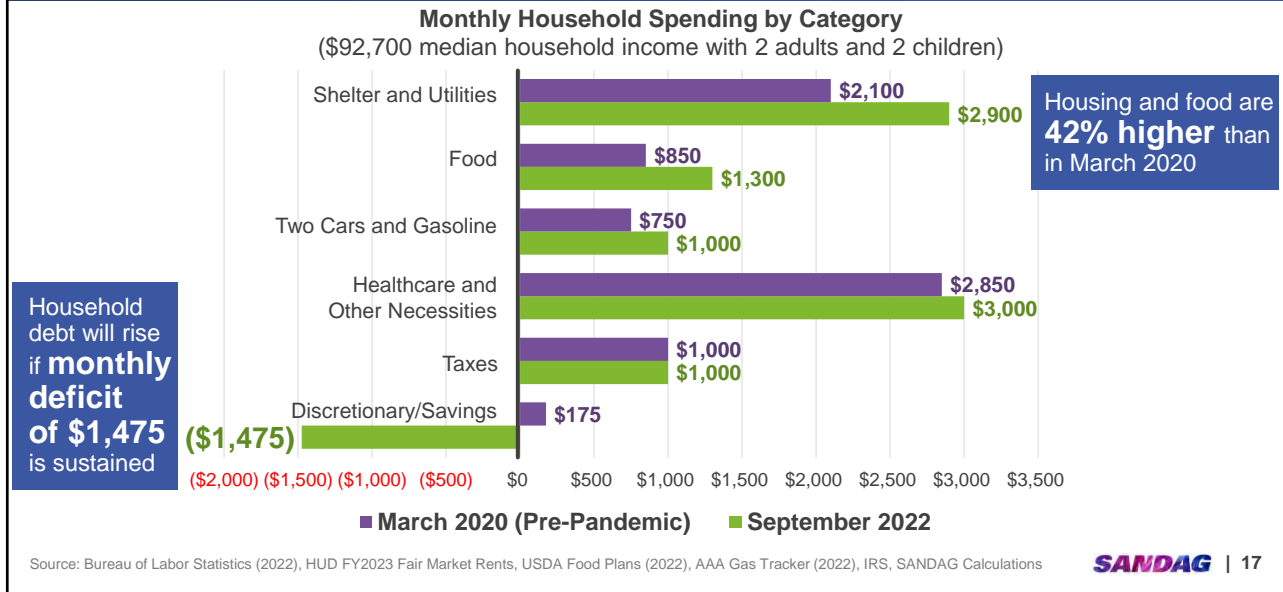


Source: Bureau of Labor Statistics (2022), HUD FY2023 Fair Market Rents, USDA Food Plans (2022), AAA Gas Tracker (2022), IRS, SANDAG Calculations

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Cost of Living in 2022



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2023 Dynamics

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Economic Disruptions



Inflation worries



Mounting debt



Recession fears

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Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Financial Planning, Budgets & Grants

ITEM TYPE: Adopt

AGENDA SECTION: Reports

SUBJECT: First Reading of Proposed Amendments to TransNet Extension Ordinance: Independent Taxpayer Oversight Committee Membership and Selection Process

SUGGESTED ACTION: The Board of Directors, acting as the San Diego County Regional Transportation Commission (RTC), is asked to conduct the first reading of the Ordinance No. RTC-CO-2023-01, related to Independent Taxpayer Oversight Committee membership and selection process, by reading the title and waiving full recitation of the ordinance, for this and all future readings.

ATTACHMENTS:

- [Proposed Ordinance Amendments.pdf](#)
- [Att 1 - Proposed Amendments.pdf](#)
- [Att 2 - TransNet Ordinance Amendment resolution.pdf](#)

First Reading of Proposed Amendments to TransNet Extension Ordinance

Overview

The Independent Taxpayer Oversight Committee (ITOC) is intended to provide an increased level of accountability for expenditures made under the [TransNet Extension Ordinance](#).

ITOC responsibilities include conducting triennial performance audits of SANDAG and other agencies involved in implementation of TransNet-funded projects and programs using the services of an independent performance auditor. Performance audits also include a review of ITOC performance.

The [FY 2021 TransNet Triennial Performance Audit](#) concluded that ITOC practices aligned with other entities reviewed. However, the audit also revealed areas which could be strengthened. One area of recommendation is enhancement of the ITOC membership and selection process by exploring options to expand ITOC qualifications and the candidate screening and selection process.

Key Considerations

The FY 2021 TransNet Triennial Performance Audit recommendations concluded that additional member expertise could assist with the ITOC oversight role. Specifically, the audit called for expanding ITOC qualifications to include knowledge of emerging topics SANDAG presents before the ITOC. The audit also provided sample expertise categories employed by other oversight committees for consideration, such as the addition of a transportation system user.

In addition, the audit indicated that, while the current selection process employed by SANDAG is consistent with TransNet Ordinance requirements, the ITOC member selection process could benefit from streamlining. Based on this recommendation, the ITOC explored options to enhance the selection process. Additionally, the ITOC appointed a Subcommittee to Consider TransNet Ordinance Amendments (Subcommittee) for implementation of the audit recommendations. The Subcommittee worked extensively and hired its own independent legal counsel to draft the proposed amendments. Attachments 1 and 2 include the proposed amendments developed by the ITOC to address these audit recommendations. At its October 12, 2022, meeting ([Agenda Item No. 9](#)), the ITOC voted to recommend that the Board of Directors approve amendments specific to ITOC membership and selection process.

Action: **Conduct First Reading**

The Board of Directors, acting as the San Diego County Regional Transportation Commission, is asked to conduct the first reading of Ordinance No. CO-2023-01, related to Independent Taxpayer Oversight Committee membership and selection process, by reading the title and waiving full recitation of the ordinance for this and all future readings.

Fiscal Impact:

Allocation of funds for Independent Taxpayer Oversight Committee activities will remain \$250,000 (with CPI adjustment) in accordance with the TransNet Ordinance.

Schedule/Scope Impact:

The Board of Directors will be asked to conduct first and second readings at its meetings in November and December 2022. Thereafter, the amendment would take effect 30 days after its final passage.

SANDAG Board Policy No. 004: *Rules of Procedure for Board of Directors, Policy Advisory Committees, and Other Legislative Bodies*, requires that every ordinance be read in full at the time of introduction or passage. The Board has the option to read the title and waive further reading by regular motion adopted by unanimous vote of the Board members present.

Pursuant to this, at the November 18, 2022, Board meeting, the Board will be asked to read the title and waive full recitation of the Ordinance for the first and second reading of the Ordinance.

Next Steps

The Board will be asked to consider approval of the proposed amendments at its December 2, 2022, meeting. Pending the Board's approval, the proposed amendments would take effect 30 days after final passage and would be incorporated into the TransNet Extension Ordinance.

Susan Huntington, Director of Financial Planning, Budgets, and Grants

Key Staff Contact: ITOC Chair Jonathan Frankel

- Attachments:
1. Proposed Amendments to "Statement of Understanding Regarding the Implementation of the Independent Taxpayer Oversight Committee for the TransNet Program"
 2. Commission Ordinance No. CO-2023-01, approving proposed amendments to "Statement of Understanding Regarding the Implementation of the Independent Taxpayer Oversight Committee for the TransNet Program"

DRAFT**STATEMENT OF UNDERSTANDING REGARDING THE IMPLEMENTATION OF THE
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE
FOR THE TransNet PROGRAM****Purpose of the ITOC**

The Independent Taxpayer Oversight Committee (ITOC) is intended to provide an increased level of accountability for expenditures made under the TransNet Extension, in addition to the independent annual fiscal and compliance audits required under the existing TransNet program. The ITOC should function in an independent, open and transparent manner to ensure that all voter mandates are carried out as required in the Ordinance and Expenditure Plan, and to develop positive, constructive recommendations for improvements and enhancements to the financial integrity and performance of the TransNet program.

Intent of the ITOC as a Functional Partner to SANDAG

The TransNet Ordinance contains a summary of the ITOC's role and responsibilities consistent with the above Purpose. In this document, additional and supplementary details with regard to the ITOC are delineated. These pertain to the process for selecting members of ITOC, terms and conditions governing membership, responsibilities, funding and administration, and conflict of interest provisions.

It is noteworthy that these details have been developed in a cooperative process between SANDAG and representatives of the San Diego County Taxpayers Association, and with the involvement of other transportation professionals within the region. This document is understood to provide the basis for describing how the ITOC will function once the Ordinance is approved.

In addition to the details outlined in this document the intent that provides the foundation for the desired partnership between ITOC and SANDAG, as viewed by the principal authors, is summarized as follows:

- **Resource**—it is the intent that the ITOC will serve as an independent resource to assist in SANDAG's implementation of TransNet projects and programs. The Committee's membership is designed to provide to SANDAG a group of professionals who, collectively, can offer SANDAG the benefit of their experience to advance the timely and efficient implementation of TransNet projects and programs. The ITOC will work in a public way to ensure all deliberations are conducted in an open manner. Regular reports from the ITOC to the SANDAG Board of Directors (or policy committees) are expected with regard to program and project delivery, and overall performance.
- **Productive**—it is the intent that the ITOC will rely upon data and processes available at SANDAG, studies initiated by the ITOC, and other relevant data generated by reputable sources. It is understood, however, that SANDAG will be continuously striving to improve the reliability of data and to update analytical and modeling processes to be consistent with the state-of-the-art, and that the ITOC will be kept abreast of any such efforts, and invited to participate in development of such updates in a review capacity.
- **Cost-efficient**—it is the intent that the ITOC will not add cost burden to SANDAG's implementation of the TransNet program and projects. Rather, through a cooperative and productive working relationship between ITOC and the SANDAG implementation team, it is the objective that costs will be saved.
- **Flexible**—it is the intent that the ITOC will assist SANDAG to be opportunistic to take advantage of changing situations in the future with regard to technologies and transportation developments. Therefore, the provisions contained below are viewed through 2048 based upon a 2004 perspective and are not meant to be unduly restrictive on ITOC's and SANDAG's roles and responsibilities.

Membership and Selection Process

1. Membership: There shall be ~~seven~~nine ITOC voting members with the characteristics described below. The intent is to have one member representing each of the specified areas of expertise. If, however, after a good faith effort, qualified individuals have not been identified for one or more of the areas of expertise, then no more than two members from one or more of the remaining areas of expertise may be selected. For each of the areas of expertise listed below, an individual representing one of the region's colleges or universities with a comparable level of academic experience also would be eligible for consideration.

- A professional in the field of municipal/public finance and/or budgeting with a minimum of ten years in a relevant and senior decision making position in the public or private sector.
- A licensed architect, civil engineer or traffic engineer with demonstrated experience of ten years or more in the fields of transportation and/or urban design in government or the private sector.
- A professional with demonstrated experience of ten years or more in real estate, land economics, and/or right-of-way acquisition.
- A professional with demonstrated experience of ten years or more in the management of large-scale construction projects.
- A licensed engineer or an industry professional with appropriate credentials in the field of transportation project design, ~~or~~ construction or program/construction management and a minimum of ten years experience in a relevant and senior decision making position in the government or private sector.
- The chief executive officer or person in a similar senior-level decision making position, of a major private sector employer with demonstrated experience in leading a large organization.
- A professional in biology or environmental science with demonstrated experience of ten years or more with environmental regulations and major project mitigation requirements and/or habitat acquisition and management.
- A professional in the field of emerging transportation technology with demonstrated substantial experience in Intelligent Transportation Systems (ITS), transportation analytics, connectivity, or other technologies consistent with Regional Plan priorities.
- A transportation system user whose primary means of transportation is by bus, trolley/light rail transit, rail, bike, and/or walking.
- Ex-Officio Members: SANDAG Executive Director and the San Diego County Auditor

The criteria established for the voting members of the ITOC are intended to provide the skills and experience needed for the ITOC to carry out its responsibilities and to play a valuable and constructive role in the ongoing improvement and enhancement of the TransNet program.

Applications will be requested from individuals interested in serving on the ITOC through an open, publicly noticed solicitation process.

2. Technical Screening Committee: A technical screening committee will be established to review applications received from interested individuals. This committee will consist of three members selected by the SANDAG Executive Director from high-level professional staff of local, regional, state or federal transportation agencies outside of the San Diego region, or from one of the region's colleges or universities in a transportation-related field, or a combination thereof. The committee will develop a list of candidates determined to be qualified to serve on the ITOC based on the criteria established for the open position(s) on the ITOC. The technical screening committee will recommend two candidates for each open position from the list of qualified candidates for consideration by the Selection Committee. The recommendations shall be made within 30 days of the noticed closing date for applications.

3. Selection Committee: A selection committee shall be established to select the ITOC members from the list of qualified candidates recommended by the technical screening committee. The selection committee shall consist of the following:

- Two members of the County of San Diego Board of Supervisors
- The Mayor or city council member of the City of San Diego that sits on the SANDAG Board or one of the SANDAG Policy Advisory Committees.
- A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of Chula Vista, Corona-do, Imperial Beach, or National City selected by the mayors of those cities.
- A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of El Cajon, La Mesa, Lemon Grove, or Santee selected by the mayors of those cities.
- A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of Carlsbad, Del Mar, Encinitas, Oceanside, or Solana Beach selected by the mayors of those cities.
- A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of Escondido, Poway, San Marcos, or Vista selected by the mayors of those cities.
- Ex-officio: Chair or Vice Chair, or designated alternate ITOC member, of the ITOC will serve as the Chair of the Selection Committee (non-voting).

The selection of ITOC members shall be made within 30 days of the receipt of recommendations from the technical screening committee. All meetings of the selection committee shall be publicly noticed and conducted in full compliance with the requirements of the Brown Act. Should the selection committee be unable to reach agreement on a candidate from the qualified candidates recommended by the technical screening committee, the selection committee shall request the technical screening committee to recommend two additional qualified candidates for consideration.

4. Terms and Conditions for ITOC members

- ITOC members shall serve a term of four years, except that appointments may be less than four years in order to ensure the terms of the ITOC members are sufficiently staggered.
- ITOC members shall serve no more than eight years unless the member's first term was less than four years, in which case the member may serve an additional two terms after the partial term. In no case, however, shall any member serve more than ten years on the ITOC.

- If and when vacancies in the membership of the ITOC occur, the same selection process as outlined above shall be followed to select a replacement to fill the remainder of the term. At the completion of a term, eligible incumbent members will need to apply for reappointment for another term. For a member eligible to serve for an additional four-year term, an application for reappointment to continue as a member of the ITOC must be submitted to the Technical Screening Committee for approval at least 120 days prior to the end of the member's current term. Upon approval by the Technical Screening Committee, the Selection Committee would be informed of such approval which would be considered final unless a member of the Selection Committee calls for convening the Selection Committee to consider the selection. If the Selection Committee does not approve the additional term, the position will be considered vacant at the end of the member's current term and the selection process for a new member will be initiated.
- Term limits for ITOC members should be staggered to prevent turnover of more than two members at any one time. In the event more than two members need to be replaced during the same recruitment period, the Selection Committee shall determine the length of their replacements' first term in order to limit concurrent future turnover.

ITOC Responsibilities

The ITOC shall have the following responsibilities:

1. Conduct an annual fiscal and compliance audit of all TransNet-funded activities using the services of an independent fiscal auditor to assure compliance with the voter-approved Ordinance and Expenditure Plan. This annual audit will cover all recipients of TransNet funds during the fiscal year and will evaluate compliance with the maintenance of effort requirement and any other applicable requirements. The audits will identify expenditures made for each project in the prior fiscal year and will include the accumulated expenses and revenues for ongoing, multi-year projects.
2. Prepare an annual report to the SANDAG Board of Directors presenting the results of the annual audit process. The report should include an assessment of the consistency of the expenditures of TransNet funds with the Ordinance and Expenditure Plan and any recommendations for improving the financial operation and integrity of the program for consideration by the SANDAG Board of Directors. This consistency evaluation will include a review of expenditures by project type for each local jurisdiction. The ITOC shall share the initial findings of the independent fiscal audits and its recommendations with the SANDAG Transportation Committee 60 days prior to their release to resolve inconsistencies and technical issues related to the ITOC's draft report and recommendations. Once this review has taken place, the ITOC shall make any final amendments it deems appropriate to its report and recommendations, and adopt its report for submission directly to the SANDAG Board of Directors and the public. The ITOC shall strive to be as objective and accurate as possible in whatever final report it adopts. Upon completion by the ITOC, the report shall be presented to the SANDAG Board of Directors at its next regular meeting and shall be made available to the public.

3. Conduct triennial performance audits of SANDAG and other agencies involved in the implementation of TransNet-funded projects and programs to review project delivery, cost control, schedule adherence and related activities. The review should include consideration of changes to contracting, construction, permitting and related processes that could improve the efficiency and effectiveness of the expenditure of TransNet revenues. These performance audits shall be conducted using the services of an independent performance auditor and should include a review of the ITOC's performance. A draft of the ITOC's report and recommendations regarding the performance audits shall be made available to the SANDAG Transportation Committee at least 60 days before its final adoption by the ITOC to resolve inconsistencies and technical issues related to the ITOC's draft report and recommendations. Once this review has taken place, the ITOC shall make any final amendments it deems appropriate to its report and related recommendations, and adopt its report for presentation directly to the SANDAG Board of Directors and the public. The ITOC shall strive to be as objective and constructive as possible in the text and presentation of the performance audits. Upon completion by the ITOC, the report shall be presented to the SANDAG Board of Directors at its next regular meeting and shall be made available to the public.
4. Provide recommendations to the SANDAG Board of Directors regarding any proposed amendments to the Ordinance and Expenditure Plan.
5. Provide recommendations as part of the 10-year review process. This process provides an opportunity to undertake a comprehensive review of the TransNet program every 10 years and to make recommendations for improving the program over the subsequent 10 years. This review process should take into consideration the results of the TransNet-funded improvements as compared to the performance standards established through the Regional Transportation Plan and the Regional Comprehensive Plan.
6. Participate in the ongoing refinement of SANDAG's transportation system performance measurement process and the project evaluation criteria used in development of the Regional Transportation Plan (RTP) and in prioritizing projects for funding in the Regional Transportation Improvement Program. The focus of this effort will be on TransNet-funded projects. Based on the periodic updates to the RTP, as required by state and federal law, the oversight committee shall develop a report to the SANDAG Transportation Committee, the SANDAG Board of Directors and the public providing recommendations for possible improvements and modifications to the TransNet program.
7. On an annual basis, review ongoing SANDAG system performance evaluations, including SANDAG's "State of the Commute" report, and provide an independent analysis of information included in that report. This evaluation process is expected to include such factors as level of service measurements by roadway segment and by time of day, throughput in major travel corridors, and travel time comparisons by mode between major trip origins and destinations. Such information will be used as a tool in the RTP development process.
8. Review and comment on the programming of TransNet revenues in the Regional Transportation Improvement Program (RTIP). This provides an opportunity for the ITOC to raise concerns regarding the eligibility of projects proposed for funding before any expenditures are made. In addition to a general eligibility review, this effort should focus on significant cost increases and/or scope changes on the major corridor projects identified in the Ordinance and Expenditure Plan.
9. Review proposed debt financings to ensure that the benefits of the proposed financing for accelerating project delivery, avoiding future cost escalation, and related factors exceed issuance and interest costs.

10. Review the major Congestion Relief projects identified in the Ordinance for performance in terms of cost control and schedule adherence on a quarterly basis.

In carrying out its responsibilities, the ITOC shall conduct its reviews in such a manner that does not cause unnecessary project delays, while providing sufficient time to ensure that adequate analysis can be completed to allow the ITOC to make objective recommendations and to provide the public with information about the implementation of the TransNet program.

ITOC Funding and Administration

1. All costs incurred in administering the activities of the ITOC, including related fiscal and performance audit costs, shall be paid annually from the proceeds of the TransNet sales tax. The funds made available to the ITOC shall not exceed \$250,000 annually, as adjusted for inflation annually for the duration of the program. Any funds not utilized in one fiscal year shall remain available for expenditure in subsequent years as part of the annual budget process.
2. The expenditures of the ITOC shall be audited annually as part of the same fiscal audit process used for all other TransNet-funded activities.
3. The process for selecting the initial ITOC members shall be started no later than April 1 of the year following the passage of the Ordinance by the voters. Because the funding for this activity would not be available until Fiscal Year 2008-09, the ITOC activities during the initial transition period will be phased in to the extent possible within the budget constraints of the one percent administrative cap under the current TransNet Ordinance. Given the forty-year duration of the TransNet tax extension, the ITOC shall continue as long as funds from the current authorization remain available.
4. An annual ITOC operating budget shall be prepared and submitted to the SANDAG Board of Directors for its approval 90 days prior to the beginning of each fiscal year.
5. All ITOC meetings shall be public meetings conducted in full compliance with the Brown Act. The ITOC will meet on a regular basis, at least quarterly, to carry out its roles and responsibilities.
6. SANDAG Directors and staff will fully cooperate with and provide necessary support to the ITOC to ensure that it successfully carries out its duties and obligations, but should limit involvement to the provision of information required by the ITOC to ensure the independence of the ITOC as it carries out its review of the TransNet program and develops its recommendations for improvements.
7. ITOC members and their designated auditors shall have full and timely access to all public documents, records and data with respect to all TransNet funds and expenditures.
8. All consultants hired by the ITOC shall be selected on an open and competitive basis with solicitation of proposals from the widest possible number of qualified firms as prescribed by SANDAG's procedures for procurement. The scope of work of all such consultant work shall be adopted by the ITOC prior to any such solicitation.
9. SANDAG shall provide meeting space, supplies and incidental materials adequate for the ITOC to carry out its responsibilities and conduct its affairs. Such administrative support shall not be charged against the funds set aside for the administration of the ITOC provided under No. 1 above.

Conflict of Interest

The ITOC shall be subject to SANDAG's conflict of interest policies. ITOC members shall have no legal action pending against SANDAG and are prohibited from acting in any commercial activity directly or indirectly involving SANDAG, such as being a consultant to SANDAG or to any party with pending legal actions against SANDAG during their tenure on the ITOC. ITOC members shall not have direct commercial interest or employment with any public or private entity, which receives TransNet sales tax funds authorized by this Ordinance.

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COMMISSION ORDINANCE CO-2023-01

An Ordinance of the San Diego County Regional Transportation Commission Amending Regional Transportation Commission Ordinance No. CO-04-01 Related to Independent Taxpayer Oversight Committee Membership and Selection Process

THE SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION ORDAINS AS FOLLOWS:

Items 1, 3, and 4 of the Membership and Selection Process section of the attachment to Regional Transportation Commission Ordinance No. RTC-CO-04-01 entitled "STATEMENT OF UNDERSTANDING REGARDING THE IMPLEMENTATION OF THE INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE FOR THE TransNet PROGRAM" are hereby amended to read as set forth below:

1. Membership: There shall be seven-nine ITOC voting members with the characteristics described below. The intent is to have one member representing each of the specified areas of expertise. If, however, after a good faith effort, qualified individuals have not been identified for one or more of the areas of expertise, then no more than two members from one or more of the remaining areas of expertise may be selected. For each of the areas of expertise listed below, an individual representing one of the region's colleges or universities with a comparable level of academic experience also would be eligible for consideration.
 - A professional in the field of municipal/public finance and/or budgeting with a minimum of ten years in a relevant and senior decision making position in the public or private sector.
 - A licensed architect, civil engineer or traffic engineer with demonstrated experience of ten years or more in the fields of transportation and/or urban design in government or the private sector.
 - A professional with demonstrated experience of ten years or more in real estate, land economics, and/or right -of-way acquisition.
 - A professional with demonstrated experience of ten years or more in the management of large-scale construction projects.
 - A licensed engineer or an industry professional with appropriate credentials in the field of transportation project design, ~~or~~ construction or program/construction management and a minimum of ten years experience in a relevant and senior decision making position in the government or private sector.

- The chief executive officer or person in a similar senior-level decision making position, of a major private sector employer with demonstrated experience in leading a large organization.
- A professional in biology or environmental science with demonstrated experience of ten years or more with environmental regulations and major project mitigation requirements and/or habitat acquisition and management.
- A professional in the field of emerging transportation technology with demonstrated substantial experience in Intelligent Transportation Systems (ITS), transportation analytics, connectivity, or other technologies consistent with Regional Plan priorities.
- A transportation system user whose primary means of transportation is by bus, trolley/light rail transit, rail, bike, and/or walking.
- Ex-Officio Members: SANDAG Executive Director and the San Diego County Auditor

The criteria established for the voting members of the ITOC are intended to provide the skills and experience needed for the ITOC to carry out its responsibilities and to play a valuable and constructive role in the ongoing improvement and enhancement of the TransNet program.

Applications will be requested from individuals interested in serving on the ITOC through an open, publicly noticed solicitation process.

3. Selection Committee: A selection committee shall be established to select the ITOC members from the list of qualified candidates recommended by the technical screening committee. The selection committee shall consist of the following:
 - Two members of the County of San Diego Board of Supervisors
 - The Mayor or city council member of the City of San Diego that sits on the SANDAG Board or one of the SANDAG Policy Advisory Committees.
 - A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of Chula Vista, Coronado, Imperial Beach, or National City selected by the mayors of those cities.
 - A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of El Cajon, La Mesa, Lemon Grove, or Santee selected by the mayors of those cities.
 - A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of Carlsbad, Del Mar, Encinitas, Oceanside, or Solana Beach selected by the mayors of those cities.
 - A mayor or city council member that sits on the SANDAG Board, or one of the SANDAG Policy Advisory Committees from the Cities of Escondido, Poway, San Marcos, or Vista selected by the mayors of those cities.
 - Ex-officio: Chair or Vice Chair, or designated alternate ITOC member, of the ITOC will serve as the Chair of the Selection Committee (non-voting).

The selection of ITOC members shall be made within 30 days of the receipt of recommendations from the technical screening committee. All meetings of the selection committee shall be publicly noticed and conducted in full compliance with the requirements of the Brown Act. Should the selection committee be unable to reach agreement on a candidate from the qualified candidates recommended by the technical screening committee, the selection committee shall request the technical screening committee to recommend two additional qualified candidates for consideration.

4. Terms and Conditions for ITOC members

- ITOC members shall serve a term of four years, except that appointments may be less than four years in order to ensure the terms of the ITOC members are sufficiently staggered.
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- Term limits for ITOC members should be staggered to prevent turnover of more than two members at any one time. In the event more than two members need to be replaced during the same recruitment period, the Selection Committee shall determine the length of their replacements' first term in order to limit concurrent future turnover.

PASSED AND ADOPTED this 2nd of December 2022.

AYES:

NOES:

ABSENT:

Chair of the Board of Directors
of the San Diego County Regional
Transportation Commission

[Seal]

Attest:

Secretary of the Board of Directors of the
San Diego County Regional Transportation
Commission

DRAFT



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Financial Planning, Budgets & Grants

ITEM TYPE: Approve

AGENDA SECTION: Reports

SUBJECT: Access For All Cycle 1 Call for Projects

SUGGESTED ACTION: The Board of Directors is asked to approve the proposed funding recommendations for the Access for All Grant Program Cycle 1 call for projects.

ATTACHMENTS:

[AFA Funding Recommendations.pdf](#)
[Att 1 - Discussion Memo.pdf](#)
[Att 2 - AFA Cycle 1 Funding Recs.pdf](#)
[Access for All Presentation.pdf](#)

Access for All Cycle 1 Call for Projects

Overview

On September 22, 2018, the Governor signed into law Senate Bill (SB) 1376 the Transportation Network Company (TNC) Access for All Act (AFA) (Hill, 2018). Pursuant to SB 1376, the California Public Utilities Commission established a program relating to the accessibility of TNC services for persons with disabilities, including wheelchair users who need a wheelchair accessible vehicle. The purpose of the TNC AFA program is to incentivize the expansion and availability of on-demand transportation service for people with disabilities statewide. An overview of the AFA program, including the role of SANDAG in distributing the program funding and the amount of funding available is included in Attachment 1.

Key Considerations

The Cycle 1 call for projects eligibility and evaluation criteria was approved by the Board of Directors at its [March 25, 2022](#), meeting. The call for projects was released in May 2022 and applications were accepted until August 3, 2022. At the close of the solicitation, three applications were received. Following an initial review of the applications, one application was found to be nonresponsive for failure to meet the minimum application requirements. The two remaining applications were provided to the evaluation committee for review. The evaluation committee reviewed and scored the applications consistent with the evaluation criteria approved by the Board. As shown in Attachment 2, the top-ranked applicant, Full Access to Coordinated Transportation, is recommended to receive the entire balance of the Cycle 1 call for projects. Additional details regarding these results and changes proposed for the Cycle 2 call for projects are provided in Attachment 1.

Pursuant to [SANDAG Board Policy No. 001](#), these funding recommendations were scheduled for consideration by the Transportation Committee at its November 7, 2022 meeting. Due to the cancellation of the November 7 meeting, this item is being brought to the Board of Directors without a recommendation from the Transportation Committee.

Next Steps

Pending Board approval, staff will execute a grant agreement with the recommended applicant in December 2022. AFA services will begin in January 2023.

Susan Huntington, Director of Financial Planning, Budgets, and Grants

Key Staff Contact: Benjamin Gemblar, (619) 849-6767, benjamin.gemblar@sandag.org

Attachments:

1. Discussion Memo
2. AFA Cycle 1 Funding Recommendations

Action: **Approve**

The Board of Directors is asked to approve the proposed funding recommendations for the Access for All Grant Program Cycle 1 call for projects.

Fiscal Impact:

Pending Board of Directors approval, approximately \$2,530,004 in Access for All funding would be awarded to the recommended project. Funding is allocated through Overall Work Program Project No. 3322100.

Schedule/Scope Impact:

The awarded project would begin in December 2022 and be completed by June 20, 2023.

Discussion Memo

Program Overview

The AFA Program provides two mechanisms to meet the statute's overall goal of expanding and improving on-demand WAV transportation service in California: one is through TNCs' investments; and the other is through local access providers.

In January 2019, the CPUC required TNCs to collect an "Access Fee" in the amount of \$0.10 for each TNC trip and to remit the total fees collected within each county on a quarterly basis to the CPUC. The fees collected from TNCs are deposited in the TNC Access Fund for distribution to local access providers through Local Access Fund Administrators (LAFAs). The LAFA of each county will provide AFA fees to access providers that establish on-demand transportation programs or partnerships to meet the mobility needs of persons with disabilities, including individuals who need a WAV. Access providers would be identified by LAFAs through a competitive process as providers that are able to provide WAV service similar to that of TNCs but require additional financial resources to do so.

If TNCs expand or improve on-demand WAV service, they may "offset" the fees due to the CPUC by the amounts they spend to improve WAV service in each county. The TNCs may keep some of the Access Fee revenue they collect, so long as the WAV service meets performance requirements set by the CPUC.

Local Access Fund Administrators

Entities that may serve as LAFAs are limited to metropolitan planning organizations (MPOs), regional transportation planning agencies (RTPAs), and county transportation commissions (CTCs). Each geographic area may only be served by a single LAFA. The primary role of a LAFA is to administer the AFA Program in the geographic area within its jurisdiction. Specifically, LAFAs are required to develop local WAV programs and to contract with and obligate available funds to eligible access providers in accordance with criteria adopted by the CPUC and outlined in the [Program Requirements](#). Once an agency is selected to be a LAFA, it is required to carry out the following responsibilities:

1. Establish a process for access provider selection.
2. Select access providers to receive AFA funds based on criteria adopted by the CPUC and outlined in the Program Requirements.
3. Obligate available AFA funds to selected access providers.
4. Submit a consolidated quarterly report to the CPUC based on the quarterly reports submitted to the LAFA by access providers.
5. Submit annual and other quarterly reports to ensure that progress is made toward the broader goals and objectives of the AFA Program and SB 1376.

The Board of Directors approved the submission of an application for SANDAG to serve as the San Diego Region's LAFA on [April 23, 2021](#). The CPUC approved SANDAG's application to serve as the LAFA on June 24, 2021. The AFA Program Guidelines permit LAFA's to retain their status for the duration of the Program if they reaffirm their commitment in April of each year. SANDAG was reaffirmed by the CPUC as the region's LAFA on [June 23, 2022](#).

Amount of Funding Available

The AFA Program will collect Access Fees through June 30, 2025, and be available for distribution by the AFAs on an annual basis through 2027. The CPUC releases the AFA balance to the LAFAs by January 30 each year. The AFA balance for the San Diego region under the last two reporting periods is shown in the table below.

Reporting Date	Access Fund Balance for San Diego Region	AFA Fee Collection Period
January 30, 2021	\$2,976,476	July 2019 to June 2020
January 30, 2022	\$1,798,113	July 2020 to June 2021

SANDAG is required to distribute the AFA funds on a competitive basis and that effort must be conducted annually to coincide with the amount of funding provided by the CPUC. The Cycle 1 call for projects distributes funding that was released by CPUC on January 30, 2021. SANDAG is permitted to retain a maximum of 15 percent of the Access Fees for administrative costs in serving as the LAFA; therefore, the amount available for the Cycle 1 call for projects is \$2,530,004.

Results of Cycle 1 Call for Projects

As shown in Attachment 2, staff recommends the top-ranked applicant receive the entire amount of funding available through the Cycle 1 call for projects. This recommendation is consistent with the methodology outlined in the call for projects which outlines the funding allocations process as follows:

The ranked project list will be used to recommend funding allocations in order of rank. The top-ranking projects (the projects with the lowest sum of ranks) will be recommended for funding in descending order until funding is exhausted.

It is important to note that the call for projects required a project to receive an average score equal to or exceeding 60 points to be eligible for funding. The other application did not meet the minimum average points threshold and is therefore not eligible to receive funding.

Recommended Project Details

The recommended project from Full Access and Coordinated Transportation (FACT) will provide on-demand WAV service for individuals with disabilities in San Diego County, which has been practically nonexistent in San Diego County. This service will be comparable to on-demand TNC service, which is a requirement of the CPUC as part of the program. Passengers will not have to schedule service in advance as they have done in the past. In addition, unlike other programs, Access for All does not place limitations on passengers regarding trip purpose, passenger age, or need for documentation of disability status. Along with improved response times, this less restrictive approach is meant to improve WAV service and remove existing barriers for individuals with disabilities in San Diego County. To be clear, Access for All service under FACT will differ from the current WAV service that FACT provides and will provide on-demand WAV service that TNCs in the county do not provide. Currently, FACT is an experienced specialized transportation provider that operates a brokerage network using vendors to provide accessible vehicle service throughout the county that serve a broad range

of users and respond to trip requests effectively. They work with an array of contracted service providers and volunteer drivers to provide cost-competitive passenger trips, making referrals as appropriate. FACT currently provides service to seniors, individuals with disabilities and other disadvantage populations, which require advanced trip booking.

Under AFA, FACT will be developing and implementing a mobile application as part of their on-demand service. FACT will be utilizing three primary vendors to provide AFA WAV trips, however they are able to scale up to meet increased demand and through additional vendors, FACT's WAV fleet, and purchases of additional WAV vehicles. Vehicles will be geographically distributed to decrease response time.

Equity Evaluation Criteria Results

In February 2021, the Board of Directors adopted a [Commitment to Equity statement](#), which serves as the foundation for the development of an Equity Action Plan that outlines how SANDAG will incorporate diversity, equity, and inclusion (DEI) in all programs, projects, and policies. In support of this adoption, and in alignment with California Public Utilities Commission (CPUC) requirements, staff developed two evaluation criteria to include in the Cycle 1 Call for Projects to provide additional points for applicants that will conduct their services with a focus on equity. The criteria assessed how well the applicant proposed to market and promote public awareness of their on-demand WAV services in both low income and minority areas, as well as populations with limited English proficiency; and whether the applicant's on-demand WAV services would be available to individuals who do not have a smartphone, internet, or need additional assistance in requesting the service. Even if an applicant did not receive the full points in these criteria, they would be required to do so if awarded funding.

Staff reviewed the project recommended to receive funding and noted that the project received 95 percent of the points in these criteria from two evaluators and full points from another evaluator. The recommended project/Applicant:

- Includes a toll-free telephone option at a call center so that individuals who don't have Internet or smartphone access are able to request rides through other means
- Promotes and markets its services to the disability community, low-income communities, communities of color, as well as to limited English proficiency communities
- Offers language assistance for those with Limited English Proficiency

Development of Cycle 2 Call for Projects

Staff is currently developing the Cycle 2 call for projects and will be soliciting feedback from stakeholders and prospective applicants over the coming months. Staff has reached out to organizations who showed interest in the AFA program but did not apply to determine whether there are barriers to applying or whether there are changes that could be made to the program to expand the number of applicants.

One of the areas under consideration is changing the structure of eligible project types to allow prospective applicants that have smaller, pilot-type projects to compete for funding utilizing different evaluation criteria than applicants who are requesting larger, region-wide services. There are numerous agencies throughout the region who currently provide WAV services, some of which are funded through the SANDAG [Specialized Transportation Grant Program \(STGP\)](#). While these services are not on-demand, staff believes that more organizations may consider expanding their services to be on-demand if there is sufficient

funding to support this effort. By providing a category where applicants could pilot on-demand WAV services on a smaller scale, this may provide an opportunity to expand on-demand services in the region and create multiple options for users. Staff is also considering including a maximum application request amount so that funding could be distributed to a greater number of applicants, especially if multiple funding categories are instituted.

The program eligibility and evaluation criteria for the Cycle 2 call for projects are anticipated to be brought to the Transportation Committee and Board in early 2023. Following approval, the Cycle 2 call for projects would be released, including \$1,528,396.05 in funding, which represents 85 percent of the funding allocated by the CPUC on January 30, 2022.

AFA Cycle 1 Funding Recommendations	Total Funding Available
	\$2,530,004

Applicant and Project Information			Total Scores			Average Score	Ranks			Sum of Ranks	Final Rank*	Grant Request	Recommended Grant Award	Remaining Funding
Line ID	Applicant Name	Project Name	Evaluator 1	Evaluator 2	Evaluator 3		Evaluator 1	Evaluator 2	Evaluator 3					
1	Full Access to Coordinated Transportation (FACT)	SD Wave Now	82	90	99	90	1	1	1	3	1	\$2,530,004	\$2,530,004	\$0
^2	United Taxi Workers of San Diego (UTWSD)	UTWSD WAV Acquisition	70	38	54	54	2	2	2	6	2	\$2,529,450	\$0	\$0

Recommended for funding
 Not recommended for funding

*Final Rank is determined using the Sum of Ranks instead of the Average Score. Each evaluator's Total Scores are sorted into individual project ranks. The individual ranks are then added together for a Sum of Ranks. The Sum of Ranks are ordered into a Final Rank, with the lowest number indicating which project scored the highest across the evaluators. This measure is more objective, mitigating for and normalizing the evaluators' scoring differentials.



Access for All Cycle 1 Call for Projects: Funding Recommendations

Board of Directors
November 18, 2022

1

On-Demand Transportation Services



Transportation
Network
Companies (TNCs)



Wheelchair
Accessible
Vehicle (WAV)



Specialized
transportation
providers and
paratransit
services



2

Purpose of the Access For All Program

Create and expand on-demand WAV service in the state



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AFA Cycle 1 Call for Projects

- Approval of Evaluation Criteria
- Cycle 1 Call for Projects competitive process
- Evaluation of Proposed Projects
- Funding Recommendation

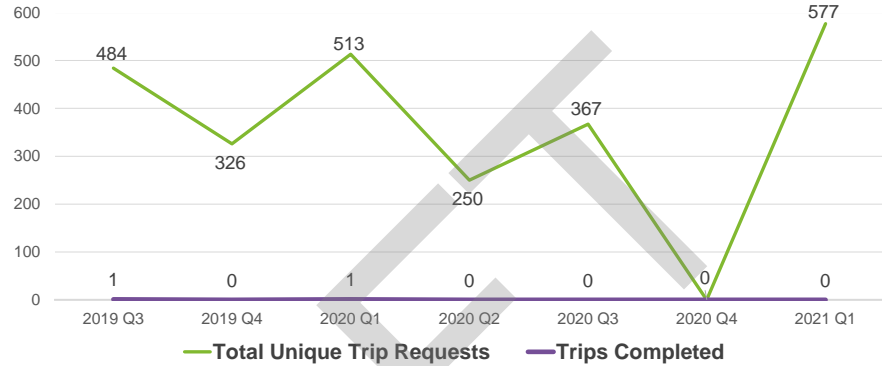
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Future Calls for Projects

Total Trips Requested	Trips Completed	Trips Not Completed	Total Requests Cancelled	Cancelled by passenger	Cancelled by Driver	Cancelled Passenger No Show
2,517	2	2,515	897	897	0	0

TNC Wheelchair Accessible Vehicle (WAV) Trips Requested and Trips Completed in San Diego County

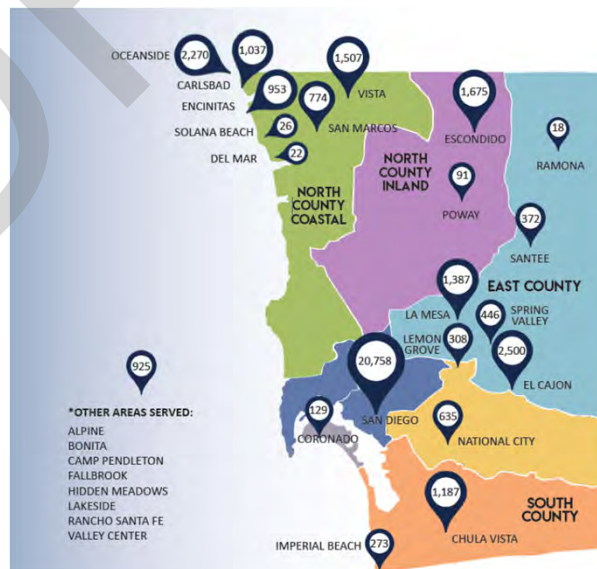


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Recommended Applicant - Current Services

FACT Trips by City in FY 2021



Source: Full Access and Coordinated Transportation (FACT)

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6

Recommended Applicant - Future Services

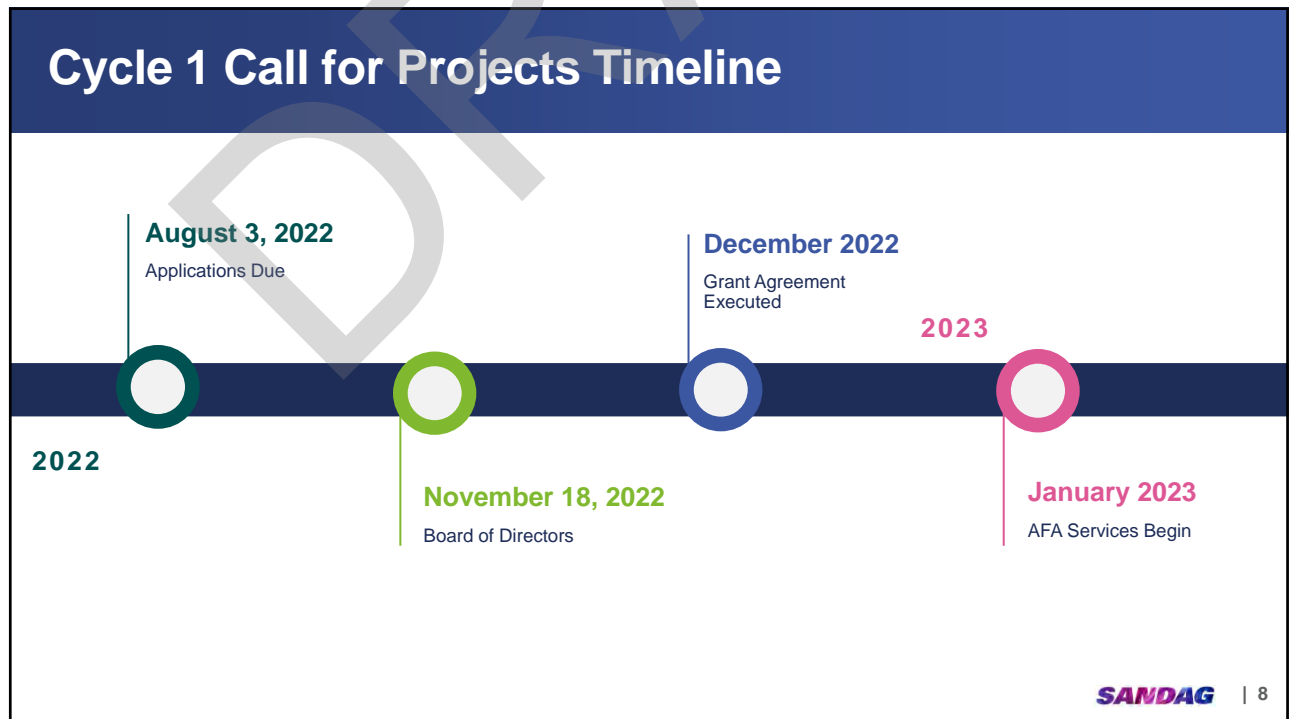
- Grantee begins WAV on-demand services for individuals with disabilities
- Pickup within 12 hours of trip request with mobile app option
- AFA program flexibility



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Cycle 1 Call for Projects Timeline



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Approval

The Board of Directors is asked to approve the proposed funding recommendations for the Access for All Cycle 1 Call for Projects.

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Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Executive Office

ITEM TYPE: Discussion

AGENDA SECTION: Reports

SUBJECT: +17A. Purchase Card Audit: Action Plan Final Progress Report

SUGGESTED ACTION: Staff will present a report summarizing recent actions including an update on the full completion of the Purchase Card Audit Action Plan.

ATTACHMENTS:

- [A - P-card Audit Action Plan - Final Progress Report.pdf](#)
- [Att 1 - Purchase Card Audit: Action Plan Final Progress Report \(October 2022\).pdf](#)

Purchase Card Audit: Action Plan Final Progress Report

Overview

Management has undertaken 16 actions in response to the Purchase Card Audit (audit) conducted by the SANDAG Office of the Independent Performance Auditor (OIPA). Management committed to provide periodic updates to the Board of Directors. This is management's second and final progress report.

Action: **Discussion**

Staff will present a report summarizing recent actions including an update on the full completion of the Purchase Card Audit Action Plan.

Status Update

The Purchase Card (P-Card) Audit Action Plan (Plan) (Attachment 1) outlines the work management committed to undertake to address the findings and implement recommendations from the audit.

Fiscal Impact:

None.

Schedule/Scope Impact:

The Audit Action Plan was completed in August 2022.

On September 9, 2022, management provided OIPA with information demonstrating completion of the four final actions described in the plan; a status update was presented to the Audit Committee on October 14, 2022. Highlights of the work are as follows:

- Actions I.1 and I.3 –training for employees with P-Card responsibilities:
A new training program to increase awareness and understanding of the responsibilities, expectations, and procedures outlined in the P-Card Policy by cardholders, department managers, approving officials, and Accounting & Finance staff was developed and implemented. Training shall reoccur on an annual basis.
- Actions III.2 and III.7 – to review past P-Card transactions to identify any improper use, including the purchase of gift cards:

The SANDAG Quality Assurance/Quality Control (QA/QC) team reviewed all available credit card transactions for the period July 1, 2017, to June 30, 2021. Administrative deficiencies, consistent with the audit findings, were identified. The Chief Financial Officer reviewed all transactions flagged by the QA/QC team and took steps to obtain supporting documentation or transaction log approvals if these were noted as missing. No instances of improper use of the SANDAG credit cards could be confirmed based on the secondary review of available records, therefore no corrective action was deemed necessary.

Next Steps

Management has completed all items outlined in the Audit Action Plan.

Hasan Ikhmeta, Chief Executive Officer

Key Staff Contact: André Douzdjian, (619) 699-6931, andre.douzdjian@sandag.org

Attachment: 1. Purchase Card Audit: Action Plan Final Progress Report (October 2022)

ACTION PLAN FOR IMPLEMENTING THE PURCHASE CARD OPERATIONAL AND SYSTEM CONTROL REVIEW RECOMMENDATIONS

The SANDAG Office of the Independent Performance Auditor (OIPA) completed a Purchase Card Operational and System Control Review (audit) in January 2022.

The audit resulted in 16 recommendations for consideration by SANDAG Management. These recommendations fall into three categories: Inadequate Procurement Card policies and procedures; Procurement Card policy not consistently followed; and Improper, questionable, and unallowable purchases including the purchase of hardware and software. Management intends to address the proposed recommendations as part of the agency's commitment to continual improvement and to support the highest levels of organization performance. Actions to start implementing the recommendations have been initiated.

This Action Plan (Plan) was prepared by Management, and approved by the Board of Directors on March 11, 2022, in response to the recommendations identified in the audit report and summarizes the actions SANDAG intends to undertake. Management committed to providing periodic progress updates.

Progress-at-a-Glance

A status summary of the 16 Plan actions is provided below; detailed information about each action starts on page 3.

Progress is noted as:

● Completed ○ Underway ○ Not started → Postponed

Recommendation I. Inadequate Procurement Card Policies and Procedures and Lacking System Controls:

<u>Status</u>	<u>Proposed Action</u>	<u>Due Date</u>
●	I.1. Regular training shall be provided to employees with responsibilities for approving Purchase Card transactions.	6/30/2022 8/31/2022
●	I.2. The Purchase Card Policy shall be revised to include expectations for the submittal and approval of transaction logs.	4/30/2022
●	I.3. Regular training shall be provided to all employees with responsibilities associated with the Purchase Card Program.	6/30/2022 8/31/2022
●	I.4. Evaluate options for establishing corporate accounts.	4/30/2022

Recommendation II. The Procurement Card Policy is Not Consistently Followed:

<u>Status</u>	<u>Proposed Action</u>	<u>Due Date</u>
●	II.1. The Purchase Card Policy shall be revised to include tracking of non-compliance by cardholders.	4/30/2022
●	II.2. The Purchase Card Policy shall be revised to include regular reporting of non-compliance by cardholders.	4/30/2022

Recommendation III. Improper, Questionable, and Unallowable Purchases:

<u>Status</u>	<u>Proposed Action</u>	<u>Due Date</u>
●	III.1. The Purchase Card Policy shall be revised to clarify allowable purchases.	4/30/2022
●	III.2. Instances of improper use of the SANDAG Purchase Cards will be reviewed and corrective action taken if deemed necessary.	6/30/2022 8/31/2022
●	III.3. The Purchase Card Policy shall be revised to clarify practices for the issuance of Purchase Cards.	4/30/2022
●	III.4. Past transactions related to the purchase of business meals shall be reviewed and corrective action taken if deemed necessary.	6/30/2022
●	III.5. Past transactions related to the purchase of business meals shall be reviewed relative to FPPC regulations and corrective action taken if deemed necessary.	6/30/2022
●	III.6. The Purchase Card Policy shall be revised to clarify practices for the purchase of gift cards.	4/30/2022
●	III.7. Past transactions related to the purchase of gift cards shall be reviewed and corrective action taken if deemed necessary.	6/30/2022 8/31/2022
●	III.8. Creation of a Board Policy related to authorized Purchase Card transactions shall be discussed with Board Leadership.	6/30/2022
●	III.9. The Purchase Card Policy shall be revised to establish practices for regular summary reports of Purchase Card transactions.	4/30/2022

Recommendation IV. Purchases of Hardware and Software Using Purchase Cards:

<u>Status</u>	<u>Proposed Action</u>	<u>Due Date</u>
●	IV.1. The Purchase Card Policy shall be revised to clarify allowable hardware and software purchases.	4/30/2022

Attachments:

- Final Purchase Card Policy
- Final Business Meals Policy
- Final Hospitality and Events Policy

Finding I Recommendations

Inadequate Procurement Card Policies and Procedures and Lacking System Controls:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
1. P card delegates who approve purchases or transactions logs receive training on procurement card policy and approver responsibilities	Following implementation of a revised SANDAG Purchase Card Policy, Management shall provide annual training to all employees with responsibilities associated with the Purchase Card Program, including those who approve purchase transactions, to ensure awareness of expectations, consequences for non-compliance, and understanding of processes and procedures.	Chief Financial Officer and Director of Organization Effectiveness June 30, 2022 August 31, 2022	<p>● Completed.</p> <p>Consistent with Section 5.0 of the revised Purchase Card Policy (attached), Management developed a training program to increase awareness and understanding of the responsibilities, expectations, and procedures associated with appropriate use of a SANDAG-issued credit card. This training is mandatory for all Cardholders and their respective department managers and Approving Officials, as well as certain Accounting and Finance staff.</p> <p>The first training sessions were conducted in August 2022; acknowledgment by participants has been documented. Training will be conducted on an annual basis, with ad hoc remedial sessions offered on an as-needed basis.</p>
2. P card policy revised to prohibit the approval of transaction logs by email or mandate that all supporting documentation be	Management shall revise the SANDAG Purchase Card Policy to establish effective control mechanisms, including expectations for the submittal and approval of transaction logs, and related processes and procedures.	Chief Financial Officer and Director of Organization Effectiveness	<p>● Completed.</p> <p>Section 9.0 of the revised Purchase Card policy (attached) describes expectations and procedures for the preparation, review, and approval of monthly P-card transaction logs and supporting</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
available digitally to the approver.		April 30, 2022	documentation by Cardholders, Department Managers, and Approving Officials.
3. Develop training to support the P card policy.	Consistent with Action Item I.1 described above, Management shall provide regular training to all employees with responsibilities associated with the Purchase Card Program.	Chief Financial Officer and Director of Organization Effectiveness June 30, 2022 August 31, 2022	● Completed. This work was completed as part of Action Item I.1; please see notes above.
4. Develop a policy related to SANDAG's use of popular merchant accounts such as Amazon for business purposes or establishing corporate accounts for merchants utilized frequently.	Management shall evaluate options for establishing corporate accounts for frequently used merchants and develop appropriate policies and procedures. Further, the SANDAG Purchase Card Policy will be revised to establish expectations for the use of purchase cards at frequently utilized merchants, including related processes and procedures.	Chief Financial Officer and Director of Organization Effectiveness April 30, 2022	● Completed. Management has evaluated the viability of establishing corporate accounts relative to the SANDAG procurement program and will continue to review options for minimizing the use of P-cards. Further, language in the revised Purchase Card policy (attached) requires Cardholder compliance with SANDAG's Micro-purchase policy. New procedures to support this requirement will be introduced when the revised Purchase Card policy is implemented.

Finding II Recommendations

The Procurement Card Policy is Not Consistently Followed:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
1. The Finance Department should track non-compliance by card holder and develop a mechanism for highlighting non-compliance.	Management shall revise the SANDAG Purchase Card Policy to include control mechanisms, such as tracking and reporting non-compliance by Purchase Card holders on a regular basis, and establish related processes and procedures.	Chief Financial Officer and Director of Organization Effectiveness April 30, 2022	<p>● Completed.</p> <p>Section 11.1 of the revised Purchase Card policy (attached) describes that all instances of non-compliance with the policy will be recorded in a tracking log by the Program Administrator (Finance Manager).</p> <p>Further, Section 2.0 of the policy describes that the CFO will report any instances of non-compliance that rise to the level of fraud, waste, and abuse to OIPA.</p>
2. Report non-compliance to Board of Directors or Audit Committee on a quarterly basis	Management shall revise the SANDAG Purchase Card Policy to include control mechanisms, such as reporting non-compliance to the Chief Financial Officer and Chief Executive Officer, and establish related processes and procedures.	Chief Financial Officer and Director of Organization Effectiveness April 30, 2022	<p>● Completed.</p> <p>Section 11.2 of the revised Purchase Card policy (attached) describes that the Program Administrator (Finance Manager) will prepare quarterly P-card Program summary reports, including the instances of non-compliance, for review by the CEO and CFO, and by the Audit Committee and Board of Directors.</p>

Finding III Recommendations

Improper, Questionable, and Unallowable Purchases:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
<p>1. Finance Department should disallow the practice of purchasing meals at local establishments immediately. P card policy should be revised to explicitly exclude this type of transaction.</p>	<p>Management shall revise the SANDAG Purchase Card Policy to clarify allowable purchases, such as business meals, and establish related processes and procedures.</p>	<p>Chief Financial Officer and Director of Organizational Effectiveness</p> <p>April 30, 2022</p>	<p>● Completed.</p> <p>Section 7.0 of the revised Purchase Card policy (attached) outlines expected and acceptable uses of a P-card to effect SANDAG business, including the requirement for pre-approval of all transactions. With respect to the purchase of meals at local food establishments, management has drafted two policies:</p> <ul style="list-style-type: none"> ○ Business Meals policy: Introduces processes and controls that include ensuring business meals serve a legitimate purpose; limiting the number of attendees and amount spent per person; identifying allowable funding sources; and providing regular summary reports to the Board. ○ Hospitality and Events policy: Introduces processes and controls related to the purchase of food and refreshments for meetings and public outreach events hosted by SANDAG, including a requirement for pre-approval; limitations on amounts spent per person; identifying allowable funding sources; and providing regular summary reports to the Board.

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
<p>2. Finance Department should tally all improper purchase card charges and seek reimbursement of this amount from the responsible cardholder.</p>	<p>Management shall review and evaluate any instances of improper use of the SANDAG Purchase Cards and take corrective action if deemed necessary.</p>	<p>Chief Financial Officer and Director of Accounting and Finance</p> <p>June 30, 2022 August 31, 2022</p>	<p>● Completed.</p> <p>Management engaged the SANDAG Quality Assurance/Quality Control (QA/QC) team to independently review the 647 monthly reconciliation packets prepared by Cardholders, and all credit card transactions contained within, for the period July 1, 2017 to June 30, 2021. Instances of administrative deficiencies were noted among the records, these were consistent with findings from the OIPA review. The CFO reviewed the summary notes (a brief description of each deficiency identified) prepared by the QA/QC team. Based on this information, actions were taken to obtain supporting documentation or monthly transaction log approvals if these were noted as missing; the remaining flagged transactions were closely reviewed by the CFO. No instances of improper use of the SANDAG credit cards could be confirmed based on the secondary review of available records, therefore no corrective action in the form of reimbursement from Cardholders was undertaken. Expectations regarding effective administration of the Purchase Card Program have been incorporated into the revised Purchase Card Policy (attached) and employees will be held accountable to these new standards.</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
<p>3. SANDAG should refrain from issuing purchase cards to individual card holders and instead reimburse them for expenses. Instead, issue a departmental card or reimburse individuals through expense process.</p>	<p>Management shall revise the SANDAG Purchase Card Policy to clarify practices for the issuance of Purchase Cards and establish related processes and procedures.</p>	<p>Chief Financial Officer and Director of Organization Effectiveness</p> <p>April 30, 2022</p>	<p>● Completed.</p> <p>Management evaluated the Purchase Card Program relative to the agency's business and operational needs. The program has been redesigned to limit the number of credit cards and aligning accounts to major functional areas within the organization that make frequent P-card purchases (see Appendix A to the revised Purchase Card policy). Various sections of the revised Purchase Card policy (attached) describe roles and responsibilities (Section 2.0), procedures for identifying and approving Cardholders (Section 4.0), mandatory training (Section 5.0), the monthly review and approval processes for P-card transactions (Section 9.0), and tracking and consequences for non-compliance with the policy (Section 11.0).</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
4. The Finance Department should evaluate any tax compliance issues that resulted from the purchase of meals for employees and board members at local restaurants. Follow a tally of total payments for select individuals and make a report to the IRS. Individuals that were recipients of paid meals should be notified so that they can consult with their personal tax advisors if they were not SANDAG employees.	Management shall review and evaluate past transactions related to the purchase of business meals for employees and Board members for possible tax implications and undertake corrective action if deemed necessary.	Chief Financial Officer and Director of Accounting and Finance June 30, 2022	<p>● Completed.</p> <p>Management reviewed past credit card transactions for the Chief Executive Officer (CEO) and identified four instances of business meals that were considered disallowed. The CFO sought reimbursement from the CEO in the amount of \$380.14.</p> <p>Due to the nature of their job responsibilities, it is unlikely other Cardholders purchased business meals. Past transaction records for all Cardholders were reviewed in response to Item III.2 in this Action Plan. Should further instances of disallowed business meal expenses be identified, corrective action will be taken, if deemed necessary.</p>
5. SANDAG General Counsel should evaluate the implications of paid meals to board members and any inadvertent violations of FPPC regulations and necessary filings.	Management shall review and evaluate past transactions related to the purchase of business meals relative to the Fair Political Practices Commission (FPPC) regulations and undertake corrective action if deemed necessary.	General Counsel and Chief Financial Officer June 30, 2022	<p>● Completed.</p> <p>General Counsel conducted a legal analysis and determined that when meals are provided to agency officials in the context of facilitating the discussion of agency business over those meals, the meals do not constitute a reportable gift pursuant to FPPC Regulations and no further reporting is required by the recipient of the meals.</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
6. Procurement card policy should be amended to explicitly prohibit the purchase of gift cards.	Management shall revise the SANDAG Purchase Card Policy to clarify allowable and non-allowable purchases, such as gift cards, and establish related processes and procedures.	Chief Financial Officer and Director of Organization Effectiveness April 30, 2022	● Completed. Section 7.0 of the revised Purchase Card policy (attached) describes acceptable uses of a P-card; Section 8.0 provides examples of disallowed P-card purchases. Section 8.0 addresses the purchase of stored value cards (aka gift cards), noting the limited circumstances under which these may be obtained using a P-card, including the need for effective methods of custody and control.
7. CFO should examine P Card transaction of purchasing gift cards. Compare practice with other agencies and reimburse any funds that are deemed unallowable.	Management shall review and evaluate past transactions related to the purchase of gift cards and undertake corrective action if deemed necessary.	Chief Financial Officer and Director of Accounting and Finance June 30, 2022 August 31, 2022	● Completed. As part of Action Item III.2, the SANDAG QA/QC team identified past credit card transactions related to the purchase of gift cards. The CFO reviewed the summary notes prepared by the QA/QC team. These included a brief description of the purpose for each purchase of gift cards, as derived from the transaction log. Based on this review, and after consulting with the employees who had purchased the gift cards, the CFO determined the purchases had been for legitimate business purposes, there was sufficient supporting documentation, that reasonable record-keeping methods were used by the responsible program managers, and that the gift cards could be accounted for. As a result, no corrective action in the form of

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
			reimbursement from Cardholders was deemed necessary. Section 8.0 of the revised Purchase Card Policy (attached) establishes stronger controls and administrative practices with respect to the purchase of stored value cards.
8. The Board should consider creating a Board Policy clarifying allowability of utilizing P cards for business meals and gift cards and other transactions.	Management shall discuss creation of a Board Policy related to authorized Purchase Card transactions, including business meals and gift cards, with Board Leadership.	General Counsel and Chief Financial Officer June 30, 2022	● Completed. At the recommendation of the Audit Committee, the Board of Directors took action at its' meeting on June 24, 2022, to authorize the Chief Executive Officer to implement three new administrative policies: Purchase Card, Business Meals, and Hospitality and Events.
9. A monthly or quarterly listing provided to Audit Committee or Board of Directors of cardholders and transactions by user as a method of system control to encourage adherence to policy and to exhibit accountability and transparency.	Management shall revise the SANDAG Purchase Card Policy to include control processes, such as preparing regular program summary reports for review by the Chief Financial Officer and Chief Executive Officer. Such reports would be available to the Board of Directors or Audit Committee upon request.	Chief Financial Officer and Director of Organization Effectiveness April 30, 2022	● Completed. Section 11.2 of the revised Purchase Card policy (attached) describes that the Program Administrator (Finance Manager) will prepare P-card Program summary reports, including the instances of non-compliance, on a quarterly basis for review by the CEO and CFO, and by the Audit Committee and Board.

Finding IV Recommendations

Purchases of Hardware and Software Using Purchase Cards:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Date of Completion	Status
<p>1. Revise procurement card policy to limit or restrict payment for information technology hardware or software to the lowest level possible.</p>	<p>Management shall revise the SANDAG Purchase Card Policy to clarify allowable purchases, such as technology hardware and software, and establish related processes and procedures.</p>	<p>Chief Financial Officer and Director of Organization Effectiveness</p> <p>April 30, 2022</p>	<p>● Completed.</p> <p>Section 7.0 of the revised Purchase Card policy (attached) describes acceptable uses of a P-card, including processes for using P-cards to support business continuity plans in emergency or urgent situations.</p> <p>In conjunction with changes to the Purchase Card policy and procedures, the agency's Micro-purchase policy was revised, and additional procedures introduced to ensure compliance. The Contracts and Procurement Services team also are researching and establishing alternate methods for obtaining technology resources.</p>

Purchase Card Policy

SANDAG has implemented a Purchase Card (P-card) Program, supported by this P-card policy, to enable a limited number of authorized employees to obtain and pay for goods and services necessary for business operations. The P-card program is intended to augment other payment methods available at SANDAG.

P-cards are generally used for the following types of purchases:

- Pre-booking of travel arrangements, such as flights, hotel reservations, and conference registrations for SANDAG Board members and employees approved to travel for agency business;
- Regular or one-time operational purchases, such as small items of office equipment, memberships, recruitment advertising, training registration, etc. for vendors who only accept credit cards as a payment method or when use of the P-card is administratively more efficient or supports expedited access to goods and services necessary for business reasons;
- Hospitality items¹, meeting and event supplies, and authorized business meals;² and
- Emergency purchases necessary for business continuity as described in this policy.

The SANDAG P-cards are issued by US Bank National Association (US Bank) through the CalCard program.

1.0 Definitions

- Approving Official: An Executive-level employee authorized to oversee and approve the purchases of a Cardholder.
- Cardholder: An employee who has been issued a SANDAG P-card in their name for the purpose of purchasing certain goods and services.
- Department Manager: A manager-level employee who is the direct or indirect supervisor of a Cardholder and who oversees the program for which purchases are made by a

¹ Refer to the SANDAG Hospitality and Events Policy

² Refer to the SANDAG Business Meals Policy

Cardholder; a Department Manager may also be a Cardholder if job duties support issuance of a P-card.

- o P-card: A SANDAG credit card issued to an authorized employee and used for payment of certain goods and services necessary for agency business.
- o P-card Program: The collection of policies, procedures, and administrative controls that govern the use of purchase cards for SANDAG business purposes.
- o Program Administrator: The position designated by the Chief Financial Officer (CFO) to coordinate administrative activities to implement and maintain SANDAG's P-card program.
- o Reconciliation Package: A collection of documents compiled to demonstrate Cardholder/Card User compliance with this policy and submitted to Accounts Payable to support payment of the monthly account balance.

2.0 Roles and Responsibilities

Segregation of duties is necessary for effective oversight and administration of the P-card program. Responsibilities are assigned to specific roles, as follows:

Chief Financial Officer (CFO)

- o General oversight for the P-card program consistent with responsibilities for overseeing all SANDAG financial transactions and reporting functions.
- o Review and approve recommendations for Cardholders.
- o Make determinations about the allowability of P-card purchases, the adequacy of supporting documentation, and payment approval if concerns are raised by Accounting and Finance staff.

Director of Accounting and Finance

- o Provide leadership for the implementation, administration, and maintenance of the P-card program, ensuring compliance with federal and state laws, funding agency requirements, and SANDAG procurement policies.
- o In consultation with the CFO and Directors, evaluate the need for issuance of P-cards to certain employees to support business operations and approve credit limits for each account.
- o Monitor the overall effectiveness of the P-card program and recommend changes to policies and procedures as needed.
- o Oversee the preparation and delivery of mandatory, ad hoc, and remedial training for Cardholders, Approving Officials, and Accounting and Finance staff.

Finance Manager:

- o Serve as Program Administrator.
- o Liaise with the issuing bank for operational and technical issues.

- Coordinate effective operation and administration of the P-card program, including regular reviews of policy adherence and implementation of program improvements.
- Provide information regarding the P-card program for any audits or inquiries for internal control reviews.
- Ensure that P-card program participants receive training as described in section 5.0 of this policy; maintain training materials and records of attendance.
- Coordinate actions necessary to review and resolve any instances of non-compliance with the P-card policy.
- Prepare P-card program summaries on a quarterly basis for review by the Chief Executive Officer (CEO), CFO, and Board of Directors, and at other times as needed or directed.

Senior Accountant:

- Provide information and guidance to P-card program participants regarding adherence to this policy and associated procedures.
- Participate in the development of P-card training materials.
- Report instances of non-compliance with this P-card policy and its procedures to the Program Administrator and to the CFO, and to OIPA if it rises to the level of fraud waste, and misuse/abuse; assist with the review and resolution of non-compliant transactions.
- Maintain records of emergency authorization of purchases.
- Ensure that revoked, closed, lost, or stolen P-cards are promptly reported to the issuing bank and that the Cardholder account is closed.
- Liaise with the issuing bank to establish new accounts and coordinate changes to credit limits, if deemed necessary and approved.
- Terminate and suspend accounts with the issuing bank, when necessary.

Accounts Payable Staff:

- Review the Reconciliation Packages submitted for each P-card for each billing period for thoroughness and completeness; notify the Senior Accountant if a Reconciliation Package is incomplete.
- Process P-card account payment transactions in the financial system.
- Maintain and file (electronically or physically) Reconciliation Packages.
- Provide copies of the monthly Reconciliation Packages to the Manager of Contracts and Procurement Services for review against the Micro-purchase tracking log.

Approving Official:

- o Complete mandatory P-card training prior to assuming the role of Approving Official, as part of the annual renewal of P-card oversight responsibilities, and for remedial purposes when determined beneficial by the Program Administrator.
- o Identify and approve Cardholders.
- o Ensure purchases comply with the P-card and other related policies.
- o Review P-card Reconciliation Packages and confirm that all transactions have adequate explanation of the business purpose for the purchase, documentation, and billing allocation.
- o Support the Program Administrator with any follow-up actions necessary for ensuring policy compliance.

Department Manager:

- o Complete mandatory P-card training prior to a direct report being issued a P-card, as part of the annual renewal of Cardholder's P-card responsibilities, and for remedial purposes when determined beneficial by the Program Administrator.
- o Coordinate with the Approving Official to identify staff to be considered for issuance of a P-card for the performance of assigned job responsibilities.
- o Provide pre-approval, or assist in obtaining pre-approval, for all transactions made by Cardholders.
- o Ensure purchases fully comply with the P-card and other related policies and procedures, including the **Micro-purchase policy**.
- o Review and confirm that all transactions listed on the monthly Reconciliation Package prepared by the Cardholder have adequate explanation of the business purpose for the purchase, documentation, and billing allocation.

Cardholder:

- o Complete mandatory P-card training prior to being issued a P-card, as part of the annual renewal of P-card privileges, and for remedial purposes when determined beneficial by the Program Administrator.
- o Ensure purchases fully comply with the P-card and other related policies and procedures, including the **Micro-purchase policy**.
- o Prepare and submit a Reconciliation Package to the Department Manager and Approving Official each month; review and confirm that all transactions have adequate explanation of business purpose for the purchase, documentation, and billing allocation.
- o Promptly report a lost or stolen P-card to the Program Administrator.
- o Return P-card to the Program Administrator or Human Resources immediately upon transfer to a different department, upon separation of employment, or at the request of the CFO or Director of Accounting and Finance.

Manager of Human Resources:

- o Coordinate the credit history and background checks of employees who have responsibilities pertaining to the P-card program.
- o Assist Approving Officials and the Program Administrator with the review of allegations of employee misconduct related to compliance with the P-card policy and recommend disciplinary action if deemed appropriate.
- o Notify the Program Administrator when Cardholders separate from employment.

Manager of Contracts and Procurement Services:

- o Perform periodic reviews of the monthly Reconciliation Packages as an internal quality control measure to ensure adherence to the **Micro-purchase policy** and report findings to the Program Administrator.
- o Work collaboratively with the Program Administrator on process improvements and training.

Notwithstanding the responsibilities noted above, SANDAG employees are encouraged to report any suspected instances of fraud, waste, or abuse to the Office of the Independent Performance Auditor (OIPA), consistent with **Board Policy No. 042**.

3.0 Overview of P-card Program Management

SANDAG has established procedures related to the issuance and use of P-cards by authorized employees to conduct agency business to ensure the following outcomes:

- o Tracking and reporting of policy non-compliance by P-card program participants.
- o Recovery of costs related to any illegal, improper, or erroneous purchases or payments, up to and including salary offsets.
- o Prompt action related to lost, damaged, or stolen P-cards, and timely closure of P-card accounts when required.
- o A reasonable number of P-cards is issued based on the volume of P-card activity and organizational structure.
- o An appropriate segregation of duties and responsibilities assigned to individuals who
 - o Authorize purchases using a P-card
 - o Make purchases, document transactions, and confirm receipt of goods and services purchased using a P-card
 - o Review and approve purchases made by a Cardholder
 - o Pay the monthly P-card account balance
 - o Coordinate and conduct program reviews
- o Comprehensive and regular training, at least on an annual basis, is provided to and acknowledged by all individuals associated with the P-card program as described in section 5.0 of this policy; remedial training is provided as needed.

- o Consequences for non-compliance with the P-card policy and procedures are clearly communicated and include:
 - o Suspension or cancellation of an assigned P-card;
 - o Suspension or revocation of authority to approve P-card transactions; and
 - o Disciplinary action, up to an including termination of employment and/or possible referral to legal authorities to pursue criminal charges if warranted.
- o Timely return of an assigned P-card to the Program Administrator when a Cardholder transfers/promotes to another position or upon separation from employment.

4.0 Approval of Cardholders, Department Managers, and Approving Officials

4.1 Identification and Approval of Cardholders

The Director of Accounting and Finance, assisted by the Finance Manager, shall identify program areas that would benefit from having a SANDAG issued P-card to support efficient and effective conduct of agency business.

The Director responsible for the functional/business area, assisted by the Department Manager, shall prepare a **Request for a SANDAG Credit Card** for each employee they are proposing to be a Cardholder. Consistent with the **Delegation of Authority by the Chief Executive Officer (CEO) policy**, which is part of the Employee Handbook, the list of proposed Cardholders is reviewed and approved by the CFO subject to the proposed Cardholders fulfilling the requirements set forth in section 4.4 below. The list of Cardholders is prepared and reviewed on an annual basis and may be amended at any time in response to the agency's business needs or staffing changes.

The list of program areas identified to receive a P-card is included in Appendix A.

4.2 Identification of Department Managers

A Department Manager is associated with each P-card and is the manager-level employee responsible for the operations of the functional and/or business area associated with the P-card. A Department Manager is subject to the requirements set forth in section 4.4 below. A Department Manager may not permanently delegate their P-card responsibilities to another employee. If a temporary delegation of authority is needed due to absence, this responsibility may not be delegated to the Cardholder.

4.3 Identification of Approving Officials

An Approving Official is assigned to each P-card and is the Executive-level employee who oversees the functional and/or business area associated with the P-card. The CFO is the Approving Official for the P-card issued to the CEO. An Approving Official is subject to the requirements set forth in section 4.4 below. An Approving Official may not permanently delegate their P-card oversight

responsibilities to another employee. If a temporary delegation of authority is needed due to absence, this responsibility may not be delegated to the Cardholder.

4.4 Requirements for Cardholders Department Managers, and Approving Officials

Cardholders Department Managers, and Approving Officials must meet the following requirements:

- o Currently have status as a SANDAG employee;
- o Successfully pass a credit history and criminal background check on an annual basis as outlined in the **Background Checks for Employees with Fiscal Management Responsibilities policy**; this check will be coordinated by the Manager of Human Resources and conducted confidentially;
- o Attend and fully participate in training on the P-card policy, processes, and procedures upon assuming P-card related responsibilities, on an annual basis thereafter, and in ad hoc or remedial training when determined beneficial by the Program Administrator; and
- o Acknowledge via a signed attestation awareness and understanding of his/her/their responsibilities related to the P-card program and consequences for non-compliance with the P-card policy.

5.0 P-Card Training Program

Training provides a strong foundation for the overall effectiveness of the P-card program by creating an opportunity for employees assigned P-card program-related responsibilities to increase awareness and understanding of the policy, processes, and procedures for making purchases using a P-card, familiarity with allowable and disallowed purchases, expectations for documentation and recordkeeping, familiarity with policies that compliment and support the P-card policy, and consequences for non-compliance.

The Director of Accounting and Finance and the Finance Manager, in collaboration with the Manager of Contracts and Procurement Services, are responsible for developing and implementing an effective P-card training program.

Training is required for all individuals who have responsibilities related to the P-card program as follows:

- o Cardholders - prior to being issued a P-card, and as part of the annual renewal of their P-card privileges
- o Department Managers – prior to direct or indirect reports being issued a P-card, and as part of the annual renewal of their P-card administrative responsibilities
- o Approving Officials - prior to assuming the role of Approving Official, and as part of the annual renewal of their P-card oversight responsibilities; and

- o Accounting and Finance staff who process P-card transactions – at least annually as part of their ongoing training related to fiscal management practices.

The Director of Accounting and Finance may determine that ad hoc or remedial training designed to address general or specific deficiencies is required to be completed by some or all employees with P-card program responsibilities. The Director of Accounting and Finance may also determine that supplemental training be required as part of implementing changes to the P-card policy or procedures.

Upon completion of any training associated with the P-card policy, each attendee will be required to sign and date an acknowledgment form attesting to awareness and understanding of his/her/their responsibilities and consequences for non-compliance with the P-card policy. The Program Administrator is responsible for maintaining copies of the signed acknowledgment forms.

6.0 Credit and Purchase Limits

6.1 Credit Limits

Credit limits for each P-card will be established based on the primary purpose for issuing the P-card, historical transaction volumes and amounts, and the anticipated credit capacity needed to effectively conduct agency business. Credit limits typically fall within the range of \$5,000 to \$20,000.

The Approving Official will recommend an appropriate credit limit to the Director of Accounting and Finance for the P-card/s for which they are responsible. The Approving Official also may request a temporary or permanent increase in the credit limit based on business needs and will provide written justification for such a request. The Director of Accounting and Finance is responsible for approving credit limits on all SANDAG-issued P-cards.

6.2 Purchase Limits

In general, P-cards may not be used to make a single purchase of more than \$10,000. Under no circumstance may a Cardholder split the cost of a single purchase into two or more transactions to avoid the \$10,000 limit; this includes requesting that another Cardholder make a portion of the purchase.

When P-cards are used to obtain goods or services under the SANDAG **Micro-purchase policy**, the Cardholder must ensure the purchase will not cause the cumulative amount spent with the vendor to exceed the fiscal year cap of \$10,000. Cardholders must review the Micro-purchase Vendor List and update the Micro-purchase Tracking Log prior to making a purchase.

In situations when a purchase has been authorized following a procurement for the goods or services under the SANDAG Small Procurement procedures, and SANDAG and the vendor agree that all or part of the purchase must be made via

credit card, a Cardholder may use their P-card to transact a payment above the \$10,000 threshold. The following conditions apply:

- o The use of the P-card is explicitly described in the purchase order or executed contract, and
- o The supporting documentation for any P-card transaction in an amount that exceeds \$10,000 should clearly reference the approved purchase order or contract number.

The use of P-cards in response to an emergency and ensure business continuity is addressed in section 7.2 of this policy.

7.0 Acceptable Use of P-cards

The SANDAG P-cards are intended to facilitate efficient business operations by enabling employees to obtain goods and services quickly and conveniently, particularly when 1. other forms of payment are not accepted by a merchant, and 2. when a timely transaction is necessary to effect SANDAG business.

Cardholders must be diligent and responsible with their P-card privileges, ensuring that purchases have any necessary pre-approvals (e.g., an employee's Business Travel request has been approved before flight reservations are made or an employee's request to attend a training class has been approved by their supervisor), and are not being made to circumvent SANDAG's procurement processes or otherwise violate the provisions of this policy. A Cardholder who fails to demonstrate reasonable care and due diligence when using a P-card, or otherwise comply with the P-card or related policies, may lose their P-card privileges and, depending on the severity of the actions, may face disciplinary action up to and including termination of employment.

A SANDAG P-card may be used as follows:

- o To obtain goods and services from a vendor with a single purchase price of up to \$10,000 or cumulatively up to \$10,000 in a fiscal year pursuant to the **Micro-Purchase policy**.
- o As a payment method for a purchase that has been approved following SANDAG's procurement policies and procedures.
- o An emergency purchase as defined in section 7.2; and,
- o The CEO may use his/her/their SANDAG-issued P-card to pay for business meals pursuant to the **Business Meals policy**.

7.1 Approved Merchants

P-cards should only be used for purchases from established, reputable, and reliable vendors with appropriate business licenses, certifications, permits etc. In instances where a reasonable person might question the use of the P-card, the Cardholder should refrain from making the purchase without first consulting the Program Administrator or the Manager of Contracts and Procurement Services.

To verify the responsibility of a vendor, Cardholders may search using one of the following sites:

- o Better Business Bureau: bbb.org
- o Office of the Inspector General: exclusions.oig.hhs.gov/
- o California Department of Industrial Relations License and Registration Search: dir.ca.gov/dlse/DLSE-Databases.htm
- o California Department of Industrial Relations Debarment List: dir.ca.gov/dlse/debar.html

7.2 Use of P-cards for Business Continuity

P-cards may be used to effectively respond to emergency or urgent situations for business continuity purposes, or to mitigate the risk associated with a likely and imminent threat to business operations. The CEO, a Deputy CEO, or the CFO are responsible for determining when a business emergency exists. In response, one or more Cardholders may be temporarily granted additional P-card privileges (i.e. an increase to the P-card credit limit, permission to purchase items not generally made by the Cardholder, etc.) by the CFO to obtain certain goods and services deemed necessary to continue agency operations. The CFO shall coordinate preparation and approval of documentation summarizing the emergency and the response actions taken; a copy shall be submitted with the transaction record/s and retained with the monthly P-card Reconciliation Package.

P-cards may not be used for general emergency preparation or maintenance activities unless the acquisition of the goods and services otherwise fall within this policy.

7.3 Use of P-cards on Weekends or Holidays

SANDAG strongly discourages the use of P-cards outside of regular business hours but recognizes it may be necessary from time-to-time for urgent or time sensitive purchases. If a P-card is used on a weekend or holiday, the charge should be noted on the transaction log and a brief explanation provided by the Cardholder.

8.0 Disallowed Uses of P-cards

The following is a non-exhaustive list of examples and situations where a SANDAG-issued P-card may not be used.

- o Pre-scheduled recurring payments where the purchase is not actively reviewed and approved prior to being charged to the P-card; common examples include:
 - o Auto-renewals of professional memberships
 - o Auto-renewals or recurring monthly/annual fees for subscriptions
 - o Online or hosted software services unless documented as part of approved purchase order or agreement

- o Utilities or other regular business expenses

Note: The use of a P-card for memberships and subscriptions, and for payment of hosted services, is not prohibited so long as each charge to the P-card has the appropriate pre-approval.

- o Cash advances on a credit card.
- o Third party payment processors such as PayPal, Venmo, or Amazon Pay.
- o To pay for expenses while on travel for SANDAG business. Cardholders who incur reimbursable expenses during a business trip must pay for these using personal funds and seek reimbursement upon their return from travel, as described in the **Administrative Guidelines/Procedures: Employee Business Travel**.
- o To pay for construction services over \$1,000 due to prevailing wage requirements.
- o For purchases that require SANDAG to agree to certain terms and conditions without appropriate review and approval by the Manager of Contracts and Procurement Services.
- o Purchases made to avoid or bypass appropriate purchase procedures or replace effective procurement planning.
- o For purchases that will directly benefit the Cardholder, including payment of personal expenses.
- o Granting permission to another SANDAG employee or a family member to use a SANDAG-issued P-card.
- o Donations or gifts to a charity or another entity; political contributions.
- o Purchases that are primarily for entertainment purposes.
- o Purchases of alcohol, tobacco products, prescription drugs, or other controlled substances.

The purchase of gift cards or other types of stored value cards using a SANDAG-issued P-card is strongly discouraged; other forms of payment should be used when available. In limited circumstances, if the purchase of stored value cards using a P-card is the only feasible option, an Approving Official may provide pre-approval, in writing, to a Cardholder upon making a determination that the stored value cards serve a legitimate business purpose, that effective methods for custody and control have been established, and that alternate purchase methods are not available.

Cardholders may seek clarification from an Approving Official, a Deputy CEO, or the CFO about whether a specific purchase is considered allowable by SANDAG prior to making the purchase.

8.1 Personal Use of a SANDAG P-card

Personal use of a P-card by a Cardholder is strictly prohibited. If a Cardholder discovers they have inadvertently used a P-card for a personal expense, they must report the situation to their Approving Official and Program Administrator within two (2) business days of discovery and initiate appropriate restitution to SANDAG. The misuse incident shall be included in the tracking log of policy non-compliance.

If a Cardholder is found to frequently misuse a P-card, or it is determined via an investigation that there has been willful disregard for the P-card policy, the P-card privileges may be revoked, and the Cardholder may be subject to disciplinary action, up to and including termination of employment and/or possible referral to legal authorities to pursue criminal charges if warranted.

9.0 Documentation, Review, and Approval of P-card Transactions

Cardholders shall prepare and submit a P-card Reconciliation Package to the Accounting and Finance department, on or before the 12th day of the month following the end of the billing period (typically the 22nd day of the previous month), to support timely approval and payment of the P-card account. Responsibilities are further described in section 9.3 below.

The monthly P-card reconciliation package shall include the following items:

- o A copy of the P-card account statement for the billing period
- o A transaction log summarizing details for each purchase listed on the account statement (see section 9.1 below)
- o Documentation and supporting information for each transaction listed on the account statement (see section 9.2 below)

Cardholders who submit incomplete records/documentation or are delinquent in the submittal of the Reconciliation Package may lose their P-card privileges and, depending on the nature of the situation, may face disciplinary action for not upholding their assigned responsibilities.

9.1 Transaction Logs

Cardholders shall prepare a summary of all purchases made with their P-card each billing period; this is referred to as a transaction log. The purchases described on the transaction log should match the list of transactions reported on the P-card account statement.

The transaction log shall include the following information for each purchase:

- o Posting date and Transaction date
- o Merchant's name
- o Transaction amount
- o Brief information about the purpose/business need for the purchase (e.g. "Refreshments for March 11 Board of Directors meeting")
- o OWP or CIP number to be charged, and relevant cost code
- o Notation of existing contract/PO or attached Micro-purchase form, if applicable

9.2 Supporting Documentation for P-card Purchases

Cardholders shall ensure each authorized P-card transaction can be substantiated with thorough and complete documentation. Cardholders shall maintain

appropriate records for each purchase following the guidelines outlined below. The documentation is required to be submitted as part of the monthly P-card Reconciliation Package and must be provided in electronic format.

At minimum, documentation for each transaction must include the following:

- o Receipt and other external source documents
- o Invoice
- o Date of purchase
- o Merchant's description of goods or services purchased; the Cardholder should add any clarifying information to the description
- o Brief information about the purpose/business need for the purchase (e.g. "Refreshments for March 11 Board of Directors meeting")
- o Last four digits of the P-card account
- o The OWP or CIP number to be charged

Depending on the transaction, the following additional information may need to be included as part of the supporting documentation:

- o Pre-approval for the purpose/business need for the purchase, if applicable
- o Completed Micro-purchase justification form
- o Notation of the CMS record number, or PO or contract number, if the purchase has been made as part of an approved procurement
- o For goods:
 - o The quantity, price per item, tax and shipping costs, and total cost for the order should be clearly noted.
 - o The date the goods were received.
 - o If goods were returned, documentation/receipt that shows the date item was returned and accepted by vendor.
- o For business meals charged by the CEO:
 - o Completed and approved Business Meal Expense Claim Form, as specified in the **Business Meals Policy**, to include names of attendees, business justification for the meeting and expected outcomes, and supported by an itemized receipt.

Each Cardholder is responsible for ensuring the correct project code (Overall Work Program (OWP) or Capital Improvement Project (CIP) number) and cost code (type of expense) is documented for each transaction record. This information also must be included on the transaction log and submitted as part of the monthly P-card Reconciliation Package.

Once supporting documentation for P-card transactions is submitted as part of the monthly P-card Reconciliation Package, the Accounting and Finance department is responsible for maintaining P-card program records. The retention period for P-card transaction records shall be in accordance with relevant retention periods as required under Federal, State, or other applicable rules and regulations.

9.3 Reconciliation and Review of P-card Transactions

The following information outlines expectations and responsibilities for preparation and submittal of the monthly P-card Reconciliation Package:

For Cardholders

- o Prepare, or coordinate preparation of, the transaction log ensuring
 - o All purchases on the monthly statement are listed on the transaction log;
 - o There is full and complete documentation for each purchase (refer to section 9.2 above);
 - o Goods and services purchased have been received or satisfactorily completed; and
 - o All transactions are allowable under the P-card policy and if applicable, conform to other agency policies and procedures.

Examples of transactions that are not considered allowable include:

- o Split purchases
 - o Purchases exceeding the single purchase limit amount of \$10,000 unless authorized as the result of a procurement
 - o Purchases that are disallowed per section 8.0 of this policy
 - o Purchases that are not supported by adequate business justification
- o Coordinate preparation of a Request for Payment form (known as a “Green Sheet”) for any purchases with an associated contract/purchase order (PO) number from a prior procurement; obtain the necessary approvals and submit with the transaction documentation.
 - o Sign and date the transaction log confirming the summary information, as well as the supporting documentation, is true and accurate. Electronic signatures and email approvals are acceptable if it is evident the approval is applicable to the entire Reconciliation Package.
 - o Provide the Reconciliation Package to the Department Manager for review, and then to the Approving Official for review and approval, and ensure the package is received by Accounts Payable by the requested due date.
 - o Cardholders who fail to submit the Reconciliation Package by the requested due date each month may have their P-card privileges revoked. The Department Manager may temporarily assume responsibility for preparation of the monthly Reconciliation Package in the event of vacation, business travel, or other absences.

For Department Managers:

- o Review the monthly Reconciliation Package and verify all purchases were authorized, are allowable under this P-card policy and if applicable, under

other agency policies and procedures, and are substantiated with appropriate documentation.

- o If the Department Manager is also a Cardholder, prepare and submit the P-card Reconciliation Package to the Approving Official for verification and approval.
- o Sign and date the transaction log confirming the summary information, as well as the supporting documentation, is true and accurate. Electronic signatures and email approvals are acceptable if it is evident the approval is applicable to the entire reconciliation package.
- o Ensure the reconciliation package is provided to the Approving Official with adequate time for review and approval, and submitted to Accounts Payable by the requested due date.

For Approving Officials

- o Review all elements of the Reconciliation Package and confirm each transaction is allowable under this P-card policy and if applicable, under other agency policies and procedures.
- o Sign and date the transaction log within the Reconciliation Package and approve payment of the monthly account balance. Electronic signatures and email approvals are acceptable with acknowledgment that all supporting documentation in the Reconciliation Package has been reviewed and that all P-card transactions included in the package are consistent with agency policies and procedures and serve a legitimate business need.

9.4 Payment of P-card Account Balances

Accounting and Finance staff are responsible for payment of the monthly P-card account balances and perform the following responsibilities:

- o Perform a third-level review of the Reconciliation Package for thoroughness, completeness, and policy compliance; obtain additional documentation and/or or clarification from the Cardholder, Department Manager, or Approving Official if needed.
- o Notify the Program Administrator of any instances of non-compliance with this policy.
- o Coordinate payment of the monthly account balance.
- o Record P-card purchases in the accounting system.
- o Maintain an electronic copy of the monthly P-card Reconciliation Package.
- o Provide copies of the monthly Reconciliation Packages to the Manager of Contracts and Procurement Services.

10.0 Fraud, Abuse, and Collusion

All participants in the P-card program are responsible for preventing fraud, abuse, and collusion. Definitions relevant to the use of P-cards are noted below.

- o Fraud: applies to internal or external fraud.
 - o Internal fraud is an act of corruption or attempt to cheat SANDAG's use of funds or a SANDAG representative to transact business that is not sanctioned or authorized, not in one's authorized capacity, or for the purpose the P-card was issued.
 - o External fraud is any act or attempt to cheat SANDAG or corrupt a SANDAG representative by someone other than a SANDAG representative.
- o Abuse: is when a P-card is used with the intention to purchase goods or services in violation of an authorized or approved use.
- o Collusion: is when individuals illegally cooperate or conspire to use a P-card to commit fraud or intentionally misuse or abuse the P-card privileges.

Any suspected instances of fraud, abuse, or collusion involving the use of a P-card must be reported to OIPA, consistent with Board Policy No. 042. Pending the result of OIPA's investigation, such acts may result in immediate cancellation of the P-card and disciplinary action, up to and including, termination of employment or filing of criminal charges. Cardholders may be held personally liable to SANDAG for any transactions plus interest or collection fees, that were unauthorized pursuant to this policy.

Consistent with **Board Policy No. 042**, employees may also report instances of fraud, waste, and abuse to OIPA.

11.0 Tracking, Reporting, and Program Review

11.1 Tracking Policy Non-compliance and Misuse of P-cards

The Program Administrator shall maintain records and prepare a summary log to track all instances of Cardholder, Department Manager, and/or Approving Official non-compliance with this P-card policy and related policies and procedures.

11.2 Reporting to the Chief Executive Officer (CEO)

The Director of Accounting and Finance shall oversee the preparation of quarterly P-card program reports for review by the CFO and CEO. The reports shall provide insight into the effective use of P-cards for conducting agency business, including a list of approved Cardholders; the volume and total value of transactions in the 3-month period for each issued P-card; details about any single transactions that exceed \$10,000; any purchases made for emergency/business continuity reasons; any instances of misuse or non-compliance with policy and the resolution of such matters; and other information deemed relevant for oversight of the P-card program.

11.3 Reporting to the Audit Committee and Board of Directors

The quarterly reports prepared for the CEO and CFO (as described in section 11.2) shall also be provided to the Audit Committee and Board of Directors. The Director of Accounting and Finance is responsible for coordinating the preparation and presentation of these agenda items.

11.4 Program Review Schedule

The Director of Accounting and Finance shall coordinate the review, and revisions and updates if necessary, to this P-card policy and related processes on at least an annual basis. Revisions to the policy may be made and approved at any time in response to changes in policies or regulations pertaining to the use of P-cards or other situations that would affect administration of the program.

12.0 Applicable Laws, Policies, and Procedures

- o Administrative Policy: Background Checks for Employees with Fiscal Management Responsibilities
- o Administrative Policy: Business Meals
- o Administrative Policy: Hospitality and Events
- o Administrative Policy: Micro-purchases
- o Administrative Policy: Pre- and Post-Employment Check Policy for Employees with Fiscal Management Responsibilities
- o Administrative Guidelines/Procedures: Employee Business Travel
- o California Constitution, Article XVI Section 6
- o Employee Handbook: Delegation of Authority by the CEO
- o SANDAG Board Policy No. 041: Internal Control Standards
- o SANDAG Board Policy No. 042: Reporting Procedures for Fraud, Waste, and Abuse
- o SANDAG Procurement Manual

Approved by: Hasan Ikhata, Chief Executive Officer

Effective date: July 1, 2022

Program Areas approved for issuance of a SANDAG Purchase Card

As of August 19, 2022, the following staff positions and program areas have been approved to receive a SANDAG Purchase Card (P-card).

1. Chief Executive Officer
 - o Cardholder (x1): Chief Executive Officer
 - o Department Manager: n/a
 - o Approving Official: Chief Financial Officer
 - o Types of P-card purchases: SANDAG business meetings, including business meals
 - o Credit limit: \$10,000

2. ARJIS
 - o Cardholder (x1): Administrative Office Specialist
 - o Department Manager: Director of ARJIS
 - o Approving Official: Senior Director of Data Science
 - o Types of P-card purchases: Travel arrangements and training expenses for ARJIS employees, goods and services needed for ARJIS events and activities
 - o Credit limit: \$10,000

3. Clerk of the Board
 - o Cardholders (x4): Executive Assistants
 - o Department Manager: Clerk of the Board
 - o Approving Official: Deputy CEO, Planning, Projects, and Programs
 - o Types of P-card purchases: Travel arrangements for Board members and employees travelling for SANDAG business
 - o Credit limit: \$10,000 per cardholder

4. Facility and Business Operations
 - o Cardholder (x1): Business Services Supervisor
 - o Department Manager: Manager of Roadway, Facility, and Business Operations
 - o Approving Official: Senior Director of Organization Effectiveness
 - o Types of P-card purchases: Goods and services necessary for business activities, fleet management, and facility maintenance at the 401 B Street office
 - o Credit limit: \$10,000

5. Information Technology Services
 - o Cardholder (x1): Information Systems Manager
 - o Department Manager: n/a
 - o Approving Official: Director, Business Information and Technology Services
 - o Types of P-card purchases: IT-related equipment, services, and supplies
 - o Credit limit: \$10,000

6. Human Resources

- o Cardholders (x2): Human Resources Analyst, Human Resources Coordinator
- o Department Manager: Manager of Human Resources
- o Approving Official: Senior Director of Organization Effectiveness
- o Types of P-card purchases: Recruitment advertising, training/workshop registration, professional membership fees for employees, ergonomic equipment.
- o Credit limit: \$5,000 per cardholder

7. Public Affairs

- o Cardholder (x1): Associate Administrative Analyst
- o Department Manager: TBD
- o Approving Official: Director of Public Affairs
- o Types of P-card purchases: Social media account subscriptions; goods and services related to marketing and outreach programs, events, and activities.
- o Credit limit: \$10,000

8. SR 125 Roadway Operations

- o Cardholder (x1): Landscape Maintenance Supervisor
- o Department Manager: Manager of Roadway, Facility, and Business Operations
- o Approving Official: Director of Regional Transportation Services
- o Types of P-card purchases: Goods and services necessary for operations and facility maintenance at the Toll Operations Center
- o Credit limit: \$10,000

Approved by: Andre Douzdjian, Chief Financial Officer

Effective date: August 19, 2022

Business Meals Policy

SANDAG recognizes there may be times when it is beneficial to host a meal as part of conducting agency business. For the purpose of this policy, a Business Meal is defined as a meal – including food and/or non-alcoholic beverages – consumed by an Executive-level employee *and* one or more invited non-employee attendee(s), typically at a restaurant or other suitable venue that serves food or refreshments, for the express purpose of conducting or discussing SANDAG business. This policy governs the appropriate use of agency funds and outlines responsibilities, approvals, allowed and disallowed expenses, and reimbursement procedures for Business Meals.

SANDAG has established a separate **Hospitality and Events Policy** which addresses the purchase of food and beverages for group meetings and events hosted by SANDAG, including Board and other public meetings, public outreach activities, All Hands meetings, and offsite training events.

Hosting a Business Meal

To ensure that a business meal hosted by SANDAG staff serves a legitimate purpose that effectively advances the agency's goals and objectives and can withstand scrutiny regarding the appropriate use of public funds, only the Chief Executive Officer (CEO) and Deputy Chief Executive Officers (Deputy CEOs) may host a business meal.

On a limited basis, and if there is a legitimate purpose for their attendance, other employees who are subject matter experts in the programs or projects that are the subject of discussion, may be asked to attend a business meal with the Executive-level host.

Justification for Business Meals

It is the responsibility of the CEO to consult with the Deputy CEOs, as well as other appropriate SANDAG employees, to evaluate the benefits SANDAG expects to derive from hosting a business meal, and to determine the most appropriate staff member to serve as the host.

In addition to evaluating the anticipated benefits to SANDAG and ensuring there is a clear and direct connection to SANDAG's work program, the CEO and Deputy CEOs shall consider:

- the expected attendees, including employees other than the Executive-level host, and their roles within their respective organizations relative to the business purpose of the meal;
- the planned location and a preliminary cost estimate for the meal;

- o whether the public purpose of the business meal outweighs any personal benefit that may be derived by the host or other employees in attendance;
- o whether any actual or perceived conflict of interest exists; and
- o any alternatives to hosting a business meal that would be equally effective in accomplishing the desired objectives.

Limit on Business Meal Expenses

The expenditure for a business meal must be cost-effective and in accordance with the appropriate use of public funds; business meals cannot be lavish or extravagant. The **location-specific per diem rates** for breakfast, lunch, and dinner set forth in the General Services Administration (GSA) Federal Travel Regulation shall be used as a limit on the per-person amount that may be spent, on the business meal, including tax and tips. Expenses beyond the per diem rate will not be paid or reimbursed by SANDAG.

Payment for Business Meals

The CEO is authorized to use his/her/their SANDAG-issued credit card to pay for business meals, consistent with the **SANDAG Purchase Card Policy**, and is subject to the documentation and approval processes described in this policy.

A Deputy CEO who hosts a business meal shall pay for the meal using personal funds and must promptly seek reimbursement from SANDAG as described in this policy.

Attending a Business Meal as a SANDAG Representative

From time to time, staff are invited to represent SANDAG at a business meal hosted by an outside organization. Attendance at such events is limited to Director-level employees and requires pre-approval in writing by the CEO, including confirmation the event serves a legitimate business purpose. Should there be a fee or cost associated with participation in the function or event, SANDAG will provide reimbursement up to the **location-specific per diem rate** set forth by the GSA. If the Director has a formal role at the function or event (e.g., an emcee, guest panelist, etc.) SANDAG may consider reimbursing the Director the full amount of the participation fee. Such decisions shall be at the discretion of the Chief Financial Officer (CFO).

Disallowed Expenses

SANDAG funds may not be used for expenditures prohibited by applicable laws, regulations, or agency policy, including reimbursement for food and beverages that do not serve a business purpose. SANDAG will comply with any additional restrictions established by funding agencies.

Alcohol and tobacco products (including tax, gratuity, and service charges) are not reimbursable expenses. Alcoholic beverages, if consumed, should be ordered on a separate tab from the food and non-alcoholic beverages that are served as part of the business meal.

- o Note: Per SANDAG's Drug- and Alcohol-Free Workplace Policy (see the **Employee Handbook**), an employee performing SANDAG business shall not be under the influence of a controlled substance (including prescription drugs, alcohol, or marijuana). SANDAG discourages the consumption of alcohol by employees while conducting SANDAG business whether or not such consumption will cause the employee to be considered under the influence of alcohol.

A meal hosted at a local restaurant or food establishment where all or most of the attendees are SANDAG employees is not considered a business meal per the definition stated in this policy.

Expenses of a personal nature and not related to the active conduct of agency business will not be reimbursed (e.g., employee birthdays, anniversaries, baby showers, etc.). Two or more employees casually scheduling a lunch gathering does not constitute a business meal.

Reimbursement or payment for family member participation in a business meal is not permitted at any time.

Submittal of Reimbursement Claims

A **Business Meal Expense Claim Form** must be fully completed and submitted to the Accounting and Finance department, with all required supporting documentation, within 10 business days of when the meal occurred. An employee who fails to follow the reimbursement guidelines described in this policy risks not being reimbursed for incurred expenses. Such decisions shall be at the discretion of the CFO.

The Expense Claim Form shall clearly provide the following information:

- o Name of the restaurant/venue/vendor where the business meal occurred, including the date and cost
 - o Many restaurants include an automatic gratuity for larger parties (often defined in the restaurant industry as groups of six or more). When a gratuity is not included in the bill, the employee paying for the meal may include and be reimbursed for a reasonable tip (up to 20%).
- o Meal type, i.e., Breakfast, Lunch, Dinner
- o Applicable GSA per diem rate
- o OWP to be charged
- o Names of all attendees and their affiliations
- o Justification supporting the need for the meeting and the benefits derived

In addition to the Expense Claim Form, the employee shall submit the following documentation:

- o An itemized receipt (one that clearly lists each item purchased and its cost)
- o Any relevant documents if appropriate, such as an agenda, meeting notice/invitation etc.

SANDAG shall reimburse the incurred expense via an Accounts Payable check within 30 days of the submittal of the Business Meal Expense Claim.

Business meals charged by the CEO to his/her/their SANDAG-issued credit card must be supported with a fully completed Business Meal Expense Claim form, an itemized receipt, and any relevant documents, and are subject to review by the CFO.

Review of Business Meal Expenses

The CFO is authorized to determine the legitimacy and reasonableness of business meal expenses and shall review and approve all Business Meal Expense Claims. In the event expenses for a business meal are found to be inconsistent with this policy, or any other applicable regulations or requirements, the CFO may deny all or part of the reimbursement claim. The CFO shall communicate such a decision in writing, including an explanation for the determination.

If business meal expenses charged by the CEO to his/her/their SANDAG-issued credit card are subsequently found to be unreasonable or disallowed, the CFO shall communicate this determination to the CEO in writing and seek appropriate reimbursement from the CEO on SANDAG's behalf.

Funding Source for Business Meals

The annual Program Budget shall include an allocation of funds for business meal expenses; the budget is subject to annual approval by the Board of Directors. The CFO may determine if an exception to the use of local funds is acceptable and will document such an exception during his/her/their review of the Business Meal Expense Claim.

Business Meals while Traveling on SANDAG Business

This Business Meals policy is applicable to employees who are traveling for SANDAG business. Per diem may not be claimed by an employee who pays for a business meal while on travel and seeks reimbursement for the meal under this Business Meals policy, or by an employee who participates in a business meal while on travel. The per diem allowance applicable to the business meal must be clearly excluded on the Travel Expense reimbursement claim. See the **Administrative Guidelines/Procedures for Employee Business Travel** for additional information.

Reporting Business Meals

To ensure transparency regarding the use of SANDAG funds for business meals, the CFO shall prepare a quarterly report for the Board of Directors. The report shall include details of each business meal hosted, including date, location, attendees, cost, and the purpose and/or actual benefits derived from the meeting.

Policy Review and Maintenance

The CFO shall direct staff to review and evaluate the effectiveness of this policy on at least an annual basis, and in response to changes in agency leadership or business practices affecting administration of Business Meal expenses. Recommendations for policy and procedures changes shall be considered by the CFO, General Counsel, and other executives with program-related responsibilities. The CFO shall provide approval of any policy changes in writing.

Applicable Laws, Policies, and Procedures

- o Administrative Guidelines/Procedures for Employee Business Travel
- o Administrative Policy: Hospitality and Events
- o Administrative Policy: Purchase Card (P-card) Program
- o California Constitution, Article XVI Section 6
- o Employee Handbook: Standard of Conduct Policy
- o Employee Handbook: Drug- and Alcohol-Free Workplace Policy
- o Guidance Regarding Gifts
- o SANDAG Board Policy No. 011: Business Travel
- o SANDAG Board Policy No. 041: Internal Control Standards
- o SANDAG Board Policy No. 042: Reporting Procedures for Fraud, Waste, and Abuse

Approved by: Hasan Ikhata, Chief Executive Officer

Implemented: July 1, 2022

Hospitality and Events Policy

As part of conducting agency business, SANDAG regularly holds meetings and events, and participates in activities hosted by other organizations. Examples include, and are not limited to, Board of Directors and Policy Advisory Committee meetings; public outreach and community celebration activities; professional association meetings, media and business development events; All-Hands employee meetings, offsite training and/or team building sessions. There are times when it is beneficial to provide food and beverage for group meetings, events, or other activities hosted by SANDAG. There also are situations where fees are charged for SANDAG representatives to attend award ceremonies and recognition events hosted by professional or industry associations. These are collectively referred to as “hospitality items.”

It is SANDAG’s policy that hospitality items may be provided or paid for using agency funds to the extent that expenses incurred are appropriate to the occasion, reasonable in amount, and serve a purpose consistent with SANDAG’s work program and objectives. This policy outlines responsibilities, approvals, allowed and disallowed expenses, and procedures for purchasing hospitality items.

SANDAG has established a separate **Business Meals Policy** which sets forth expectations and parameters for a Senior Executive to host a meal with one or more non-employee attendees for the purpose of conducting agency business and the expense reimbursement procedures.

Definition and Characteristics of Hospitality Items

Under this policy, “hospitality items” include, and are not limited to, meals, snacks, beverages, or light refreshments, and registration fees for industry-hosted recognition events that serve an express business purpose. When food and/or beverage is provided in conjunction with a meeting or event, it typically has the following characteristics:

- Secondary to the purpose of the meeting or event;
- Provided for the sustenance and comfort of attendees;
- Consumed onsite at SANDAG’s offices or an offsite meeting location during business hours, or at a public location when provided for public outreach and community-based events during business or non-business hours;
- Cost per person is considered fair and reasonable; and
- The need can be substantiated with a meeting agenda, program outline, business meeting invitation, public outreach announcement, or other similar justification.

When registration or participation fees for professional or industry meetings are paid for by SANDAG, the following criteria are applicable:

- o The primary purpose of the event is to present recognition or achievement awards and SANDAG has been informed it will receive, or is reasonably expected to receive, an award; attendance is limited to the appropriate Director/s, and project manager/s directly associated with the program or project to be honored;
- o SANDAG staff have been invited to present or participate in a panel discussion;
- o Cost for attendance is considered fair and reasonable, and there is a direct benefit to SANDAG for participating in the event; and
- o The need can be substantiated with notification of award status, an event invitation, program document, or similar information.

When a vendor, consultant, project partner, or other entity offers to provide food, beverage, or refreshments for SANDAG employees or the public, the following criteria and conditions are applicable:

- o If a vendor or consultant, they must have an active contract and not under consideration for any additional contract awards with SANDAG;
- o Hospitality is being provided in furtherance of the project goals and in conjunction with an informational session, training workshop, or project kickoff or project close out meeting;
- o The cost per person is considered fair and reasonable and is consistent with this policy;
- o There must be no actual or perceived conflict of interest;
- o Any relevant Conflict of Interest gift disclosures must be completed by employees or SANDAG;
- o Pre-approval has been provided by the Director.

Under no circumstances are alcohol and tobacco products considered hospitality items.

Appropriate Hospitality Expenses

There are limited situations where hospitality items are considered reasonable expenses. The examples listed below are intended to be illustrative in nature; each request for hospitality items must be considered and evaluated to confirm the occasion serves a bona fide business purpose.

Examples of occasions when hospitality items may be appropriate include, and are not limited to:

- o Public meetings, such as Board of Directors, Policy Advisory Committee, and Working Groups meetings, and other ad hoc or special public meetings that provide a forum for discussion and decision-making on regional issues.
- o Public outreach and community meetings that provide information about SANDAG programs and projects and create opportunities for members of the public to engage in the regional planning process.

- o Meetings designed to foster greater understanding and awareness of mutual program/agency objectives and opportunities for partnership and collaboration; lobbying activity is not permitted.
- o Community celebration activities and media events that inform the public of resources and facilities that SANDAG has brought to the region.
- o Quarterly All-Hands employee meetings or assemblies called by the CEO or a Deputy CEO, where the information provided is pertinent to accomplishing the agency work program, and when scheduled during the usual breakfast or lunch period a continental breakfast or lunch may be provided.*
- o Agencywide employee enrichment and appreciation activities held no more than two times per year.*
- o Offsite training, workshops, or other team-building activities, approved by a Director and conducted for the express benefit of a group of employees (i.e. an entire department) when the duration of the event is more than four hours; employee participation in such events is limited to one time per fiscal year.*
- o Invitation to participate as a subject matter expert speaker or panelist at a professional organization or association event where participation is in SANDAG's interest.
- o An event where a SANDAG project or program is being recognized.

** Hospitality items will be paid for using local funds from the Administration Budget.*

With respect to cost, hospitality items must be modest in value. When food and/or beverage is provided during a meal period, the **per diem amounts** for breakfast, lunch, and dinner for San Diego County, as set forth in the General Services Administration (GSA) Federal Travel Regulation, shall be used as a limit on the per-person amount that may be spent.

Justification and Approval for Hospitality Expenses

Directors and managers are responsible for evaluating whether proposed hospitality expenses are appropriate and must consider the following criteria in making their determination:

- o There is clear and evident linkage between the meeting/event, the benefits SANDAG is expected to derive, and the furtherance of SANDAG's work program;
- o The provision of hospitality is considered usual, customary, and/or reasonable for the meeting/event, including time of day, number of attendees, meeting location, planned activities, etc.;
- o The anticipated cost per guest/attendee/participant is proportionate to the benefits expected to be derived by SANDAG;
- o The provision of hospitality for meeting/event participants serves to increase efficiency by allowing for longer, uninterrupted meetings (i.e., reduced need for meal and other breaks which creates disruption to meeting flow) and maximizes options for scheduling flexibility;
- o Funding is available within an approved program or project budget for the hospitality items, and hospitality items are an allowable use of the funding;

- o The proposed purchase or acquisition of the hospitality items is consistent with SANDAG's procurement policies;
- o Alternatives to providing hospitality that would be equally effective in accomplishing the desired objectives have been given due consideration; and
- o The provision of hospitality for the meeting/event does not result in any actual or perceived conflict of interest and avoids the appearance of impropriety.

An employee must obtain prior approval from his/her/their Director before purchasing/ordering hospitality items.

- o For meetings/events with fewer than 10 participants: The employee may request approval from his/her/their Director via email; the request must include the following information:
 - o Name of meeting/event (recurring or one-time)
 - o Business purpose
 - o Anticipated benefits expected to be derived
 - o Date
 - o Location
 - o Description of attendees
- o For meetings/events with more than 10 participants or when the anticipated expense is more than \$1,000: The employee must complete the **Worksheet for Hospitality and Event Items** and submit the form to his/her/their Director for pre-approval.

A copy of the pre-approval must be submitted with the payment request for the hospitality items.

Directors may consult with a Deputy Chief Executive Officer (CEO) or the Chief Financial Officer (CFO) about the reasonableness and permissibility of proposed hospitality items.

Purchase and Payment for Hospitality Items

The purchase of hospitality items must follow SANDAG's procurement rules and guidelines, and as noted above, pre-approval from a manager and/or Director is required.

- o It is anticipated that hospitality expenses for most meetings/events will fall under the micro-purchase threshold (currently \$10,000); the acquisition of the hospitality items must be fully documented and approved per the **Micro-Purchase policy**, including verification that the purchase shall not cause SANDAG to exceed the cumulative \$10,000 per vendor limit in a fiscal year.
- o Hospitality expenses expected to exceed \$10,000 for a single event, or if the cumulative agencywide amount spent, or expected to be spent, with any single vendor in a fiscal year exceeds \$10,000, alternate procurement methods must be used.

The Contracts and Procurement Services team may be consulted for guidance.

When a SANDAG-issued credit card is used to pay for hospitality expenses, all requirements set forth in the **Purchase Card Policy** must be followed.

Regardless of the payment method for hospitality items (i.e., expenses invoiced to SANDAG, use of a SANDAG-issued credit card, or by an employee seeking reimbursement), a fully completed and approved **Worksheet for Hospitality Items**, an itemized invoice or receipt, and a copy of the meeting agenda, event program, or similar documentation must be submitted to Accounting and Finance as part of the payment request.

If an employee uses personal funds to purchase hospitality items for a SANDAG business meeting or event, they must submit an **Expense Reimbursement Request form**, including an itemized receipt, supporting documentation, and Director pre-approval, to the Accounting and Finance department within 10 business days of the meeting/event. Employees are discouraged from this practice.

Disallowed Expenses

SANDAG funds may not be used for expenditures prohibited by applicable laws, regulations, agreements, or agency policy, including reimbursement for food and beverages that do not serve a business purpose. SANDAG will comply with any additional restrictions established by funding agencies.

Expenses that are personal in nature and not related to the active conduct of official SANDAG business will not be paid for or reimbursed regardless of the funding source used. Examples of disallowed expenses, include, and are not limited to:

- Gift cards, gift baskets, flowers, or other non-cash gifts as a thank you to consultants, guest speakers, etc.
- Gifts for employee birthdays, weddings, anniversaries, baby showers, etc.
- Farewell gatherings and retirement parties
- Bereavement or sympathy gifts for any recipient (employees or non-employees)
- Employee social events coordinated by SANDAG management

Reporting Hospitality Expenses

To ensure transparency regarding the use of SANDAG funds for hospitality items, the CFO shall prepare a quarterly report for the Board of Directors. The report shall include details of all meetings and events where the expenses for hospitality items, including date, location, description of attendees/participants, cost, and the purpose and/or benefits derived from the meeting/event.

Noted Exceptions

This policy does not apply to the use of funds from the SANDAG Employee Recreation Account - which includes proceeds generated from employee fund-raising activities as well as annual contributions by Executive-level staff - for employee events and other social purposes. The CFO and Senior Director of Organization Effectiveness are responsible for overseeing and administering the Employee Recreation Account.

Policy Review and Maintenance

The CFO shall direct staff to review and evaluate the effectiveness of this policy on at least an annual basis, and in response to changes in agency leadership or business practices affecting administration of Hospitality and Event expenses. Recommendations for policy and procedures changes shall be considered by the CFO, General Counsel, and other executives with program-related responsibilities. The CFO shall provide approval of any policy changes in writing.

Applicable Laws, Policies, and Procedures

- o Administrative Policy: Business Meals
- o Administrative Policy: Micro-purchases
- o Administrative Policy: Purchase Card Program
- o California Constitution, Article XVI Section 6
- o Employee Handbook: Standard of Conduct Policy
- o Guidance Regarding Gifts
- o SANDAG Board Policy No. 041: Internal Control Standards
- o SANDAG Board Policy No. 042: Reporting Procedures for Fraud, Waste, and Abuse
- o SANDAG Procurement Manual

Approved by: Hasan Ikhata, Chief Executive Officer

Implemented: July 1, 2022



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of the Independent Performance Auditor

ITEM TYPE: Information

AGENDA SECTION: Reports

SUBJECT: +17B. Purchase Card Audit: Corrective Action Plan Reporting Results

SUGGESTED ACTION: This report is provided to the Board of Directors as information.

ATTACHMENTS:
[OIPA Final Review of the P-card Action Plan.pdf](#)

Purchase Card Audit: Corrective Action Plan Reporting Results

Overview

As stated by management, as a result of the Purchase Card Audit conducted by the Office of the Independent Performance Auditor (OIPA), a Corrective Action Plan (CAP) was developed and approved by the Board of Directors. The CAP consists of actions items that management committed to undertake. The Independent Performance Auditor (IPA) has reviewed

Action I.1 and I.3 of this quarter's actions, however, OIPA has not reviewed and does not issue any opinions on Action III.2 and III.7 of managements actions performed this quarter.

Action: **Information**

The Board of Directors is presented this report as information.

Fiscal Impact:

None.

Schedule/Scope Impact:

None.

Key Considerations

As part of any CAP review process, the OIPA performs quarterly reviews of CAP's resulting from the OIPA performed audits. Management has been working diligently with the OIPA to develop and update policies and procedures and to ensure best practices and good systems of controls are put in place. I am pleased and would like to recognize and congratulate management for the completion of this CAP and the hard work and efforts that were made. The CAP for the purchase card is considered closed.

Based on the OIPA's review of **Action Items I.1 and I.3** OIPA reports the following results:

The IPA reviewed the Purchase Card Training PowerPoint that is shown during training of staff. The training presentation covers important and necessary information and practices that should be known and followed by any SANDAG employee who holds a card or has responsibilities for approval and or oversight reviews of the purchase card process. The training provides good examples of do's and don'ts that further provides guidance.

The IPA reviewed the Purchase Card Training Acknowledgement Form. The form is well designed with various acknowledgements regarding the purchase card process, required training, obtaining a copy of, and understanding the purchase card policy, the roles and responsibilities, expectations of the agency, name and title. The form is submitted electronically and stored.

Lastly, the IPA reviewed the Participant Acknowledgement Form Tracking document. The tracking document identifies the name of the participant, the date they attended training and their response to each of the questions on the Acknowledgement Form. The document serves as sufficient evidence that the actions were taken, and the employees vouch their understanding.

Next Steps

The results will be posted to the OIPA website to ensure transparency to members of the public. OIPA considers this CAP successfully completed and closed.

Mary Khoshmashrab, Independent Performance Auditor

Key Staff Contact: Lloyd Carter, (619) 595-5328, lloyd.carter@sandag.org



Item Cover Page

BOARD OF DIRECTORS AGENDA ITEM REPORT

DATE: November 18, 2022

SUBMITTED BY: Francesca Webb, Office of the Independent Performance Auditor

ITEM TYPE: Discussion/ Possible Action

AGENDA SECTION: Reports

SUBJECT: The Office of the Independent Performance Auditor Contracts and Procurement Operational and System Control Audit Report (Part I) Results

SUGGESTED ACTION: The Board of Directors is asked to discuss and provide input on the review results, and other required next steps.

ATTACHMENTS:
[OIPA Contracts and Procurement Audit Report.pdf](#)
[Att 1 - Final Contracts.pdf](#)
[OIPA Contracts Audit Presentation.pdf](#)

The Office of the Independent Performance Auditor Contracts and Procurement Operational and System Control Audit Report (Part I) Results

Overview

As part of the Office of the Independent Performance Auditor (OIPA) annual Audit Plan, OIPA has performed an audit of Contracts and Procurement Operational and System Control. The audit is being performed in two parts. Today, OIPA presents Part I of the audit. The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Action: **Discussion/Possible Action**

The Board of Directors is asked to discuss and provide input on the review results, and other required next steps.

Fiscal Impact:

None.

Schedule/Scope Impact:

None.

Key Considerations

As part of the OIPA's Annual Audit Plan, OIPA is presenting Part I of the Contracts and Procurement Operational and System Control Audit. The report was presented to the Audit Committee on October 14, 2022. The Audit Committee recommended that the report be presented to the Board of Directors along with the Corrective Action Plan for discussion and an action to accept.

The review was extensive and involved testing and reviewing operational processes and system controls within the organization (Part I). Additionally, the audit consists of testing contractors' performance and adherence to the contract, outcomes results, and invoicing (Part II).

Due to the complexity of the contracting process, the number of contracts and dollar value, amendments, and task order changes, as well as other factors, the OIPA determined it would better serve the readers to issue the report in two parts. Part I being provided today covers a review from an internal perspective, focusing on operational processes, policies, system controls, and other internal practices.

Part II will first come to the Audit Committee and then the Board in January or February. Part II has a focus on contractor's adherence to the contract, proper submittal of documentation when invoicing, work product and results, timelines commitments, etc. Part I provides the cause resulting from areas identified as needing improvement while Part II focuses on the impact or the effect resulting from Part I.

Part I of the audit resulted in seven findings that are presented in the Report along with recommendations by the auditors.

Next Steps

The report will be posted to the OIPA website and OIPA will support management through the completion of the Corrective Action Plan.

Mary Khoshmashrab, Independent Performance Auditor

Key Staff Contact: Mary Khoshmashrab, (619) 595-5323, mary.khoshmashrab@sandag.org

Attachment: 1. OIPA Contract and Procurement Operational and System Control Audit Report and Management Response



THE OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR

October 14, 2022

Chair Blakespear
SANDAG Board of Directors

Audit Committee Chair Zito
SANDAG Audit Committee

Dear Chair Blakespear and Audit Committee Chair Zito:

Subject: Results – Contracts and Procurement Operational and System Control Audit (Part I) for the period of July 1, 2017 to June 30, 2021

The objective of this engagement is to audit SANDAG's management of contracts and procurement. Specific objectives are to review policies and procedures; evaluate internal controls over processes to determine whether they exist, are being followed, and functioning effectively. Lastly, the objective includes testing contracts and procurement transactions to determine whether they are appropriate, allowable, and supported by adequate documentation.

The auditors did not perform an audit of relative financial statements or other financial data or provide an opinion regarding the financial statements in part or taken as a whole, and accordingly, we will not express such an opinion.

The audit consists primarily of gaining an understanding of the relevant laws, rules, and regulations; inquiries and observations from management and staff, gaining an understanding of system controls, testing controls, and a review of contracts and procurement processes and transactions.

The Office of the Independent Performance Auditor's (OIPA's) reviewed the contracts and procurement process and system controls of transactions for the period of July 1, 2017 to June 30, 2021.

The audit was performed as part of the board approved annual Audit Plan. The Audit Plan is risk based and prioritized by the level of risk to the agency. Risks are considered both in qualitative and quantitative perspectives.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards, as required by federal and state governing code and under Assembly Bill 805.

As with prior audit reports performed by the OIPA, the causes identified were primarily due to weaknesses in system controls, inadequate department systems and record management, lack of procedures, and a need for employee training, especially around roles and responsibilities and proper documenting.

The OIPA has been working proactively with the Executive Director, Hasan Ikhata, and SANDAG staff to provide guidance and help bring improvements to system controls and strengthen policies and training. We will continue to support Hasan and his desire to make SANDAG more successful.

Due to the nature and complexity of this audit, auditors determined that it would be beneficial for readers to issue the report in two parts. Part I (attached) consists of a review of system controls and operations, essentially the "cause". Part II will follow and consists of a review of contractors and the "effect" or results of the findings identified in Part I. Auditors are in the process of performing substantive testing and estimate the completion of Part II to be January of 2023.

In past audits, the OIPA identified a need for additional resources as part of the cause, however, it should be noted in this audit, the OIPA determined that the Contracts and Procurement department could function more effectively and efficiently with the current level of staff if the processes, procedures, departmental functions, and systems were current, clear, accurate and consistent. Therefore, auditors are not recommending additional resources due to the results of this audit.

Further, it should be noted that the OIPA has been keeping management informed during the audit process as issues are identified. One step that management and the OIPA quickly implemented was to move an experienced contract analyst into the OIPA as an auditor with a focus on contracts and quality control. This independent body will work in the OIPA while providing audits and quality control on a continuous basis over contracts and procurement. This movement is just one of many impactful steps in helping to bring improvements to the contract and procurement process. I appreciate and applaud Hasan in his efforts to work jointly and proactively with the OIPA.

The OIPA would like to thank the Chief Executive Officer, Hasan Ikhata, and SANDAG management and staff. If you have additional questions, please contact me at (619) 595-5323 or mary.khoshmashrab@sandag.org.

Respectfully,



MARY E. KHOSHMAHRAB, MSBA, CFE, CPA
Independent Performance Auditor, Office of the Independent Performance Auditor

cc: Members of the Board of Directors
Members of the Audit Committee
Hasan Ikhata, Chief Executive Officer
John Kirk, General Counsel
Andre Douzajian, Chief Financial Officer
Melissa Coffelt, Senior Director of Organization Effectiveness
Kelly Mikhail, Manager of Contracts and Procurement
OIPA Website and Files

Enclosure: Contracts and Procurement Operational and System Control Audit Report (Part I) – Audit ID. 2022-05



Office of the Independent
Performance Auditor

CONTRACTS AND
PROCUREMENT
OPERATIONAL AND SYSTEM
CONTROL AUDIT – PART I

AUDIT No. 2022-05

Independent Performance Auditor, Mary Khoshmashrab, MSBA, CPA

OCTOBER 2022

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October 2022
Report 2022-05

Fact Sheet

Mary Khoshmashrab Independent Performance Auditor

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CONTRACTS AND PROCUREMENT OPERATIONAL AND SYSTEM CONTROL AUDIT (PART I)

The Office of the Independent Performance Auditors' Audit Objectives

The objective of this engagement is to audit SANDAG's management of contracts and procurement. Specific objectives are to review policies and procedures; evaluate internal controls over contracts and procurement to determine whether they exist, are being followed, and functioning effectively. Lastly, the objective includes testing system controls, and contracts and procurement transactions to determine whether they are appropriate, allowable, and supported by adequate documentation.

The auditors did not perform an audit of relative financial statements or other financial data or provide an opinion regarding the financial statements in part or taken as a whole, and accordingly, will not express such an opinion.

The audit consists primarily of gaining an understanding of the relevant laws, rules, and regulations; inquiries and observations from management and staff; gaining an understanding of system controls; testing controls; and a review of contracts and procurement processes and transactions. An audit does not provide assurance that auditors will become aware of all significant matters that would be disclosed in an audit.

During the audit, auditors encountered/identified some matters that require further review. In these cases, where the auditors deemed material or require further attention these matters were referred to the IPA and will be independently reviewed.

AUDIT FINDING HIGHLIGHTS

INADEQUATE ADMINISTRATIVE STANDARD OPERATING PROCEDURES (SOPs) FOR CONTRACT ANALYSTS AND PROJECT MANAGERS (Report Page no. 14)

Both contract analysts and project managers were lacking adequate SOPs. What was commonly cited as procedures was the SANDAG Procurement Manual, Board Policies, and project plans but these are not SOPs.

INSUFFICIENT TRAINING OF CONTRACT ANALYSTS AND PROJECT MANAGERS AND INSUFFICIENT REQUIREMENTS TO QUALIFY AS A PROJECT MANAGER

(Report Page no. 15)

Training for contract analysts is internally conducted, minimal, informal, and inconsistent. Formal training is not required for an employee to qualify to be a project manager. Though few project managers have been formally trained, most have not; approximately half of SANDAG employees are active project managers in the Contract Management System (CMS), and even more have the ability to be project managers. Thus, leading to situations where duties are not being properly segregated and contract analysts are doing tasks project managers should be responsible for performing.

ITEMIZED BREAKDOWN OF WORK PERFORMED NOT REQUIRED FOR INVOICE PAYMENT

(Report Page no. 17)

Some project managers required detailed support for work performed to be provided with the invoice to include what tasks were completed, detailed labor hours, and other forms of support, as required in the contract, while others did not. In both cases, invoices were approved and paid.

INADEQUATE CONTRACT MANAGEMENT SYSTEM (CMS) WITH LIMITED CAPABILITIES AND USAGE AND INACCURATE AND MISSING INFORMATION

(Report Page no. 18)

Auditors noted that the list of contracts from CMS provided by staff was inaccurate and incomplete. Employees who are not the project manager of the contract are listed as the project manager, inconsistent naming conventions are used, and various fields have missing (blank) entries.

MODIFICATIONS OF DETAILS IN RECORDS OF NEGOTIATION (RONs)

(Report Page no. 22)

Auditors noted a project manager providing leading information in the record of negotiation for a task order amendment, such as providing the estimated hours and cost identified in the Independent Cost Estimate. Staff deleted that communication and summarized it as a request for a cost proposal. Auditors noted that this is not a widespread practice.

INNADEQUATE DOCUMENTATION FOR SOLE SOURCE TRANSACTIONS

(Report Page no. 23)

In a sample of 38 Sole Source transactions, auditors found:

- 2 transactions were missing sole source justification forms
- Inconsistent labeling and filing of sole source justification forms, for example some

can be found in CMS, SharePoint “pre-CMS Working Folders”, SharePoint “CMS Working Folders”, and SharePoint “Contracts Library”

- 5 transactions were missing at least one signature on the justification form which requires two signatures
- Sole Source transactions are not properly labeled as sole source in CMS. For example, when an RFP solicitation resulted in a single bid/proposal which would then justify an award that would appear as a sole source award, CMS identified it as an actual sole source rather than a competitive bid with only one proposal.
- Method of Procurement Selection is not always submitted with a sole source

MATERIAL WEAKNESSES WITH THE IDENTIFICATION OF ON-CALL AND SOLE SOURCE CONTRACTS AND AMENDMENTS

(Report Page no. 26)

Auditors identified that there are material weaknesses within the ability to identify when an increase to the original amount awarded to a vendor is due to the authorization of competed task orders, sole sources, amendments, etc.

Based on CMS Report 1 (received on July 28, 2022), auditors noted the following:

- CMS Report 1 does not clearly identify which amendments are tied to on-call contracts nor which are accurately sole source procurements.
- While CMS Report 1 lists sole sources and amendments, there are errors within the report, including:
 - records being mislabeled under incorrect base contracts
 - record titles not specifying which contract or task order they are related to.
- **1,627** total contracts
- **447** contracts (of all contracts) have the field ‘original amount’ left blank.
- **308** total on-call contracts
- **271** on-call contracts (approximately **88%** of all on-call contracts) have their original amount left blank

CMS Report 1 includes all contracts that were open and/or active during the audit period (specifically from July 1, 2017 – July 1, 2022). This report includes the following¹:

- Contracts that may have been initiated prior to the audit period
- Contracts that may have remained open/active beyond the audit period

After excluding all entries with blank *original* amounts and all *on-call* contracts from CMS Report 1, auditors conducted an analysis to determine the vendors with the largest increases from original to current amounts. The ‘current amount’ field in the report represents the current maximum amount that could potentially be paid to the contractor(s) over the life of their contract(s), not the actual amounts paid to a contractor². To avoid what contract staff referred to as “double counting” auditors excluded listed task orders, amendments, and other offsets to ensure that an accurate

¹ The following also applies to CMS Report 2 which will be discussed later

² This is also the case with CMS Report 2

representation for each contract's current amount.

The following tables show contractors with the **10 highest percentage change** between the original and current amounts (Table 1.1) and the **10 highest dollar differences** between original and current amounts (Table 1.2) respectively. The **total percentage increase** from original to current amount for **all contracts (excluding those with blanks in the 'original amount' field and on-call contracts)** is 5%.

Table 1.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (No Blanks or On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change ³	Vendor Type
Vendor A	\$4,529,303	\$25,333,445	\$20,804,142	459%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor C	1,000,000	2,084,312	1,084,312	108%	Construction
Vendor D	1,350,340	2,702,605	1,352,265	100%	Services
Vendor E	2,887,873	5,095,629	2,207,756	76%	Services
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services
Vendor G	1,096,164	1,861,245	765,080	70%	Services
Vendor H	1,200,000	2,000,000	800,000	67%	Services
Vendor I	15,881,019	26,302,039	10,421,019	66%	Services
Vendor J	7,467,530	12,162,981	4,695,451	63%	Services

³ Vendors were only considered if the total original amount was greater than \$1,000,000.

Table 1.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (No Blanks or On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change	Vendor Type
Vendor A ⁴	\$4,529,303	\$25,333,445	\$20,804,142	459%	Services
Vendor I	15,881,019	\$26,302,039	10,421,019	66%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services
Vendor K	26,337,660	33,305,001	6,967,340	26%	Public Agency
Vendor L	39,914,596	46,720,603	6,806,006	17%	Construction
Vendor M	58,071,354	63,907,698	5,836,344	10%	Public Agency
Vendor N	11,142,611	16,221,470	5,078,859	46%	Construction
Vendor J	7,467,530	12,162,981	4,695,451	63%	Services
Vendor O	29,864,686	32,788,499	2,923,813	10%	Construction

Auditors later requested additional CMS data to include *only on-call contracts* for the same time period, CMS Report 2 (received on September 20, 2022). Auditors conducted a similar analysis on CMS Report 2. The following tables show contractors with the **10 highest percentage change** between the original and current amounts (Table 2.1) and the **10 highest dollar differences** between original and current amounts (Table 2.2) respectively. The **total percentage increase** from original to current amount for **all on-call contracts** is **46%**.

⁴This vendor A is the same vendor as in the previous table. Any repeat names correspond to the same vendor.

Table 2.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change ⁵	Vendor Type
Vendor P	\$1,289,810	\$10,289,100	\$8,999,290	698%	Services
Vendor Q	6,657,981	15,140,577	8,482,596	127%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor S	1,311,000	2,606,000	1,295,000	99%	Services
Vendor T	2,194,935	4,347,559	2,152,625	98%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor V	8,168,701	13,356,401	5,187,700	64%	Services
Vendor W	9,098,295	14,545,304	5,447,009	60%	Services
Vendor X	35,390,247	56,538,676	21,148,429	60%	Services
Vendor Y	5,234,852	7,821,560	2,586,708	49%	Services

Table 2.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change	Vendor Type
Vendor Z	\$140,307,107	\$204,290,405	\$63,983,298	46%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor AA	57,076,879	84,561,618	27,484,739	48%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor X	35,390,247	56,538,676	21,148,429	60%	Services
Vendor BB	37,337,211	52,205,418	14,868,207	40%	Services
Vendor CC	62,759,209	75,508,508	12,749,298	20%	Services
Vendor DD	28,646,269	39,906,977	11,260,707	39%	Services
Vendor P	1,289,810	10,289,100	8,999,290	698%	Services
Vendor Q	6,657,981	15,140,577	8,482,596	127%	Services

Lastly, the following tables reflect data for the on-call and non-on-call contracts combined. The tables show the **10 highest percentage change** between the original and current amounts (Table 3.1) and the **10 highest dollar differences** between original and current amounts (Table 3.2) respectively when both the **on-call and non-on-call**

⁵ Vendors were only considered if the total original amount was greater than \$1,000,000.

contracts are combined. The total percentage increase from original to current amount for all contracts⁶ combined is 19%.

Table 3.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-Call and Non-On-Call Combined)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change ⁷	Vendor Type
Vendor P	\$1,289,810	\$10,289,100	\$8,999,290	698%	Services
Vendor A	4,529,303	25,333,445	20,804,142	459%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor D	1,350,340	2,702,605	1,352,265	100%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor T	2,194,935	4,347,559	2,152,625	98%	Services
Vendor Q	10,422,638	19,884,304	9,461,666	91%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor E	2,887,873	5,095,629	2,207,756	76%	Services
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services

Table 3.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-Call and Non-On-Call Combined)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change	Vendor Type
Vendor Z	\$140,307,107	\$204,290,405	\$63,983,298	46%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor AA	58,166,991	88,015,358	29,848,367	51%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor X	35,396,122	56,538,676	21,142,554	60%	Services
Vendor A	4,529,303	25,333,445	20,804,142	459%	Services
Vendor BB	44,400,092	59,268,299	14,868,207	40%	Services
Vendor CC	62,759,209	75,508,508	12,749,298	20%	Services
Vendor DD	28,816,904	40,077,611	11,260,707	39%	Services
Vendor I	15,881,019	26,302,039	10,421,019	66%	Services

There are 5 contractors that appear in the top 10 largest percentage increase of original to current amount for both the on-call and the total combined tables. There are also 8

⁶ Any contracts with blank original amounts that are also not on-call contracts would still necessarily be excluded

⁷ Vendors were only considered if the total original amount was greater than \$1,000,000.

contractors that are in the top 10 **largest dollar increase** of original to current amount for both the **on-call** and the **total combined** tables. Based on the above, there appears to be a disproportionate preference to certain vendors based on the totality of contract amounts. The results of this finding exhibit how much a contractor has the ability to be reimbursed, based on the maximum amount of their contract(s) to date.

Part II of this audit will allow auditors to determine if the on-call contracts have been amended, sole sourced, and if all requirements were followed. Due to the potential of human error and the ability to manipulate within CMS, identifying these will require a manual effort by opening each procurement record and their documents. Specifically, auditors will verify the following in Part II:

- solicitations are sufficiently advertised
- solicitation requirements and documents are adequate
- procurements are competed through full and open competition
- proposals/bids are evaluated fairly
- amendments and sole sources meet all applicable requirements
- amendments and sole sources are accurately and sufficiently justified
- sole source justifications are not due to lack of or poor planning

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AUDIT OBJECTIVES

UNDERSTANDING SANDAG'S CONTRACTS AND PROCUREMENT PROGRAM

As a recipient of public funds, the San Diego Association of Governments (SANDAG) is responsible for ensuring that funds are properly spent for the public purposes for which they are intended. SANDAG has a Procurement Manual to make certain that all funds are expended according to sound procurement principles and to provide uniform procurement procedures to be followed by all SANDAG personnel. It is not intended to create rights for third parties. While the Federal Transit Administration (FTA), the Federal Highway Administration (FHWA), the California Department of Transportation (Caltrans), and other government agencies providing funds to SANDAG expect SANDAG to use its own procurement procedures to administer its projects SANDAG must also adhere to the standards established by applicable state and federal laws, as well as the rules and regulations imposed by various funding agencies.

The procedures in the Procurement Manual are intended to ensure SANDAG is following its Board Policies and, when applicable, the FTA's Third-Party Contracting Guidance; as well as the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Uniform Guidance), as these documents establish the standards and guidelines for procurement under all federal programs.

SANDAG is responsible for ensuring full and open competition and equitable treatment of all potential sources in the procurement process. SANDAG staff is responsible for the planning, solicitation, award, and documentation of procurements. The Procurement Manual describes the steps necessary to ensure public funds are expended properly and to protect the integrity of SANDAG's procurement process.

GENERAL AUDIT OBJECTIVES

The general objective of this engagement is to audit SANDAG's management of contracts and procurement. Specific objectives are to review policies and procedures and to evaluate internal controls over contracts and procurement to determine whether they exist, are being followed, and are functioning effectively. Lastly, objectives include testing system controls, contracts, and procurement transactions to determine whether they are appropriate, allowable, and supported by adequate documentation.

The audit consists primarily of gaining an understanding of the relevant laws, rules, and regulations; inquiries and observations from management and staff; gaining an understanding of system controls; testing controls; and a review of contracts and procurement processes and transactions.

This audit will be divided into two reports:

Part I will consist of an audit of SANDAG's system controls and operations of the contract and procurement process to ensure effective and efficient controls exist and are followed in addition to reviewing SANDAG's contract and procurement procedures

and policies to also ensure that policies are consistent with Federal and State regulations and other applicable governing laws, rules, and regulations.

Part II will consist of the audit tests applied and the procedures performed to verify that incurred cost records are sufficient and consist of third-party supporting documentation, and other relevant data to assess SANDAG's ability to track, obtain support with sufficient documentation, and keep adequate records of incurred costs that adhere to policies and procedures and have been accurately billed properly and sufficiently. Additionally, Part II will include a review of contractors to ensure that both parties (Contractors and SANDAG) adhered to the final contract.

The auditors did not perform an audit of relative financial statements or other financial data or provide an opinion regarding the financial statements in part or taken as a whole, and accordingly, we do not express an opinion.

PROCUREMENT FRAUD DEFINED

Procurement Fraud is any methodology or plan designed to defraud a buying activity or degrade the integrity of the acquisition process. It is also defined as "dishonestly obtaining an advantage, avoiding an obligation, or causing a loss to public property or various funds during the procurement process by public servants, contractors or any other person involved in the procurement." It can occur within or outside the Government by vendors/contractors or by federal, state, or local procurement personnel. Vendors need to be confident that the systems designed to spend those funds is fair and equitable. Taxpayers need to be comfortable knowing government employees are performing acquisition tasks in the best interests of the government and not their own.

Procurement fraud can take many forms, from taking bribes, to bid rigging, and to unjustified sole source selection and award. Part II of this audit will focus on risks related to procurement fraud from the contractors.

It should be noted that due to the lack of controls and ineffectiveness identified in the current Contracting Management System referred to as CMS, the ability for auditors to successfully test for procurement fraud schemes such as bid rigging, price fixing, etc. in Part II of the audit will be difficult.

Further, during our review of Part I of the audit, auditors have not identified any fraud or intentional wrongdoing over areas reviewed.

AUDIT RESULTS

FINDING I – INADEQUATE ADMINISTRATIVE STANDARD OPERATING PROCEDURES (SOP) FOR CONTRACT ANALYSTS AND PROJECT MANAGERS

During the audit, auditors noted inadequate administrative standard operating procedures (SOPs) for both contract analysts and project managers. Neither have SOPs that provide step-by-step instructions on how to complete their assigned tasks. The contract analysts and project managers cited the following as their procedures:

- The SANDAG Procurement Manual
- Various contract document templates
- Forms on the shared SANDAG website and SharePoint
- Board Policies
- Project plans

Auditors later became aware of a Procedures subfolder within the Contracts Analyst Resources SharePoint folder. However, this folder includes informal procedures for only some administrative-related tasks but is missing procedures for primary/major procurement functions and processes such as solicitations, contracts, and task orders.

Section 49 of the Code of Federal Regulations (CFR) part 18.36(b) states that “grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations.”

The contract analysts and project managers viewed the items cited above as SOPs. The Procurement Manual explains what tasks need to be completed but does not provide step-by-step SOPs on how to complete tasks. Additionally, the Procurement Manual has conflicting and outdated policies and tasks outlined throughout. The templates, board policies, and project plans also do not outline step-by-step procedures for all tasks required of contract analysts and project managers.

A lack of SOPs contributes to the following:

- Staff not being clear on what their duties are
- Staff duties not properly segregated
- Overlap in assignment of duties/responsibilities
- Contract analysts completing project manager tasks
- Staff tasks being overlooked, missed, or inconsistently completed
- Delays in projects when staff must spend time researching and seeking consensus on common or correct processes to be followed
- Difficulty and inconsistency in training new staff on how to perform tasks

RECOMMENDATIONS

The OIPA recommends the following:

1. Creating formalized SOPs with step-by-step instructions for tasks for both contract analysts and project managers (e.g., desk procedures).
2. Providing formal and regular training to contract analysts and project managers on their assigned roles, responsibilities, and procedures.
3. Updating the Procurement Manual to clearly identify and segregate roles and responsibilities for contract analysts and project managers.

FINDING II – INSUFFICIENT TRAINING OF CONTRACT ANALYSTS AND PROJECT MANAGERS AND INSUFFICIENT REQUIREMENTS TO QUALIFY AS A PROJECT MANAGER

During the audit, auditors noted insufficient training for both contract analysts and project managers. Most training for *contract analysts* is conducted internally and is minimal, informal, and inconsistent. Auditors also noted that only some *project managers* had formal training. Furthermore, auditors identified inconsistencies as follows:

- 4 of the 13 contract analysts did not have formal training or certifications.
- Some contract analysts received training from outside sources such as:
 - The Institute for Supply Management;
 - San Diego State University;
 - The National Transit Institute; and
 - The California Association of Public Procurement Officials.
- Contract analysts are not encouraged to join professional associations⁸ or seek outside training
- Interns are training other interns
- Contract analysts provide training in addition to their daily workload
- Contract analysts are completing project manager tasks, including:
 - writing scopes and creating independent cost estimates
 - initiating and maintaining communications and discussions related to the procurement with vendors
 - submitting the procurement request in CMS on behalf of a project manager
- Contract analysts sometimes are required to remind project managers of procurement restrictions on awarding to firms where conflicts of interests exist
- There are 192 project managers listed as active in CMS and 238 employees at SANDAG that have the ability to be a project manager

Beginning in June 2021, the contracts department began offering contract analyst staff training in the form of training modules that include short informative presentations

⁸ Professional associations include CAPPO, NIGP, NPI, among others.

on a particular topic. However, auditors noted that the trainings are optional, do not include the use of formal SOPs, and only sometimes provide a reference document to guide the contract analyst through the process. The staff training modules are also not offered or scheduled on a consistent basis.

The FTA Best Practices Procurement & Lessons Learned Manual (FTA BPPM) recommends that, as part of the planning phase of the procurement cycle, entities must have the internal organizational capability with the proper checks and balances to facilitate the procurement process, which includes having trained, experienced contract personnel (e.g., Chief Procurement Officer, Contracting Officer, Contract Administrator, buyers, advisors, etc.) that have the authority to contractually bind the agency. Furthermore, agencies that use federal funds must ensure that contract personnel are fully knowledgeable of the numerous Federal laws and regulations that apply to federally funded procurements. It is imperative that an agency comply with the requisite Federal laws and regulations or risk losing Federal financial support.

The Procurement Manual specifies the responsibilities and tasks assigned to both of the contract analyst and project manager roles. In accordance with applicable laws, rules and policies, SANDAG (and staff) is required to follow any and all requirements and procedures to ensure compliance. The Procurement Manual also states that training is provided to contract analysts and that training is also provided annually.

Formal training on the procurement process is not required for an employee to qualify to be a project manager. Training on the Procurement Manual is only provided upon request or on an “as-needed basis” for all other departments outside of Contracts. The Procurement Manual specifies what a project manager’s duties and responsibilities are but does not provide detailed or specific requirements for an employee to qualify to be a project manager other than being a full-time employee. The Procurement Manual also does not provide step-by-step SOPs on how to complete contract analyst or project manager tasks.

Lack of required training can cause the following:

- Inconsistencies in contract analysts and project managers following policies and procedures
- Contract analysts potentially missing steps in the procurement process and/or not meeting requirements needed to be compliant with laws, rules, regulations, etc.
- Loss of federal funding due to non-compliance of applicable laws, rules, regulations
- Delays in procurement requests being submitted, processed, and executed
- Improper segregation of duties if contract analysts continually must do the work of project managers
- A higher risk of vendors taking advantage of project managers’ lack of knowledge

- of processes and procedures such as scope writing and required documentation
- Assigning unqualified employees to project manager roles
- Excessive assignment of project managers

These risks are increased due to *approximately half of SANDAG's staff* currently being active project managers and even more having the ability to be a project manager.

RECOMMENDATIONS

The OIPA recommends:

1. Creating SOPs for contract analyst and project manager specific tasks.
2. More clearly segregating the duties of contract analysts and project managers.
3. Providing consistent training for contract analysts provided by contracts subject matter experts and/or management.
4. Providing annual and/or continuous training on the Procurement Manual and SOPs for both contract analysts and project managers.
5. Identifying and requiring that employees meet specific qualifications and have attended external formal project manager specific training prior to being assigned to a project manager role; for employees assigned as project managers over higher risk and dollar projects, formal certified project manager training should be required.
6. Encouraging external training provided by professional associations specific to contracts (such as CAPPO and NIGP) and project management.

FINDING III – ITEMIZED BREAKDOWN OF WORK PERFORMED NOT REQUIRED FOR INVOICE PAYMENT

During interviews with project managers, auditors noted the following:

- An itemized breakdown of work performed is not required to process invoices for payment.
- The required documentation submitted by vendors for payment is inconsistent.
- Only some project managers required detailed support for work performed to be provided with the invoice to include tasks completed, detailed labor hours, and other forms of support, as required in the contract, while others did not. In both cases, invoices were approved and paid.
- Detailed summaries from vendors are only provided to the project managers when explicitly requested.

According to the Procurement Manual, project managers are responsible for reviewing invoices closely for conformance to contract terms and for erroneous or fraudulent charges, reviewing the timeliness and accuracy of invoices, and ensuring vendor's billed costs are allowable and consistent with the contract terms as well as the acceptability and process of the vendor's work.

The standard services agreement does not require a detailed/itemized invoice nor a progress report to be submitted as part of the invoice. The only mention of detailed/itemized invoices is under a subsection of 'Invoicing' titled "Timing of Payment".

The SANDAG Request for Payment form also does not require a detailed/itemized invoice to request or authorize payment of the invoice. Auditors could not confirm if there is a formal finance/accounts payable procedure provided to staff who submit invoices for payment.

Not requiring detailed work summaries and itemized invoices increases SANDAG's risk of the following occurring:

- Paying for services that are not completed
- Paying for subpar work
- Paying for services that are not authorized in the contract or task order, beyond the scope of work
- Overpayment
- Duplicate payments for completed work

RECOMMENDATIONS

The OIPA recommends:

1. Requiring detailed/itemized invoices and progress reports or detailed summary of work performed for a payment to be processed e.g., source documents such as detailed timesheets or task specific assignment sheets that supports labor or work product results, goods and/or receiving receipts from third parties, etc.
2. Updating Request for Payment Form to explicitly require itemized invoices to be attached.
3. Creating formal SOPs and training for invoice payment to include instructions/methods for verifying invoiced work is included in the contract/task order.
4. Updating contract templates to require detailed/itemized invoices as well as progress reports or detailed summaries of work performed to be included with invoices.

FINDING IV – INADEQUATE CONTRACT MANAGEMENT SYSTEM (CMS) WITH LIMITED CAPABILITIES AND USAGE AND INACCURATE AND MISSING INFORMATION

During the review of the CMS and a detailed CMS report provided by the Contracts department, auditors noted that the current CMS has limited capabilities as a contract management system and is not fully being used as a document management database nor document sorting and filing system as intended. Only some contracts

and contract records are found in the CMS system while others are found in various SharePoint folders.

Through discussions with the Contracts department, auditors confirmed the following:

- The Contracts department must manually calculate the current sum of a contract to provide the total not-to-exceed amount because the CMS does not record, track, or report this information.
- The Contracts department must manually calculate the current sum of all contracts for a vendor to provide the total not-to-exceed amount authorized to a vendor because CMS does not record, track, or report the total not-to-exceed amount issued or authorized per vendor.
- The Contracts department can only provide the approved encumbrance amounts as recorded in CMS when the procurement was executed because CMS does not track up-to-date encumbrance amounts or amounts paid to a vendor against a contract or task order.
- The Contracts department cannot easily provide a list or number of subcontractors on a contract or task order because CMS does not track this information.
- The CMS allows fields to be edited at any point in the procurement cycle by users with write-rights, even after execution of a contract.
- The CMS allows procurement requests to be submitted when funds aren't available.
- The CMS system allows requesters to submit procurement requests with some auto-populated fields being left blank.
- The CMS allows contracts/documents to be replaced after execution while only recording that the change occurred in the history. This requires staff and auditors to manually search the history for each record to determine if such a change was made.
- Only 1 contracts employee is trained to run advanced reports; succession planning issues can occur

Additionally, during the review of the CMS report provided by the Contracts department, auditors noted that the records had inaccurate or incomplete contract details. Auditors identified the following issues:

- Multiple staff members have multiple versions of their name due to misspellings, use of nicknames (i.e., Mike instead of Michael), or only sometimes including the hyphenated portion of a last name
- Project manager labeled as "USER390200" instead of their actual name
- 80 records where project manager field is left blank
- 1,052 records where the Department field is left blank
- 1,056 records where the 'Division' field is left blank

- An employee may be listed as the project manager for a contract while not actually acting as the project manager
- The CMS system allowed requesters to submit procurement requests with some auto-populated fields being left blank.

The FTA Best Practices Procurement & Lessons Learned Manual (FTA BPPM) recommends that, as part of the planning phase of the procurement cycle, entities must have the internal organizational capability with the proper checks and balances to facilitate the procurement process. Furthermore, in an organization with no checks and balances, there is greater opportunity for abuse to arise, whether actual or perceived.

According to the Procurement Manual, project managers are responsible for “maintaining contract administrative records”, and contract analysts “ensure transactions are recorded in CMS as applicable and records are maintained in good order”.

The CMS User Guide, Version 1.0 (10/1/19), describes that it is intended to be used as a reference to assist in understanding the utilization of CMS and that a manual to include procedures and standard business rules is being drafted. The CMS User Guide also explains that the system helps lock and track contract/document revisions to ensure document integrity and security, including proof of tampering, and intelligently automating document sorting, filing, and workflows. Additionally, the CMS User Guide explains that the requester, project manager, department, and division fields are “auto-populated” by the system.

Limited capabilities/usage of the CMS and inaccurate and missing information within CMS is due to the following:

- The current CMS system does not have sufficiently advanced reporting capabilities to meet the agency’s auditing or reporting needs.
- The current CMS stores and provides limited information and therefore cannot accurately and easily track and ensure policies and procedures are being followed.
- Contracts staff are not fully trained to provide all CMS reports easily or efficiently.
- Project managers/requesters are not trained or required to follow any specific format or rules on CMS entries when submitting procurement requests and are only required to complete the fields specified as required by the CMS.
- Contracts staff is not trained to follow or enforce consistent CMS entries for the various fields.
- There is no quality assurance or controls around the storage of contract documents and contract-related documents to ensure all are stored

consistently, efficiently, and in an organized and centralized manner.

- The CMS locking and tracking capability does not limit or restrict a user from replacing documents; document replacements are only recorded in the history.

Using the current CMS has inherent risks such as:

- Errors and inconsistencies with the reported total amounts per contract and total amounts per vendor as they must be manually calculated from an extensive report with potential for double counting.
- Project managers and contract analysts can execute task orders under a fully expended contract through the CMS.
- The Contracts department and any other user with write-rights access can make changes to a CMS record after execution of the contract, amendment, or task order. Discovery of changes must be identified through search or review of each individual record's history which could take extensive effort and limits the ability to conduct any quality control or accurate auditing.
- CMS records and reports cannot be relied on due to allowed changes.
- Amounts in the CMS system may not always match the finance system as changes to encumbrances are not tracked within the CMS system.
- Project managers and vendors may authorize and/or allow a non-approved/non-authorized subconsultant to work on a project and be paid for work since CMS does not efficiently provide or track the list of actively approved/authorized subcontractors for PMs to verify against. This information must be identified by reviewing each contract, amendment and/or task order PDF document.
- Delay in report running.
- Delay in locating required documents due to inefficient storage of records in various places.
- Not being able to determine who is managing a project.
- Not knowing who to contact with any questions or concerns regarding the request or documents submitted.
- Not being able to easily identify bid rigging schemes, collusion amongst contractors, collusion between contractors and employees by bid tailoring, bid manipulation, bid splitting, and leaking of bid data.

RECOMMENDATIONS

The OIPA recommends:

1. Replacing the CMS with a system that properly interfaces with the agency's enterprise resource planning system (ERP) or is a system within the agency's ERP, with the ability to communicate/integrate with finance encumbrance, invoice, and payment records to include tracking, searching, and recording invoice payments against contracts, task orders, etc. The replacement ERP and

the data stored within should also be user-friendly, easily accessible, and easily reportable.

2. Providing staff training and step-by-step SOPs on using the replacement CMS and submitting all types of procurement requests.
3. Ensuring staff can query to identify the contractor and subcontractor efficiently and easily within the replacement CMS without going to various other platforms or documents.
4. Ensuring that all contracts and contract-related records and documents are stored in 1 easily accessible location, preferably within the replacement CMS.
5. Ensuring the replacement CMS is updated with correct and complete information and data to correct the inaccuracies and blanks from the current CMS records.
6. Requiring that the listed project manager for a contract is the actual project manager in the replacement CMS
7. Specify required fields in the replacement CMS and require all mandatory fields to be completed.
8. Providing staff certain access to the replacement CMS, based on their job duties.
9. Ensuring that the replacement CMS can provide an audit trail for review.
10. For continuity and efficiency, at least more than 1 employee but preferably more than 3 should have an in-depth knowledge, training, and skill in the replacement CMS and should be able to provide reports to auditors and/or other authorized recipients.
11. If recommendation one is chosen not to be accepted and SANDAG continues to use the current CMS, auditors recommend applying recommendations 2-10 to the current CMS.

FINDING V – MODIFICATIONS OF DETAILS IN RECORDS OF NEGOTIATION (RON)

During the audit, auditors noted that a project manager provided leading information to the vendor when requesting a cost proposal for a task order amendment, including the estimated hours and cost identified in the Independent Cost Estimate (ICE). In addition, auditors noted that Contracts staff deleted that communication and summarized it as a request for a cost proposal in the record of negotiation (RON). It should be noted that auditors reviewed other contracts and determined that this is not a widespread practice.

According to the Procurement Manual, all negotiated procurements should have a RON to document the negotiation process and that determines the prices negotiated are fair and reasonable in comparison to the (ICE). The project manager should take the lead on preparing the RON when they lead the contract negotiations, while the contracts staff member is responsible for documenting negotiations in the RON when it takes the lead on contract negotiations.

The negotiation and RON procedures were not properly followed and therefore the task order amendment procurement should not have been authorized.

Providing leading information to the vendor eliminates any of SANDAG's negotiating power to receive the best possible price and violates the integrity of the procurement process. The lack of controls presents a potential risk of employee and contractor collusion. Also, deleting that information shows a lack of transparency of the negotiating process.

RECOMMENDATIONS

The OIPA recommends:

1. Creating a formal SOP and provide training on completing a RON to both project managers and contract analysts.
2. Providing negotiation training and/or guidelines to project managers and contract analysts to include reasons/intent of negotiations, best practices, and risks of not negotiating and/or not following best practices.

FINDING VI – INADEQUATE DOCUMENTATION FOR SOLE SOURCE TRANSACTIONS

Auditors reviewed a judgmental sample of **38** out of 363 sole source transactions⁹ (sole sources) that were provided by the Contracts and Procurement department and noted the following:

- 2 transactions were missing sole source justification forms.
- Inconsistent labeling and filing of sole source justification forms, for example some can be found in CMS, SharePoint “pre-CMS Working Folders”, SharePoint “CMS Working Folders”, and SharePoint “Contracts Library”.
- 13 sole source justification forms had a listed contract amount that did not match the amount on the provided list of sole source transactions. This included just having explicitly differing dollar amounts, the contract amount saying, “up to” a certain amount and “\$ aggregate total of all task orders”.
- 5 transactions were missing at least one signature on the justification form which requires two signatures.
- Sole Source transactions are not properly labeled as sole source in CMS. For example, when an RFP solicitation resulted in a single bid/proposal which would then justify an award that would appear as a sole source award, CMS identified it as an actual sole source rather than a competitive bid with only one proposal.
- Method of Procurement Selection (MOPS) form is not always submitted with a sole source transaction.

⁹ Sole Source transactions are a noncompetitive procurement method where only one contractor is solicited.

2 CFR Part 200.320(c) states that a noncompetitive procurement method can be used if at least one of the following circumstances apply: The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold, the item is available only from a single source, the public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation, the Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity, or after solicitation of a number of sources, competition is determined inadequate.

According to SANDAG Board Policy 16, SANDAG typically utilizes full and open competition for procurements in excess of \$100,000. However, there are certain circumstances such as if a project is paid in whole or in part by federal funds, there, there is only one consultant capable of providing the service needed, among other circumstances as outlined in sections 5.1 and 5.2 of Board Policy 16, where both noncompetitive (sole source) and limited competition procurements are permitted. Board Policies 23 and 24 outline the policies for specifically procuring equipment and supplies, and construction respectively. The language in Board Policies 23 and 24 is similar to the Board Policy 16 however, the main difference is that \$50,000 is the dollar amount where SANDAG will normally use full and open competition unless certain circumstances are met rather than \$100,000.

According to the SANDAG Procurement Manual, Contracts staff should not commence a sole source unless the Method of Procurement Selection form indicates a sole source is appropriate and a Sole Source Recommendation form has been provided.

In accordance with SANDAG's sole source justification form, staff is required to attest both of the following:

- The need for a sole source is not due to a failure to plan or a lack of advanced planning.
- The need for a sole source is not due to concerns about the amount of federal assistance available to support the procurement (for example, expiration of federal assistance available for award)

In addition to the above requirements, at least one of a multitude of potential justifications must be met. Some justifications can be used for all funding sources, others for non-Caltrans and non-FHWA funding sources, and the last being for local funding sources. Some examples of which include:

- Single bid or single proposal
- Public interest
- Substantial duplication costs – equipment

- Only one contractor/consultant/vendor/ who can provide unique/highly specialized item or service

The justification form also requires an explanation for the sole source as well as project manager and director signatures. Once that all has been completed, the sole source transaction has been properly justified. However, the current version of sole source justification forms, 'Version 3.0', does not require signatures, but instead explains that the director's approval in CMS also approves the sole source.

The lack of controls within the routing/approval process does not ensure sole source justification forms are complete, labeled correctly, and filed correctly. Furthermore, contract analysts file sole source records in 4 different locations making it difficult to confirm whether or not sole source processes were followed. Formal training and administrative procedures on sole sources are not provided by SANDAG to project managers.

The potential risks to SANDAG are as follows:

- SANDAG not properly justifying its sole source transactions increases the risk of SANDAG being out of compliance with funding regulations.
- Noncompliance of funding regulations could disqualify SANDAG from future funding opportunities.
- The disorganization of record keeping makes it difficult to locate files such as justification forms
- Disorganization increases the risk of delays of processing and approving sole sources and other contract documents. It also limits SANDAG's ability to easily confirm processes were followed.

RECOMMENDATIONS

The OIPA recommends:

1. Providing training to staff on sole source laws, rules, regulations, and processes
2. Creating formal administrative procedures on sole source processes
3. Updating the current sole source justification template to include procurement request details such as contract/task order/amendment number, project manager name, vendor name, etc.
4. Reorganizing contract and sole source records in one centralized location
5. Updating CMS to have accurate information.
6. Ensuring required documents are saved as separate files and labeled accordingly, such as saving a sole source justification form as such.

FINDING VII – MATERIAL WEAKNESSES WITH THE IDENTIFICATION OF ON-CALL AND SOLE SOURCE CONTRACTS AND AMENDMENTS

Auditors identified that there are material weaknesses within the ability to identify when an increase to the original amount awarded to a vendor is due to the authorization of competed task orders, sole sources, amendments, etc.

Based on CMS Report 1 (received on July 28, 2022), auditors noted the following:

- CMS Report 1 does not clearly identify which amendments are tied to on-call contracts nor which are accurately sole source procurements.
- While CMS Report 1 lists sole sources and amendments, there are errors within the report, including:
 - records being mislabeled under incorrect base contracts
 - record titles not specifying which contract or task order they are related to.
- 1,627 total contracts
- 447 contracts (of all contracts) have the field 'original amount' left blank.
- 308 total on-call contracts
- 271 on-call contracts (approximately 88% of all on-call contracts) have their original amount left blank

CMS Report 1 includes all contracts that were open and/or active during the audit period (specifically from July 1, 2017 – July 1, 2022). This report includes the following¹⁰:

- Contracts that may have been initiated prior to the audit period
- Contracts that may have remained open/active beyond the audit period

After excluding all entries with blank *original* amounts and all *on-call* contracts from CMS Report 1, auditors conducted an analysis to determine the vendors with the largest increases from original to current amounts. The 'current amount' field in the report represents the current maximum amount that could potentially be paid to the contractor(s) over the life of their contract(s), not the actual amounts paid to a contractor¹¹. To avoid what contract staff referred to as "double counting" auditors excluded listed task orders, amendments, and other offsets to ensure that an accurate representation for each contract's current amount.

The following tables show contractors with the **10 highest percentage change** between the original and current amounts (Table 1.1) and the **10 highest dollar differences** between original and current amounts (Table 1.2) respectively. The **total percentage increase** from original to current amount for **all contracts (excluding those with blanks in the 'original amount' field and on-call contracts)** is 5%.

¹⁰ The following also applies to CMS Report 2 which will be discussed later

¹¹ This is also the case with CMS Report 2

Table 1.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (No Blanks or On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change ¹²	Vendor Type
Vendor A	\$4,529,303	\$25,333,445	\$20,804,142	459%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor C	1,000,000	2,084,312	1,084,312	108%	Construction
Vendor D	1,350,340	2,702,605	1,352,265	100%	Services
Vendor E	2,887,873	5,095,629	2,207,756	76%	Services
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services
Vendor G	1,096,164	1,861,245	765,080	70%	Services
Vendor H	1,200,000	2,000,000	800,000	67%	Services
Vendor I	15,881,019	26,302,039	10,421,019	66%	Services
Vendor J	7,467,530	12,162,981	4,695,451	63%	Services

Table 1.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (No Blanks or On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change	Vendor Type
Vendor A ¹³	\$4,529,303	\$25,333,445	\$20,804,142	459%	Services
Vendor I	15,881,019	\$26,302,039	10,421,019	66%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services
Vendor K	26,337,660	33,305,001	6,967,340	26%	Public Agency
Vendor L	39,914,596	46,720,603	6,806,006	17%	Construction
Vendor M	58,071,354	63,907,698	5,836,344	10%	Public Agency
Vendor N	11,142,611	16,221,470	5,078,859	46%	Construction
Vendor J	7,467,530	12,162,981	4,695,451	63%	Services
Vendor O	29,864,686	32,788,499	2,923,813	10%	Construction

Auditors later requested additional CMS data to include *only on-call contracts* for the same time period, CMS Report 2 (received on September 20, 2022). Auditors conducted a similar analysis on CMS Report 2. The following tables show contractors with the 10

¹² Vendors were only considered if the total original amount was greater than \$1,000,000.

¹³This vendor A is the same vendor as in the previous table. Any repeat names correspond to the same vendor.

highest percentage change between the original and current amounts (Table 2.1) and the 10 highest dollar differences between original and current amounts (Table 2.2) respectively. The total percentage increase from original to current amount for all on-call contracts is 46%.

Table 2.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change ¹⁴	Vendor Type
Vendor P	\$1,289,810	\$10,289,100	\$8,999,290	698%	Services
Vendor Q	6,657,981	15,140,577	8,482,596	127%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor S	1,311,000	2,606,000	1,295,000	99%	Services
Vendor T	2,194,935	4,347,559	2,152,625	98%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor V	8,168,701	13,356,401	5,187,700	64%	Services
Vendor W	9,098,295	14,545,304	5,447,009	60%	Services
Vendor X	35,390,247	56,538,676	21,148,429	60%	Services
Vendor Y	5,234,852	7,821,560	2,586,708	49%	Services

Table 2.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change	Vendor Type
Vendor Z	\$140,307,107	\$204,290,405	\$63,983,298	46%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor AA	57,076,879	84,561,618	27,484,739	48%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor X	35,390,247	56,538,676	21,148,429	60%	Services
Vendor BB	37,337,211	52,205,418	14,868,207	40%	Services
Vendor CC	62,759,209	75,508,508	12,749,298	20%	Services
Vendor DD	28,646,269	39,906,977	11,260,707	39%	Services
Vendor P	1,289,810	10,289,100	8,999,290	698%	Services
Vendor Q	6,657,981	15,140,577	8,482,596	127%	Services

¹⁴ Vendors were only considered if the total original amount was greater than \$1,000,000.

Lastly, the following tables reflect data for the on-call and non-on-call contracts combined. The tables show the **10 highest percentage change** between the original and current amounts (Table 3.1) and the **10 highest dollar differences** between original and current amounts (Table 3.2) respectively when both the **on-call and non-on-call contracts** are combined. The **total percentage increase** from original to current amount for all contracts¹⁵ combined is 19%.

Table 3.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-Call and Non-On-Call Combined)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change ¹⁶	Vendor Type
Vendor P	\$1,289,810	\$10,289,100	\$8,999,290	698%	Services
Vendor A	4,529,303	25,333,445	20,804,142	459%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor D	1,350,340	2,702,605	1,352,265	100%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor T	2,194,935	4,347,559	2,152,625	98%	Services
Vendor Q	10,422,638	19,884,304	9,461,666	91%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor E	2,887,873	5,095,629	2,207,756	76%	Services
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services

¹⁵ Any contracts with blank original amounts that are also not on-call contracts would still necessarily be excluded

¹⁶ Vendors were only considered if the total original amount was greater than \$1,000,000.

Table 3.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-Call and Non-On-Call Combined)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	Difference	% Change	Vendor Type
Vendor Z	\$140,307,107	\$204,290,405	\$63,983,298	46%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor AA	58,166,991	88,015,358	29,848,367	51%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor X	35,396,122	56,538,676	21,142,554	60%	Services
Vendor A	4,529,303	25,333,445	20,804,142	459%	Services
Vendor BB	44,400,092	59,268,299	14,868,207	40%	Services
Vendor CC	62,759,209	75,508,508	12,749,298	20%	Services
Vendor DD	28,816,904	40,077,611	11,260,707	39%	Services
Vendor I	15,881,019	26,302,039	10,421,019	66%	Services

There are **5 contractors** that appear in the top **10 largest percentage increase** of original to current amount **for both the on-call and the total combined** tables. There are also **8 contractors** that are in the top **10 largest dollar increase** of original to current amount **for both the on-call and the total combined** tables. Based on the above, there appears to be a disproportionate preference to certain vendors based on the totality of contract amounts. The results of this finding exhibit how much a contractor has the ability to be reimbursed, based on the maximum amount of their contract(s) to date.

Part II of this audit will allow auditors to determine if the on-call contracts have been amended, sole sourced, and if all requirements were followed. Due to the potential of human error and ability to potentially manipulate within CMS, identifying these will require a manual effort by opening each procurement record and their documents. Specifically, auditors will verify the following in Part II:

- solicitations are sufficiently advertised
- solicitation requirements and documents are adequate
- procurements are competed through full and open competition
- proposals/bids are evaluated fairly
- amendments and sole sources meet all applicable requirements
- amendments and sole sources are accurately and sufficiently justified
- sole source justifications are not due to lack of or poor planning

The Department of Transportation's Local Assistance Procedures Manual (LAPM) states that Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under sealed bids or competitive proposals (23 CFR 172.7(a)(3)). Additionally, the local agency must carefully document details of the special conditions,

obtain Caltrans approval on a Public Interest Finding and retain all documents in the project files for future Caltrans' or FHWA's review.

2 CFR Part 200.320(c) states that a noncompetitive procurement method can be used if at least one of the following circumstances apply: The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold; the item is available only from a single source; the public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation; the Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or after solicitation of a number of sources, competition is determined inadequate.

49 CFR Part 18.36 (c)(1) explains that all procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of Sec. 18.36.

According to SANDAG Board Policy 16, SANDAG is required to utilize full and open competition for procurements in excess of \$100,000. However, there are certain circumstances such as if a project is paid in whole or in part by federal funds, there, there is only one consultant capable of providing the service needed, among other circumstances as outlined in sections 5.1 and 5.2 of Board Policy 16, where both noncompetitive (sole source) and limited competition procurements are permitted. Board Policies 23 and 24 outline the policies for specifically procuring equipment and supplies; and construction respectively. The language in Board Policies 23 and 24 is similar to the Board Policy 16 however, the main difference is that \$50,000 is the dollar amount where SANDAG will normally use full and open competition unless certain circumstances are met rather than \$100,000.

The Procurement Manual explains that particular attention should be paid when a procurement provides for on-call services on a wide range of services for more than five years. Such procurements limit the vendors eligible for award to a specific list of on-call vendors and may lead to missed opportunities for better pricing and/or experience from other vendors that have been established or have gained the necessary experience to be eligible for award if a new procurement was issued at an earlier interval.

The FTA BPPM explains that because it is often easier to deal with fewer familiar contractors than potential new offerors/contractors, recipients must vigilantly cultivate ways to increase competition at reasonable expense.

The FTA BPPM warns about favoritism and profiteering in the competition process. A

constant concern associated with government procurements is that poor procurement practices result in suppliers or public agents unjustly profiting at the public's expense. Vulnerabilities associated with a transit system's procurement processes that result in exploitation of public procurements by suppliers or public officials significantly affect the public's overall confidence in that transit agency's ability to safeguard its stakeholder's investments (i.e., passengers, funding partners, local community, and other vested parties.)

There is a potential lack of controls within the on-call solicitation process that limits the fairness and equity in selecting contractors and awarding subsequent task orders to contractors on the on-call bench. There is also a lack of controls around the sole source process that allows for abuse of amendments and sole sources to award contracts and task orders to the same contractors repeatedly. There are no strict rules or descriptions of poor/lack of planning as related to justifying a sole source procurement. The Procurement Manual has conflicting and outdated direction and processes, particularly with regards to the on-call, solicitation, and amendment processes. An example of this is the Procurement Manual explaining that for A&E contracts, the contract manager should carefully track the dollar value capacity to avoid exceeding the stated maximum amount(s). Additionally, it explains that amendments or task orders issued in excess of the stated maximum time or amount set forth in the original solicitation may be treated as sole source procurements.

The potential risks to SANDAG are as follows:

- Overpaying for contracted work
- Costs exceeding estimated budgets
- DBE goals not being met
- Limited or lack of full and open competition
- Favoritism of contractors within the solicitation process
- Repeated award of contracts and task orders to the same contractors
- Authorizing sole sources caused by unjustified reasons due to lack of verifying or requiring sufficient support for sole source requests
- Overuse of sole sources to authorize amendments and task orders
- Lack of trust from the public
- Not being able to easily identify bid rigging schemes, collusion amongst contractors, collusion between contractors and employees, bid manipulation, bid splitting, and leaking of bid data

RECOMMENDATIONS

The OIPA recommends:

1. Revising the on-call process to ensure fairness and equity throughout the entire process.

2. Providing training on procurement planning to include the steps and timeline needed to prepare for various sized and timed projects to contract analysts, project managers and any approving staff.
3. Ensuring sufficient procurement planning efforts are being made to avoid sole sources and amendments.
4. Reviewing the sole source policies, processes, and procedures to ensure a clear understanding of allowed sole sources, limitations around sole sources, and the review and approval requirements of sole sources.
5. Creating sole source SOPs for all levels of the approval process.
6. Creating and providing training related to sole sources to include examples of allowable/approvable situations when a sole source is or can be justified and an explanation and examples of when poor planning does not suffice in requesting a sole source procurement.
7. Ensuring that on-call procurements are being appropriately advertised to reach sufficient, qualified and a variety of contractors and subcontractors, including outreach efforts using public platforms and attendance of outreach events to attract new and disadvantaged contractors and subcontractors.
8. Revising the Procurement Manual to avoid conflicting language, particularly with the contract management of A&E contracts and allowance of sole sources.

BACKGROUND, SCOPE, AND METHODOLOGY

AGENCY BACKGROUND AND CREATION OF THE OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR

Founded in 1980, San Diego Association of Governments (SANDAG) was created by local governments as a long-range planning agency within the San Diego County government as a state-authorized joint powers authority. Currently SANDAG is defined by the State Controller's Office as an Independent Special District. This public agency serves as the forum for regional decision-making. The agency builds consensus; makes strategic plans for the region; obtains and allocates resources; plans, engineers, and builds public transportation; conducts criminal justice research; and provides information on a broad range of topics pertinent to the region's quality of life.

SANDAG is governed by a Board of Directors composed of mayors, council members, and county supervisors from each of the region's 18 cities and County. Supplementing these voting members are advisory member representatives from Imperial County, the U.S. Department of Defense, California Department of Transportation, Metropolitan Transit System, North County Transit District, San Diego County Water Authority, San Diego Unified Port District, San Diego Regional Airport Authority, Southern California Tribal Chairmen's Association, and Mexico.

SANDAG currently has approximately 375 employees. The agency's program budget for fiscal year 2022-23 was \$1.04 billion. This budget includes \$76.9 million in projected costs for the overall work program, \$62.1 million for regional operations, and the annual portion of the capital program is projected to be \$470.9 million, of which \$215 million will be passed through to Caltrans District 11 and other local agencies. The SANDAG financial outlook is tied to the health of the regional, state, national, and global economy. Economic performance can impact sales tax receipts and other sources of revenue that the agency depends on to carry out its projects and programs. Sales tax-based revenues such as Transportation Development Act and TransNet are a significant source of funding for both the Capital Program and the Overall Work Program (OWP).

On January 1, 2018, a new California Assembly Bill ([AB 805](#)) required the creation of the SANDAG Audit Committee, and an independent performance auditor (IPA) position. The Audit Committee is responsible for making recommendations to the SANDAG Board of Directors regarding the hiring and oversight of the work of the SANDAG independent performance auditor, the SANDAG annual audit plan, the external financial auditors for SANDAG, and internal control guidelines for the agency. The Audit Committee also is responsible for monitoring the implementation of any corrective actions arising from the audits. Prior to the creation of the Audit Committee and IPA, SANDAG had only 1.5 full-time equivalent internal audit positions reporting directly to management.

SCOPE

The OIPA audited the processes and procedures for the period of July 1, 2017 to the June 30, 2021.

METHODOLOGY

The audit of internal controls was performed. The procedures included gaining an understanding of the internal control structure including documenting the understanding of internal controls and the controls components to help plan the audit and to determine the nature, timing, and extent of tests to be performed. Gaining an understanding of internal controls may consist of reviewing, verifying, interviewing, and identifying internal controls strengths and weaknesses by way of a questionnaire, narratives, flowcharting processes, and performing a walk-through of transactions as necessary, to develop appropriate auditing procedures. Part II of this audit will include dual testing to determine if controls were in place and being followed.

Additionally, auditors followed procedures in accordance with SAS No. 122 and with SAS No. 99 that included performing a brainstorming session regarding potential fraud as it relates to the audit and document the process.

The substantive audit procedures (dual testing) consisted of an examination of the evidence that supports the recording, authorizing, and approving; reviewing and reporting; and the monitoring and maintenance processes and procedures relevant to the audit. The examination entailed testing, on a sample basis, a portion of the population of transactions and the controls around the process.

Auditors' consideration of audit risk and materiality is a matter of professional judgment. There are quantitative and qualitative elements to consider when establishing a materiality factor, including risk of fact and appearance.



September 30, 2022

TO: Mary Khoshmashrab, Independent Performance Auditor

FROM: Hasan Ikhata, Chief Executive Officer

SUBJECT: Management Response to the OIPA Contracts and Procurement Operational and System Control Audit (Part 1)

The SANDAG Management Team appreciates the opportunity to respond to the Draft OIPA Contracts and Procurement Operational and System Control Audit (Part I), for the review period July 1, 2017 to June 30, 2021.

Management has reviewed the draft audit report and agrees with the findings. Management also has considered OIPA's recommendations for responding to the audit findings and believes a more comprehensive work plan, beyond the proposed actions recommended by OIPA, is warranted to address the organizational and systemic issues that currently impact the overall effectiveness of the agency's contracts and procurement program. Some of this work is already underway.

The Contracts audit started soon after the adoption of the agency's Strategic Plan in early 2022 - five initiatives designed to strengthen resource allocation, technology infrastructure, communication, recruitment and retention of employees, and access to outside resources. The Strategic Plan reflects the operational priorities of the Senior Executive team and includes the following work efforts that align to the audit recommendations:

- Transition to a matrixed approach to project delivery and resource allocation. Department functions may need to be restructured and positions repurposed to achieve this organization design; the emphasis is on establishing a robust and effective project management infrastructure that includes capabilities with respect to contract management responsibilities.
- Implementation of an Enterprise Resource Planning (ERP) system. The decision to replace the existing financial, budgeting, contracts management, and human resources/payroll systems with an ERP was initiated in 2019. Since the time the project commenced in early 2022, opportunities to leverage the ERP's capabilities in additional program areas have been evaluated.
- Improving practices that streamline the procurement of goods and services. Feedback has been sought from internal customers regarding actions that can be



taken to become more efficient in accessing consultants, contractors, vendors, etc. while ensuring compliance with all applicable laws, regulations, and policies. Changes to the workflows and processes used within the Contracts team have been implemented as an initial first step. Other actions have been contemplated but not yet acted upon while waiting for the OIPA audit to be complete.

As noted, Management agrees with the audit findings, and with the outcomes expected to be achieved via the recommended actions, specifically ensuring the agency has effective policies, procedures, and processes; capable and proficient staff who are aware of their roles, responsibilities, and performance expectations; and a robust technology solution that improves efficiency and supports recordkeeping, reporting, and controls. The contracts and procurement program is one of the agency's most essential business functions, and as such, it is Management's intention to prepare a work plan that will result in operational excellence as well as effective oversight, administration, and regulatory compliance. Once developed, the work plan will be shared with OIPA, the Audit Committee, and the Board of Directors for consideration. In the interim, Management shall consider OIPA's recommendations and implement changes where these align to existing work efforts and planned activities.

With respect to Finding VII, Management agrees the agency's contracts and procurement program must be designed and managed to ensure that fair, competitive, and legally compliant processes are used. Due to the diversity of SANDAG's programs, projects, and business needs, various industry-standard procurement methods are used to obtain goods and services, including sole source awards and on-call solicitations. The audit results are consistent with the use of these practices.

Sole source awards, by definition, are the result of limited competition and Management agrees this procurement method should be used only when there is reasonable and justifiable business necessity that is in both SANDAG's and the public's best interest. Supported by the results from Part II of the audit, Management will examine existing practices and approval criteria to ensure sole sources are being used appropriately and judicially.

On-call procurements, which are conducted following a competitive process, serve to identify one or more qualified firms who are ready, willing, and able to perform a general category of work for SANDAG. Following the initial selection of firms, specific projects are defined by SANDAG, and work is awarded incrementally through the issuance of task orders. (In situations where two or more firms are available to perform the defined project, SANDAG conducts a second competitive process to award the task order.) Due to practices used for administering certain on-call master agreements, the total contract amount increases over time. This is because the total contract amount equals the cumulative value of all task orders issued to a firm. Again, supported by results from Part II of the audit, Management intends to fully evaluate the use of on-call agreements and where warranted, will implement policy, program, and process improvements that ensure the most fair and competitive procurement practices that engage all qualified firms in contracting opportunities with SANDAG.

SANDAG Management has initiated organization changes to drive accountability, increase transparency and efficiency, and instill a continuous improvement culture when it comes to business practices. Management's past efforts in responding to the Salaries and Compensation Audit and Purchase Card Audit are testament to this commitment, and I am confident that Management's response to the Contracts and Procurement Audit (Part 1) will bring foundational improvements to one of SANDAG's most important programs.

Please contact me with any questions regarding the information provided.

Sincerely,

A handwritten signature in black ink, appearing to read "Hasan Ikhata". The signature is fluid and cursive, with a large loop at the end.

HASAN IKHRATA
Chief Executive Officer

Attachment:

Outline of Management Actions to Respond to the Contracts and Procurement
Operational and System Control Audit (Part 1)

OUTLINE OF MANAGEMENT ACTIONS TO RESPOND TO THE CONTRACTS AND PROCUREMENT OPERATIONAL AND SYSTEM CONTROL AUDIT (Part I)

The SANDAG Office of the Independent Performance Auditor (OIPA) completed the Contracts and Procurement (Part I) Operational and System Control Audit ("audit") in September 2022.

The audit resulted in 7 findings and 40 recommendations for consideration by SANDAG Management. The recommendations fall into the following four categories: inadequate policies and a lack of standardized procedures; insufficient training provided to staff; inadequate Contract Management System; and poor documentation related to on-call procurements and sole source transactions.

Management intends prepare a work plan that will result in effective oversight, administration, and regulatory compliance for the contracts and procurement program. Once developed, the work plan will be shared with OIPA, the Audit Committee, and the Board of Directors. Until such a plan is developed, Management will implement changes consistent with the audit recommendations where these align to existing work efforts and planned activities.

Finding I: Inadequate administrative Standard Operating Procedures (SOPs) for Contract Analysts and Project Managers

Both contract analysts and project managers were lacking adequate SOPs. What was commonly cited as procedures was the SANDAG Procurement Manual, Board Policies, and project plans but these are not SOPs.

Management agrees with this finding. Management intends to incorporate the following recommendations proposed by OIPA into a comprehensive work plan.

- Creating formalized SOPs with step-by-step instructions for tasks for both contract analysts and project managers.
- Providing formalized and regular training to contract analysts and project managers on their assigned roles, responsibilities, and procedures.
- Updating the Procurement Manual to clearly identify and segregate roles and responsibilities for contract analysts and project managers.

Finding II: Insufficient training of Contract Analysts and Project Managers and insufficient requirements to qualify as a Project Manager

Training for contract analysts is internally conducted, minimal, informal and inconsistent. Formal training is not required for an employee to qualify to be a project manager since not every project manager had formal training, approximately half of SANDAG employees are active project managers in the Contract Management System (CMS), and even more have the ability to be project managers. This is leading to situations where duties are not being properly segregated and contract analysts are doing tasks project managers are supposed to do.

Management agrees with this finding. Management intends to incorporate the following recommendations proposed by OIPA into a comprehensive work plan.

- Creating SOPs for contract analyst and project manager specific tasks.
- More clearly segregating the duties of contract analysts and project managers.
- Providing consistent training for contract analysts provided by contracts subject matter experts and/or management.
- Providing annual and/or continuous training on the Procurement Manual and SOPs for both contract analysts and project managers.
- Identify and requiring that employees meet specific qualifications and have attended external formal project manager specific training prior to being assigned to a project manager role; for employees assigned as project managers over higher risk and dollar projects, formal certified project manager training should be required.
- Encouraging external training provided by professional associations specific to contracts (such as CAPPO and NIGP) and project management.

Finding III: Itemized breakdown of work performed not required for invoice payment

Some project managers required detailed support for work performed to be provided with the invoice to include what tasks were completed, detailed labor hours, and other forms of support, as required in the contract, while others did not. In both cases, invoices were approved and paid.

Management agrees with this finding. Management intends to incorporate the following recommendations proposed by OIPA into a comprehensive work plan.

- Requiring detailed/itemized invoices and progress reports or detailed summary of work performed for a payment to be processed e.g., source documents such as detailed timesheets or task specific assignment sheets that supports labor or work product results, goods and/or receiving receipts from third parties, etc.
- Updating Request for Payment Form to explicitly require itemized invoices to be attached.
- Creating formal SOPs and training for invoice payment to include instructions/methods for verifying invoiced work is included in the contract/task order.
- Updating contract templates to require detailed/itemized invoices as well as progress reports or detailed summaries of work performed to be included with invoice.

Finding IV: Inadequate Contract Management System (CMS) with limited capabilities and usage and inaccurate and missing information

Auditors noted that the current CMS has limited capabilities as a contract management system and is not fully being used as a document management database. Auditors also noted that the list of contracts from CMS provided by staff was inaccurate and incomplete. Employees who are not the project manager of the contract are listed as the project manager, inconsistent naming conventions are used, and various fields have missing (blank) entries.

Management agrees with this finding. Management intends to incorporate the following recommendations proposed by OIPA into a comprehensive work plan.

- Replacing the CMS with a system that properly interfaces with the agency's enterprise resource planning system (ERP) or is a system within the agency's ERP, with the ability to communicate/ integrate with finance encumbrance, invoice and payment records to include tracking, searching, and recording invoice payments against contracts, task orders, etc. The replacement ERP and the data stored within should also be user-friendly, easily accessible and easily reportable.
- Providing staff training and step-by-step SOPs on using the replacement CMS and submitting all types of procurement requests

- Ensuring staff can query to identify the contractor and subcontractor efficiently and easily within the replacement CMS without going to various other platforms or documents
- Ensuring that all contracts and contract-related records and documents are stored in 1 easily accessible location, preferably within the replacement CMS
- Ensuring the replacement CMS is updated with correct and complete information and data to correct the inaccuracies and blanks from the current CMS records
- Requiring that the listed project manager for a contract is the actual project manager in the replacement CMS
- Specify required fields in the replacement CMS and require all mandatory fields to be completed
- Providing staff certain access to the replacement CMS, based on their job duties
- Ensuring that the replacement CMS can provide an audit trail for review
- For continuity and efficiency, at least more than 1 employee but preferably more than 3 should have an in-depth knowledge, training, and skill in the replacement CMS and should be able to provide reports to auditors and/or other authorized recipients
- If recommendation one is chosen not to be accepted and SANDAG continues to use the current CMS, auditors recommend applying recommendations 2-10 to the current CMS.

Finding V: Modifications of details in Records of Negotiation (RON)

Auditors noted a project manager providing leading information to the vendor when requesting a cost proposal including providing the estimated hours and cost identified in the Independent Cost Estimate. Contracts staff deleted that communication and summarized it as a request for a cost proposal. Auditors noted that this is not a widespread practice.

Management agrees with this finding. Management intends to incorporate the following recommendations proposed by OIPA into a comprehensive work plan.

- Creating a formal SOP and provide training on completing a RON to both project managers and contract analysts.
- Providing negotiation training and/or guidelines to project managers and contract analysts to include reasons/intent of negotiations, best practices, and risks of not negotiating and/or not following best practices.

Finding VI: Inadequate documentation for Sole Source transactions

In a sample of 38 Sole Source transactions, auditors found:

- *2 transactions were missing sole source justification forms*
- *Inconsistent labeling and filing of sole source justification forms, for example some can be found in CMS, SharePoint “pre-CMS Working Folders”, SharePoint “CMS Working Folders”, and SharePoint “Contracts Library”*
- *12 sole source justification forms had a listed contract amount that did not match the amount on the provided list of sole source transactions. This included just having explicitly differing dollar amounts, the contract amount saying, “up to” a certain amount and “\$ aggregate total of all task orders”.*
- *5 transactions were missing at least one signature on the justification form which requires two signatures*
- *Sole source transactions not properly labeled as sole source in CMS. An example was when an RFP solicitation resulted in a single bid/proposal justifying a sole source award, but CMS did not reflect this as a sole source.*
- *Method of Procurement Selection is not always submitted with a sole source*

Management agrees with this finding. Management intends to incorporate the following recommendations proposed by OIPA into a comprehensive work plan.

- Providing training to staff on sole source laws, rules, regulations, and processes.
- Creating formal administrative procedures on sole source processes.
- Updating the current sole source justification template to include procurement request details such as contract/task order/ amendment number, project manager name, vendor name, etc.
- Reorganizing contract and sole source records in one centralized location
- Updating CMS to have accurate information.
- Ensuring required documents are saved as separate files and labeled accordingly, such as saving a sole source justification form as such.

Finding VII: Material weaknesses with the identification of on-call and sole source contracts and amendments

Auditors identified that there are material weaknesses within the ability to identify when an increase to the original amount awarded to a vendor is due to the authorization of competed task orders, sole sources, amendments, etc. Specifically, auditors noted the following:

- *There appears to be bias with the totality of contract amounts with preference to certain vendors.*

- *CMS report 1 identifies which amendments are tied to on-call contracts nor which are accurately sole source procurements.*
- *While CMS report 1 can provide a list of sole sources and amendments, there are errors within the report, including:*
 - *records being mislabeled under incorrect base contracts*
 - *record titles not specifying which contract or task order they are related to.*

Though we have not yet audited the process of award to vendors to determine if proper solicitation processes were thoroughly followed, the results of the analysis performed thus far found that there may be a lack of processes or control weaknesses in the solicitation award process that allows some vendors to have more advantages over others.

Auditors were later provided with a second CMS report which contained only on-call related task orders. Based on review of both CMS report 1 and CMS report 2, there appears to be a potential overuse of on-call contracts with certain vendors.

Management agrees with this finding. Management intends to incorporate the following recommendations proposed by OIPA into a comprehensive work plan.

- Reviewing the on-call process to ensure fairness and equity throughout the entire process.
- Providing training on procurement planning to include the steps and timeline needed to prepare for various sized and timed projects to contract analysts, project managers and any approving staff.
- Ensuring sufficient procurement planning efforts are being made to avoid sole sources and amendments.
- Reviewing the sole source policies, processes, and procedures to ensure a clear understanding of allowed sole sources, limitations around sole sources, and the review and approval requirements of sole sources.
- Creating sole source SOPs for all levels of the approval process.
- Creating and providing training related to sole sources to include examples of allowable/approvable situations when a sole source is or can be justified and an explanation and examples of when poor planning does not suffice in requesting a sole source procurement.
- Ensuring that on-call procurements are being appropriately advertised to reach sufficient, qualified and a variety of contractors and subcontractors, including outreach efforts using public platforms and attendance of outreach events to attract new and disadvantaged contractors and subcontractors.
- Revising the Procurement Manual to avoid conflicting language, particularly with the contract management of A&E contracts and allowance of sole sources.



CONTRACTS AND PROCUREMENT OPERATIONAL AND SYSTEM CONTROL AUDIT

Part 1

Office of the Independent Performance Auditor

1

ENGAGEMENT TYPES

In accordance with AB805, OIPA is required to follow GAGAS. The three types of Engagements that may be performed under GAGAS are:

1. Financial Audits

Provide independent assessments of whether entities' reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria.

2. Performance Audits

Provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.

Key categories of performance audit objectives include the following:

- a) Program effectiveness and results audit objectives.
- b) Internal control audit objectives.
- c) Compliance audit objectives.
- d) Prospective analysis audit objective

3. Attestation Engagements and Reviews

Can cover a broad range of financial or nonfinancial objectives about the subject matter or assertion depending on the users' needs.

The Audit presented today is a Performance Audit.

GAGAS: Generally Accepted Government Auditing Standards

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SCOPE AND OBJECTIVES

Scope

The Office of the Independent Performance Auditor (OIPA) reviewed SANDAG's management of contracts and procurement from July 1, 2017 to June 30, 2021.

Objectives

- The objective of this engagement is to review SANDAG's management of contracts and procurement.
- **Part I** consists of:
 - Reviewing SANDAG's system of controls and operations to ensure effective and efficient controls exist and are followed.
 - Reviewing SANDAG's procedures and policies to also ensure they are consistent with Federal, State, and other applicable governing laws, rules, and regulations.
- **Part II** will consist of:
 - A review of contractors and the "effect" or results of the findings identified in Part I. Auditors are in the process of performing substantive testing and estimate the completion of Part II to be January of 2023.

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FINDING I: Inadequate Administrative Standard Operating Procedures (SOP) for Contract Analysts and Project Managers

Observation

Contract analysts and project managers do not have SOPs. The following were cited as procedures:

- The SANDAG Procurement Manual
- Various contract document templates
- Forms on the shared SANDAG website and SharePoint
- Board Policies
- Project plans

Risks Resulting from Internal Control Weaknesses

- Staff duties not clear nor properly segregated
- Overlap in assignment of duties/responsibilities
- Contract analysts complete project manager tasks
- Tasks overlooked, missed, or inconsistently completed
- Delays in projects
- Difficulty and inconsistency in training new staff

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FINDING I (Continued)

Recommendations

The OIPA recommends the following to staff:

1. Create formalized SOPs with clear step-by-step instructions for assigned tasks for each contract analysts and project managers.
2. Provide formal and regular training to contract analysts and project managers on assigned roles, responsibilities, and procedures.
3. Update the Procurement Manual to clearly identify and segregate roles and responsibilities for contract analysts and project managers.

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FINDING II:

Insufficient Training of Contract Analysts and Project Managers and Insufficient Requirements to Qualify as a Project Manager

Observations

Most *contract analyst* training is internal, minimal, informal, and inconsistent. Only some *project managers* had formal training. Inconsistencies identified include:

- 4 of 13 analysts did not have formal training or certifications and only some received training from outside sources
- Analysts not encouraged to join professional associations or seek external training
- Interns train other interns
- Analysts provide training in addition to daily workload
- Analysts complete project manager tasks
- Analysts must sometimes remind project managers of conflict of interest restrictions
- 192 active project managers in CMS and 238 employees with ability to be assigned as a project manager

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FINDING II (Continued)

Risks Resulting from Internal Control Weaknesses

- Inconsistencies in following policies/procedures
- Missing steps in procurement process
- Loss of federal funding due to non-compliance of laws, rules, regulations
- Delays in processing procurement requests
- Improper segregation of duties
- Contract analysts completing project manager tasks
- Vendors taking advantage of staff's lack of knowledge of processes/procedures
- Assigning unqualified staff as project managers
- Excessive assignment of project managers

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FINDING II (Continued)

Recommendations

The OIPA recommends the following to staff:

1. Create SOPs for contract analyst and project manager specific tasks.
2. More clearly segregate the duties of contract analysts and project managers.
3. Provide consistent training for contract analysts by internal subject matter experts and/or management.
4. Provide annual and/or continuous training on the Procurement Manual and SOPs for both contract analysts and project managers.
5. Identify and require specific qualifications to be met and specialized training to be completed by an employee prior to assignment to a project manager role.
6. Encourage external professional association training specific to procurement (i.e. CAPPO and NIGP) and project management.

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FINDING III

Itemized Breakdown of Work Performed Not Required for Invoice Payment

Observation

- Itemized breakdown of work performed not required to process invoices
- Required documentation submitted by vendors for payment is inconsistent
- Only some project managers required detailed support for work performed
- Detailed summaries only provided when explicitly requested

Risks Resulting from Internal Control Weaknesses

- Paying for incomplete or subpar work
- Paying for unauthorized services
- Overpayment or duplicate payments
- Federal funding loss

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FINDING III

(Continued)

Recommendations

The OIPA recommends the following to staff:

1. Require detailed/itemized invoices and progress reports or detailed summary of work performed for a payment to be processed
2. Update Request for Payment Form to explicitly require itemized invoices to be attached.
3. Create formal SOPs and training for invoice payment to include instructions/methods for verifying invoiced work is included in the contract/task order.
4. Update contract templates to require detailed/itemized invoices as well as progress reports or detailed summaries of work performed to be included with invoices.

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FINDING IV

Inadequate Contract Management System (CMS) with Limited Capabilities and Usage and Inaccurate and Missing Information

Observation

The current CMS is not fully being used as a document management database nor document sorting and filing system. CMS's limited capabilities include:

- Not recording, tracking, or reporting total not-to-exceed amounts per contract or vendor.
- Not tracking up-to-date encumbrance amounts or amounts paid against a contract or task order.
- Not tracking a list or number of subcontractors on a contract or task order.
- Allowing users to edit and replace contracts/documents after contract execution.
- Allowing requests when funds are unavailable.
- Allowing auto-populated fields be left blank.
- Only 1 contracts employee is trained to run advanced reports in CMS.

Additionally, auditors noted that from a list of contracts provided, records had inaccurate or incomplete contract details as follows:

- Multiple versions of staff members names
- Project manager labeled as generic username
- 80 records where project manager field is blank
- 1,052 records where Department field is blank
- 1,056 records where 'Division' field is blank
- Employee may be listed as the project manager while not actually acting as the project manager

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FINDING IV

(Continued)

Risks Resulting from Internal Control Weaknesses

Using the current CMS has risks such as:

- Errors and inconsistencies with reported total amounts per contract and per vendor.
- A task order can be executed under a fully expended contract.
- Limited ability to efficiently conduct any quality control or accurate auditing.
- Unreliability of CMS records and reports due to allowed changes at any time.
- Unreliability of amounts recorded in or reported from CMS due to inaccurate/outdated data.
- Subconsultants not formally authorized on a contract/task order may work on a project if PMs or contract analysts cannot easily verify the active subconsultants on a contract.

- Delay in report running.
- Delay in locating required documents.
- Inability to identify who the project manager is.
- Uncertainty on who to contact with questions regarding the request or documents submitted.
- Inability to easily identify bid rigging schemes, collusion amongst contractors, collusion between contractors and employees by bid tailoring, bid manipulation, bid splitting, and leaking of bid data
- Federal funding losses

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FINDING IV (Continued)

Recommendations

The OIPA recommends the following to staff:

1. Replace current CMS. Replacement CMS should be able to communicate/integrate with finance encumbrance, invoice and payment records to include tracking, searching, and recording invoice payments against contracts, task orders, etc. and data stored within should be user-friendly, easily accessible and easily reportable.
2. Provide staff training and SOPs on using replacement CMS and submitting all types of requests
3. Ensure staff can efficiently/easily query list of contractors and subcontractors within replacement CMS
4. Ensure all contracts and related records and are stored in 1 easily accessible location
5. Ensure the replacement CMS is updated with correct and complete information/data to correct the inaccuracies and blanks from the records
6. Require the listed project manager in the replacement CMS be the actual project manager
7. Specify required fields in the replacement CMS and require all mandatory fields to be completed
8. Provide CMS access, based on staff job duties
9. Ensure replacement CMS provides efficient audit trail
10. Ensure more than 1 employee, preferably 3 or more, has in-depth knowledge, training, and skills in replacement CMS and can provide reports to auditors
11. If recommendation one is chosen not to be accepted and SANDAG continues to use the current CMS, auditors recommend applying recommendations 2-10 to the current CMS

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FINDING V Modification of Details in Records of Negotiation (RON)

Observation

A project manager provided leading information to a vendor when requesting a cost proposal. Contracts staff deleted the communication in the RON and summarized it as a request for a cost proposal. This procurement request should not have been authorized. *It should be noted that auditors only found one example of this, and it does not appear to be a widespread practice.*

Risks Resulting from Internal Control Weaknesses

- Eliminates any of SANDAG's negotiating power to receive the best possible price
- Violates the integrity and transparency of the procurement process
- Potential risk of employee and contractor collusion

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FINDING V (Continued)

Recommendations

The OIPA recommends the following to staff:

1. Create a formal SOP and provide training on completing a RON to both project managers and contract analysts.
2. Provide negotiation training and/or guidelines to project managers and contract analysts to include reasons/intent of negotiations, best practices, and risks of not negotiating and/or not following best practices.

FINDING VI Inadequate Documentation for Sole Source Transactions

Observation

From a sample of 38 sole source transactions reviewed, the following were identified:

- 2 transactions missing justification forms.
- Inconsistent labeling/filing of justification forms.
- Justification forms were found in 4 different locations.
- 13 justification forms with amounts that did not match record amount.
- 5 justification forms missing at least 1 signature.
- CMS did not accurately record all sole sources.
- Method of Procurement Selection form is not always submitted with a sole source transaction.

Risks Resulting from Internal Control Weaknesses

- Non-compliance with funding regulations.
- Disqualification from future funding opportunities.
- Disorganization of record keeping can cause the following:
 - difficulty in locating files such as justification forms
 - delays in processing sole sources and other contract documents
 - limits SANDAG's ability to easily confirm processes were followed

FINDING VI (Continued)

Recommendations

The OIPA recommends the following to staff:

1. Provide training to staff on sole source laws, rules, regulations, and processes
2. Create formal administrative procedures on sole source processes
3. Update the current sole source justification template to include procurement request details such as contract/task order/amendment number, project manager name, vendor name, etc.
4. Reorganize contract and sole source records in one centralized location
5. Update CMS to have accurate information.
6. Ensure required documents are saved as separate files and labeled accordingly, such as saving a sole source justification form as such.

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FINDING VII Material Weaknesses with the Identification of On-Call and Sole Source Contracts and Amendments

Observation

- Auditors identified material weaknesses within the ability to identify when an increase is due to competed task orders, sole sources, amendments, etc.
- Auditors noted the following from CMS Report 1 (received July 28, 2022):
 - No clear identification of amendments tied to on-call contracts nor accurate identification of sole source procurements
 - Records mislabeled under incorrect base contracts
 - Record titles not specifying which contract/task order they are related to
 - 1,627 total contracts including 308 on-call contracts
 - 447 contracts with blank original amounts including 271 on-call contracts
 - Approximately 88% of all on-call contracts have blank original amounts

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FINDING VII

Material Weaknesses with the Identification of On-Call and Sole Source Contracts and Amendments

• CMS Report 1: Data Analysis and Methodology

- Includes all open/active contracts during audit period (specifically 7/1/2017 – 7/1/2022), including contracts initiated prior to audit period and/or contracts that remained open/active beyond the audit period.
- Only vendors with original amounts larger than \$1,000,000 were considered.
- Excluded contracts with blank original amounts and on-calls contracts.
- Excluded task orders, amendments and other offsets to avoid “double counting”.
- ‘Current amount’ represents current maximum amount that could be paid, not actual amounts paid.
- **Table 1.1** shows contractors with 10 highest percentage changes.
- **Table 1.2** shows contractors with 10 highest dollar differences.
- **Total percentage increase for all contracts (excluding contracts with blank original amounts and on-call contracts) is 5%.**

➤ Percentage changes and dollar differences are based on original and current amounts.

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FINDING VII (Continued)

Table 1.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (No Blanks or On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change	Vendor Type
Vendor E	\$4,529,303	\$25,333,445	\$20,804,142	459%	Services
Vendor O	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor L	1,000,000	2,084,312	1,084,312	108%	Construction
Vendor M	1,350,340	2,702,605	1,352,265	100%	Services
Vendor N	2,887,873	5,095,629	2,207,756	76%	Services
Vendor P	9,646,701	16,925,950	7,279,249	75%	Services
Vendor Q	1,096,164	1,861,245	765,080	70%	Services
Vendor R	1,200,000	2,000,000	800,000	67%	Services
Vendor Y	15,881,019	26,302,039	10,421,019	66%	Services
Vendor Z	7,467,530	12,162,981	4,695,451	63%	Services

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FINDING VII (Continued)

Table 1.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (No Blanks or On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change	Vendor Type
Vendor A	\$4,529,303	\$25,333,445	\$20,804,142	459%	Services
Vendor I	15,881,019	\$26,302,039	10,421,019	66%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services
Vendor K	26,337,660	33,305,001	6,967,340	26%	Public Agency
Vendor L	39,914,596	46,720,603	6,806,006	17%	Construction
Vendor M	58,071,354	63,907,698	5,836,344	10%	Public Agency
Vendor N	11,142,611	16,221,470	5,078,859	46%	Construction
Vendor J	7,467,530	12,162,981	4,695,451	63%	Services
Vendor O	29,864,686	32,788,499	2,923,813	10%	Construction

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FINDING VII (Continued)

• CMS Report 2: Data Analysis and Methodology

- Similar analysis conducted on additional CMS data for **only on-call contracts**, CMS Report 2 (received September 21, 2022).
- Includes all open/active on-call contracts during audit period (specifically from July 1, 2017 – July 1, 2022), including contracts initiated prior to audit period and/or contracts that remained open/active beyond the audit period.
- Only Vendors with original amounts larger than \$1,000,000 were considered.
- Excluded contracts with blank original amounts.
- 'Current amount' represents current maximum amount that could be paid to a contractor, not actual amounts paid.
- **Table 2.1** shows contractors with 10 highest percentage change
- **Table 2.2** shows contractors with 10 highest dollar differences
- **Total percentage increase for all on-call contracts is 46%.**

➤ Percentage changes and dollar differences are based on original and current amounts.

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FINDING VII (Continued)

Table 2.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change	Vendor Type
Vendor P	\$1,289,810	\$10,289,100	\$8,999,290	698%	Services
Vendor Q	6,657,981	15,140,577	8,482,596	127%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor S	1,311,000	2,606,000	1,295,000	99%	Services
Vendor T	2,194,935	4,347,559	2,152,625	98%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor V	8,168,701	13,356,401	5,187,700	64%	Services
Vendor W	9,098,295	14,545,304	5,447,009	60%	Services
Vendor X	35,390,247	56,538,676	21,148,429	60%	Services
Vendor Y	5,234,852	7,821,560	2,586,708	49%	Services

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FINDING VII (Continued)

Table 2.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-call)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change	Vendor Type
Vendor Z	\$140,307,107	\$204,290,405	\$63,983,298	46%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor AA	57,076,879	84,561,618	27,484,739	48%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor X	35,390,247	56,538,676	21,148,429	60%	Services
Vendor BB	37,337,211	52,205,418	14,868,207	40%	Services
Vendor CC	62,759,209	75,508,508	12,749,298	20%	Services
Vendor DD	28,646,269	39,906,977	11,260,707	39%	Services
Vendor P	1,289,810	10,289,100	8,999,290	698%	Services
Vendor Q	6,657,981	15,140,577	8,482,596	127%	Services

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FINDING VII (Continued)

• Combined Reports: Data Analysis and Methodology

- Data includes **both** the on-call and non-on-call contracts combined.
- Only Vendors with original amounts larger than \$1,000,000 were considered.
- Excluded contracts with blank original amounts
- **Table 3.1** shows contractors with 10 highest percentage change
- **Table 3.2** shows contractors with 10 highest dollar differences
- **Total percentage increase for all contracts combined is 19%.**

➤ Percentage changes and dollar differences are based on original and current amounts.

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FINDING VII (Continued)

Table 3.1

CONTRACTORS WITH 10 HIGHEST PERCENTAGE CHANGE BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-Call and Non-On-Call Combined)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change	Vendor Type
Vendor P	\$1,289,810	\$10,289,100	\$8,999,290	698%	Services
Vendor A	4,529,303	25,333,445	20,804,142	459%	Services
Vendor B	2,848,800	11,187,910	8,339,110	293%	Construction
Vendor D	1,350,340	2,702,605	1,352,265	100%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor T	2,194,935	4,347,559	2,152,625	98%	Services
Vendor Q	10,422,638	19,884,304	9,461,666	91%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor E	2,887,873	5,095,629	2,207,756	76%	Services
Vendor F	9,646,701	16,925,950	7,279,249	75%	Services

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FINDING VII (Continued)

Table 3.2

CONTRACTORS WITH 10 HIGHEST DOLLAR DIFFERENCES BETWEEN ORIGINAL AND CURRENT AMOUNTS AWARDED (On-Call and Non-On-Call Combined)					
Vendor	Original Amount Awarded (All Contracts Combined)	Current Amount Awarded (All Contracts Combined)	\$ Difference	% Change	Vendor Type
Vendor Z	\$140,307,107	\$204,290,405	\$63,983,298	46%	Services
Vendor R	31,713,659	63,245,356	31,531,696	99%	Services
Vendor AA	58,166,991	88,015,358	29,848,367	51%	Services
Vendor U	33,483,362	59,959,958	26,476,596	79%	Services
Vendor X	35,396,122	56,538,676	21,142,554	60%	Services
Vendor A	4,529,303	25,333,445	20,804,142	459%	Services
Vendor BB	44,400,092	59,268,299	14,868,207	40%	Services
Vendor CC	62,759,209	75,508,508	12,749,298	20%	Services
Vendor DD	28,816,904	40,077,611	11,260,707	39%	Services
Vendor I	15,881,019	26,302,039	10,421,019	66%	Services

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FINDING VII (Continued)

• Significance of Results

- **5 contractors** appear in the top 10 largest percentage increase for both the on-call and the total combined tables.
- **8 contractors** appear in the top 10 largest dollar increase for both the on-call and the total combined tables.
- There appears to be a disproportionate preference to certain vendors based on the totality of contract amounts.
- Results of this finding exhibit how much a contractor has the ability to be reimbursed.
- **Part II** of this audit will allow auditors to determine if on-call contracts have been amended, sole sourced, and if all requirements were followed.

➤ Percentage changes and dollar differences are based on original and current amounts.

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FINDING VII (Continued)

Risks

- Favoritism and repeated award to the same vendors
- Authorizing unjustified sole sources and overuse of sole sources
- Overpaying for contracted work and costs exceeding estimated budgets
- DBE goals not being met
- Limited or lack of full and open competition
- Lack of public trust
- Not being able to easily identify bid rigging schemes, collusion amongst contractors, collusion between contractors and employees, bid manipulation, bid splitting, and leaking of bid data

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FINDING VII (Continued)

Recommendations

The OIPA recommends the following to staff:

1. Review the on-call process to ensure fairness and equity throughout.
2. Provide procurement planning training with the steps and timeline needed to prepare projects.
3. Ensure sufficient planning efforts are made to avoid sole sources and amendments.
4. Review the sole source policies to ensure a clear understanding of allowed requests, limitations, and approval requirements.
5. Create sole source SOPs for all levels of the approval process.
6. Provide sole source training with examples of justified/allowable requests and unjustified examples due to poor planning.
7. Ensure on-call procurements are being sufficiently advertised to reach a variety of qualified contractors, including public platform outreach and attendance of outreach events to attract new and disadvantaged contractors and subcontractors.
8. Revise the Procurement Manual to avoid conflicting language, particularly with the A&E contract management and sole sources.

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Questions?

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