Technical Appendix 1

Financial Background and Assumptions

Appendix Contents

Background

Over the past 30 years transportation funding has undergone significant transformation from relying on federal and state funds (up to 70 percent), to increased dependence on local funds such as a transportation sales tax. In general, federal and state formula funding programs were not increasing as fast as the inflationary increases in construction, operating, and maintenance costs and the increases in demand for new facilities while at the same time, these same funding programs experienced absolute declines and this trend has continued over the ensuing decades. Given this trend, the region, as reflected in subsequent Regional Transportation Plans, has utilized various and differing financing tools to implement regionally significant projects. However, other ongoing maintenance and operating needs have been neglected due to insufficient funds.

TransNet Program

The reliance on declining and unstable revenue sources led to the most significant recommendation of the 1986 RTP: to establish a local, stable, and predictable source of transportation funding to provide a solid foundation for the region's long-range transportation program. The recommended funding source was a one-half percent local sales tax increase dedicated for transportation improvements. A ballot measure was developed and approved by the voters in November 1987 (Proposition A). The sales tax was effective from April 1, 1988 to March 31, 2008, generating over $3 billion for regional transportation improvements.

In November 2004 the voters of San Diego County approved the extension of the same sales tax for transportation through the year 2048. It is anticipated that an additional $25 billion in revenues would be generated for regional transportation improvements. Although the sales tax extends to 2048, an additional two years were added to be consistent with the 2050 outlook for the RTP. It is assumed that an extension will take place prior to 2048. One of the more innovative components of the *TransNet* extension ordinance is the initiative for early environmental mitigation to reduce future cost of major transportation projects. To that end, SANDAG has worked with regional and state resource agencies to reach a historic agreement for streamlined permit process. SANDAG, serving as the San Diego County Regional Transportation Commission, administers the transportation sales tax program, which is commonly referred to as the *TransNet* Program.

State Legislation

Following the passage of the initial *TransNet* Program, a major state transportation legislative package, known as the Transportation Blueprint, was developed and approved by the voters in 1990 (Propositions 108, 111, and 116). These measures resulted in a nine-cent per gallon increase in the gas tax spread over a four-year period, and $3 billion in bond funds for rail projects statewide. In 2000, another $5.3 billion was added by the state Traffic Congestion Relief Program (TCRP), and in 2002, the voters of California passed a measure (Proposition 42) dedicating the sales tax on fuels for transportation purposes. In 2006 the voters of California approved a major infrastructure bond program the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) including $19.9 billion for transportation improvements throughout the state. San Diego anticipates receipts of approximately $1.4 billion through the life of the bond act. In November 2008, voters approved another infrastructure bond program – Safe, Reliable High Speed Passenger Train Bond Act for the 21st Century

- for capital improvements to intercity rail, commuter rail and urban rail systems that provide direct connectivity to the high-speed train system. As part of the FY 2010 state budget, the State Transit Assistance (STA) was suspended for three years. Then in March 2010, ABx8-6 and ABx8-9 passed, which restored the STA program to provide a steady and consistent source of revenue for transit operators. While intended to be revenue neutral, the "gas tax swap" has significantly altered funding under the State Transportation Improvement Program (STIP) sources by eliminating or reducing certain funding.

ISTEA/TEA-21/SAFETEA-LU

The passage of the federal Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 provided a significant change in federal transportation policy by creating a number of new funding programs and providing additional flexibility in the use of federal funds. Of the changes brought about by ISTEA, the most significant to the region was the nearly $200 million in new funding provided through the Surface Transportation Program (STP), the Congestion Mitigation and Air Quality (CMAQ) Improvement Program, and the Transportation Enhancement Activities (TEA) Program over a six-year period (FY 1992 to FY 1997). The SANDAG Board of Directors is responsible for the allocation of the funds made available through these federal funding programs. The federal transportation funding program structure established in ISTEA has been carried over, in substantially the same form, through two subsequent federal authorizations in 1998 Transportation Efficiency Act for the 21st Century (TEA-21) and 2005 Safe, Accountable, Flexible and Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU).

TEA-21 provided earmarks for major projects in the region such as Mission Valley East and SPRINTER light rail projects, and SR 905 connecting to the Otay Mesa Port of Entry. The passage of SAFETEA-LU continued most of the federal funding programs transportation agencies have come to rely on. One new subprogram of note is the Small Starts program under FTA. A subset of New Starts, Small Starts projects are designed to fund transit capital projects costing up to $250 million. SANDAG received an award for a Bus Rapid Transit (BRT) project under this program. Without a new transportation reauthorization, funding under SAFETEA-LU which expired September 30, 2009 has been extended for varying periods on a Continuing Resolution basis. The outlook for the federal transportation programs remains uncertain given the current federal budget deficit, declining and unsustainable balances in the Federal Highway Trust Fund, and other competing demands.

Accomplishments Since 2007

Since the 2030 San Diego Regional Transportation Plan: Pathways for the Future was adopted in late 2007, significant progress has been made in the area of transportation financing.

Local Funding

The *TransNet* Program has continued to provide for the accelerated implementation of major highway and transit projects, as identified in the *TransNet* Ordinance and Expenditure Plans, as well as numerous local street and road improvements and bicycle facilities. In the initial *TransNet* program, approximately $3 billion (including bond proceeds) has been disbursed to Caltrans, the two transit districts - Metropolitan Transit System (MTS) [formerly the Metropolitan Transit Development Board]) and North County Transit District (NCTD) - the

County of San Diego, and the 18 cities in the San Diego region to implement *TransNet*-funded projects. Although the *TransNet* Extension did not become effective until April 2008, the SANDAG Board of Directors approved jump starting several key regional transportation projects. To date, SANDAG has issued bonds under the *TransNet* Extension in the amount of $950 million to support the accelerated delivery of major transit and highway projects across the region. The Early Action Program (EAP) consists of several major projects that are expected to make a significant impact on relieving traffic congestion. The EAP strategy is to leverage as much federal and state funds as available, then borrow against future *TransNet* revenues to complete these projects early in order to relieve congestion ahead of their initial schedules.

In the area of transit, SB 1703 transferred to SANDAG the responsibility for regional transit planning and major capital project development and implementation from the two transit development boards – NCTD and the former MTDB. MTDB was subsequently reorganized as the Metropolitan Transit System (MTS), which has also evolved into a single operator incorporating the area's separate transit systems that used to operate as a separate entity. This service merger continues the funding consolidation that was started under the MTDB in 2001. The new MTS provides for a more streamlined and seamless service within its service area.

State Funding

A number of changes were made to the state process under the State Transportation Improvement Program or the STIP that allowed a greater share of the STIP to be made available to regional agencies for allocation beginning with the 1998 STIP. Transportation funding ups and downs reflect those of the overall economy. The optimistic funding scenario of the 1998, 2000, and 2002 STIP cycles was quickly followed by a severely constrained 2004 STIP that estimated no new revenues for the near term. However, the landmark infrastructure bond, Proposition 1B (discussed above) injected much needed revenues in the middle of the 2006 STIP which provided some relief to transportation funding in the face of ever increasing need for improvements. Then, again with the 2008 and 2010 STIP, revenues were even more dramatically constrained as the state struggled to pass its annual budget in the face of dwindling revenues resulting from the effects of the Great Recession on the state and national economies.

The state budget continues to be under crisis. The California Transportation Commission (CTC) in its 2010 Annual Report noted that "…California's transportation program is operating under an atmosphere of extreme funding constraints caused by prolonged state budget negotiations and restricted bond sales…" Over $7 billion statewide in various transportation accounts have been borrowed or diverted. The CTC repeatedly suspended allocations for projects programmed in the STIP, the State Highway Operation and Protection Program (SHOPP) and the TCRP. While the state has now begun to re-pay some of these loans, the impact of these actions caused delays and associated cost increases in project delivery due to the repeated lack of funds. Repayment of the loans is now scheduled to be done over several years, extending well into the end of the current decade.

To address this transportation budget crisis in 2006, the Governor and the Legislature agreed to support passage of SB 1266 (Prop. 1B), a general obligation infrastructure bond that would inject $19.9 billion to various existing and new transportation programs. As discussed above, the voters approved this initiative in November 2006. The programs add money for various existing programs such as the STIP, the SHOPP, and Local Streets and Roads. New programs funded with other proceeds were dedicated for congestion relief (Corridor Mobility Improvement Account [CMIA]), port infrastructure, goods movement and security, a revived state-local partnership program, transit safety, and other smaller programs. The San Diego region anticipates receiving approximately $1.4 billion from this bond. Already, the CTC awarded $367 million in CMIA funds for the I-15 Managed Lanes (South) project, $6 million in Highway-Railroad Crossing Safety, and $188 million in STIP funds sourced from the bonds for the SR 52 Extension project to Santee. Another $82 million in CMIA was approved for the I-805 Carroll Canyon Road project. The availability of the federal stimulus funds (American Recovery and Reinvestment Act [ARRA]) also augmented existing state funded projects (e.g., $57 million in CMIA funds were freed up to use toward another project in the San Diego region). CTC issued a call for projects under the CMIA program using savings resulting from lower than expected bids from projects statewide. SANDAG received $100 million for the I-805 HOV/Managed Lanes project. Also, the statewide Proposition 1A (high speed rail), approved by voters in 2008, would add $950 million for rail projects statewide. Locally, approximately $97 million were awarded to the San Diego area under Prop. 1A. However, due to the temporary suspension of the sales of bonds, limited funding has been allocated.

Federal Funding

SANDAG continues to focus on encouraging the delivery of the projects programmed with federal funds while seeking additional discretionary funding for border infrastructure improvements, major transit projects, and other transportation improvements. SANDAG continues to work with regional, state and national partners toward reauthorization of SAFETEA-LU. SANDAG participates with other regional agencies, transportation providers, and organizations and associations statewide on the development of a set of principles for the reauthorization process. The effort to build support for the principles continues so that California can present a united position as federal legislation is developed. With the newly elected members of the legislature in 2010 and with the next presidential election in 2012, the timing of the reauthorization remains uncertain. However, the RTP assumes a continuation of the existing formula programs.

Revenue Constrained Financial Assumptions

All revenues shown below have been escalated to the year the expenditures occur and based on escalation factors appropriate for the specific revenue source.

Local Revenues

***TransNet* Program** is a voter-approved half cent sales tax for transportation purposes in the San Diego region.

- Total Revenues: $31.5B including bond proceeds
- Base Year: 2010
- Data Source: Actual sales tax receipts to FY 2010; projection of sales tax receipts are based on the SANDAG Demographic Forecasting Model (DEFM)
- Growth Rate: Based on DEFM which ranges from 3.9 percent to 6 percent to 2050

- Bond Proceeds are based on analysis of program capacity over the life of *TransNet* (2048)
- Bond Proceed amounts assume adequate coverage ratios through the life of the repayment period

Transportation Development Act (TDA) is a statewide one-quarter percent sales tax for transportation purposes. In San Diego, TDA program is used exclusively for transit, non-motorized, and regional planning purposes.

- Total Revenues: $12.3B
- Base Year: 2010
- Data Source: Actual sales tax receipts to FY 2010; projection of sales tax receipts are based on DEFM. Growth Rate: Used the same DEFM growth factor

City/County Local Gas Taxes are subventions local agencies receive directly from the state from the state gas tax used for transportation related purposes.

- Total Revenues: $6.2B
- Base Year: 2007
- Data Source: Actual received as reported in the State Controller's Report through FY 2007
- Growth Rate: Based on future fuel consumption, as estimated by Caltrans 2009 Public Roads Data (between 1.7 percent and 2.42 percent)

Developer Impact Fees: The *TransNet* Extension Ordinance (2004) established the Regional Transportation Congestion Improvement Program which provides for the collection of a fee per new residential dwelling unit to help pay for transportation improvements on the Regional Arterial System. All local jurisdictions are required to comply.

- Total Revenue: $1.4B
- Base Year: 2010
- Data Source: DEFM for new housing units to be built by 2050
- Growth Rate: Historical Construction Cost Index, no less than 2 percent per year (based on *TransNet* Ordinance)

General Fund/Miscellaneous Local Road Funds are general fund revenues dedicated for transportation purposes.

- Total Revenue: $31.9B
- Base Year: 2007
- Data Source: Actual received as reported in the State Controller's Report through FY 2007
- Growth Rate: 3 percent

Toll Road Funding – I-5, SR 11, I-15, SR 125 and SR 241: The cost to design, acquire the right of way, and build the facilities, including the Otay Mesa East Port of Entry, is assumed to be the revenue contribution. User-toll revenues are not assumed.

- Total Revenue: $5.9B
- Base Year: 2010
- Data Source: SR 241 from Foothill Corridor JPA, SR 11 assumes $75 million from Prop. 1B Trade Corridors Improvement Fund award, plus $19 million from federal earmarks, federal Corridors and Borders Infrastructure (CBI) program, state STIP funds, and the remaining $661 million would be contribution from developing agency

- Growth Rate: Not applicable

Public Private Partnerships/Transit Oriented Development (TOD): Partnering with businesses for mixed-use development around transit stations as well as working with local agencies/businesses to offer circulators, streetcars or shuttles.

- Total Revenue: $1.2B
- Base Year: 2010
- Data Source: transit agencies that already have agreements for TODs, using other regions' agreements as a guide to develop own partnership to provide transit circulator, streetcar and airport shuttle service
- Growth Rate: Not applicable

FasTrak® Net Revenues: Anticipated user-toll revenues generated from the various high occupancy toll lanes (HOT) existing and planned.

- Total Revenue: $583M
- Base Year: $2010
- Data Source: Using existing data for revenues per mile and anticipated toll pricing system and extrapolating based on planned opening of HOT lanes – new 20 miles of HOT lanes opening every 10 years
- Growth Rate: Consumer Price Index

Passenger Fares: Estimated fare revenues to be collected for current service and future planned services.

- Total Revenue: $14.9B
- Base Year: 2010
- Data Source: Using the 35 percent farebox recovery ratio over the current RTP period, multiplied FY 2010 to FY 2015 operating cost projections
- Growth Rate: 3.3 percent per year

Prior Year Funds in RTIP: Local share of previously expended revenues for various projects funded with state and federal funds (i.e., I-15 ML, I-805 ML, SR 52, SR 76, Mid-Coast, Superloop, Blue Line).

- Base Year: 2010
- Data Source: 2010 Regional Transportation Improvement Program (RTIP)
- Growth Rate: Not applicable

State Revenues

State Transportation Improvement Program (STIP)/Traffic Congestion Relief Program (TCRP): Includes the county share of the Regional Improvement Program, Interregional Program and the Traffic Congestion Relief Program.

- Total Revenues: 7.8B
- Base Year: 2010
- Source Data: 2010 STIP Fund Estimate
- Growth Rate: 5 percent per year; no TCRP after final allocations are received

Proposition 42 (Local Street and Road): County portion of Prop. 42 revenues for local agencies only.

- Total Revenue: $2.7B
- Base Year: 2010
- Source Data: 2010 Fund Estimate
- Growth Rate: based on future fuel consumption as estimated by Caltrans 2009 Public Roads Data (between 1.7 percent and 2.42 percent)

State Transit Assistance: ABx8-6 and ABx8-9 provides for steady revenue source. Although Proposition 26 approved by the voters in November 2010 potentially jeopardizes the new law, until there is legislative change, assumption is the revenues established in ABx8-6 and ABx8-9 remain in place.

- Total Revenue: $1.5B
- Base Year: 2010
- Source Data: 2010 Apportionment Estimate from the State Controller's Office
- Growth Rate: 3 percent

State Highway Operations Protection Program: State funding for state highway maintenance and operations projects, including major capital projects.

- Total Revenue: $19B
- Base Year: 2010
- Source Data: Caltrans District 11 estimate which includes operations and maintenance of non-major capital and labor costs; major capital costs based on 10-year SHOPP (including funding through Prop. 1B)
- Growth Rate: 5 percent to account for increased maintenance needs and inventory

Proposition 1A/1B/Other: Includes actual allocations/award from Prop. 1A/1B to 2014; then no revenues assumed to 2018. Starting in 2019 assume an average of $250 million/year escalated every 5 years. Historically, the state has passed legislation, on average every five years that fund major transportation infrastructure projects. Assumption is the state would continue this practice and SANDAG share is equivalent to its historical receipts.

- Total Revenue: $9.6B
- Base Year: 2010
- Source Data: SANDAG share of Propositions 108 and 116, TCRP, Prop. 1A, Prop. 1B
- Growth Rate: 5 percent increase every five years

Other State Managed Federal Programs: State administered programs for the region such as Highway Bridge Program, Hazard Elimination Program, Freeway Service Patrol, Highway Safety Improvement Program, Safe Routes to School among others.

- Total Revenue: $1.5B
- Base Year: 2010
- Source Data: Historical receipts for the region
- Growth Rate: 5 percent

High Speed Rail: In addition to the Prop. 1A High Speed Rail funds assumed above, it is assumed that the state will lead the effort to secure additional funds for the section of the High Speed Rail within San Diego County, beginning in 2041.

- Total Revenue: $16.6B
- Base Year: 2010

- Source Data: High Speed Rail Authority
- Growth Rate: Not applicable

Prior Year Funds in RTIP: Share of previously expended state funding for various major on-going projects (i.e., I-15 ML, SR 52, SR 905, Mid-Coast, Del Mar Bluffs).

- Total Revenue: $561M
- Base Year: 2010
- Source Data: 2010 Regional Transportation Improvement Program (RTIP)
- Growth Rate: Not applicable

Federal Revenues

Federal Transit Administration (FTA) Discretionary: The FTA discretionary programs include funding for major bus and new starts capital projects. Previous New Starts includes Mission Valley East and the SPRINTER.

- Total Revenue: $7.9B
- Base Year: 2010
- Source Data: Assume Full Funding Grant Agreement for Mid-Coast based on competitiveness and discussions with FTA for the out years based on the assumption of one large New Starts eligible project and three Small Starts eligible project per decade, with federal share consistent with current FTA guidance
- Growth Rate: 5 percent for non-New Start discretionary funds

FTA Formula Programs: Allocated annually from the federal budget based on urbanized area population, population density and transit revenue miles of service among other factors.

- Total Revenue: $13.3B
- Base Year: 2010
- Source Data: Actuals from the Federal Register through FY 2010
- Growth Rate: 5 percent; starting year 2020 and every six years thereafter 10 percent increase due to reauthorization (conservative increases relative to historical growth: ISTEA to SAFETEA-LU has been 25.5 percent, and the February 2011 President's proposal increases by 102 percent from SAFETEA-LU)

Congestion Mitigation and Air Quality (CMAQ) Improvement/Regional Surface Transportation Programs (RSTP): CMAQ program supports projects that reduce traffic congestion and improve air quality. RSTP program is much more flexible and can be used toward major highway and transit projects as well as regional arterial projects.

- Total Revenue: $7.2B
- Base Year: 2010
- Source Data: Actuals through FY 2010 and estimates from Caltrans through 2014
- Growth Rate: 5 percent

Other Federal Highway Administration Programs: Projects identified under High Priority in SAFETEA-LU.

- Total Revenue: $1.9B
- Base Year: 2010
- Source Data: SAFETEA-LU through 2009 and 2010 federal budget
- Growth Rate: 5 percent

Federal Railroad Administration (FRA/ Discretionary: The federal stimulus program began a new funding source under FRA which has awarded funding under the American Recovery and Reinvestment Act as well as under Passenger Rail Investment and Improvement Act (PRIIA). Due to the newness of the program, the estimate is based on actual award; however, as part of the Los Angeles—San Diego (LOSSAN) rail corridor (second busiest in the nation), it is anticipated that the projects in the San Diego region will be very competitive for both the on-going FRA formula program as well as funding under the high speed rail which the President has identified as one of his priorities.

- Total Revenue: $1.8B
- Base Year: 2010
- Source Data: Actual award from ARRA and PRIIA
- Growth Rate: 2.5 percent (to remain conservative)

Corridors and Borders Infrastructure (CBI)/Other Freight Funds: federal funds related to a project area called "intermodal connectors" or "last mile freight roadway projects." Since the passage of ISTEA in 1991, the DOT, by law, has been charged with periodically developing a conditions report on Intermodal Connectors; the assumption is that there will be dedicated funding under a national freight policy. San Diego, as a major border region, anticipates being very competitive in freight/border funds.

- Total Revenue: $3.1B
- Base Year: $2010
- Source Data: Actual receipts under CBI (2010 base year), then assume $25M per year escalated at 3 percent

Prior Year Funds in RTIP: share of previously expended federal funding for various major ongoing projects (i.e., I-15 ML, SR 52, SR 905, SPRINTER, Mid-Coast, Del Mar Bluffs).

- Total Revenue: $736M
- Base Year: 2010
- Source Data: 2010 Regional Transportation Improvement Program (RTIP)
- Growth Rate: Not applicable

Table TA 1.1 – Revenue Sources: Availability Assumptions and Risk Assessment

Revenue Source	New or Existing	Availability Assumption	Potential Risk	Risk Mitigation
Federal Non-Discretionary Funds	Existing	Continued federal funding at historical apportionment levels.	Lack of federal authorization bill	Funds continue on incremental basis, at historic levels
Corridors and Borders Infrastructure/Other Freight Funds	Existing/Future	Continue federal funding at historic levels for CBI/ additional funding for freight projects	Lack of federal authorization bill or no continuation of this program	Funds continue on incremental basis, at historic levels for CBI
Federal Funds Discretionary	New	Reasonably available based on recent past and current allocations for the region	Lack of authorization or award	Alternative funding sources substituted; RTP amended if needed
Transportaiton Sales Tax	Existing	Current sales tax expires in 2048, assume continuation to 2050 given successful passage of the first two sales tax ballot.	The ballot measure fails	Funds continue based on past experience
Future Local Funding	New	Plan for new sales tax measure or other source to fund in part transit operations.	The ballot measure fails	Alternative funding sources substituted; RTP amended if needed
Public Private Partnerships/Transit Oriented Development	New	Partnerships with businesses for mixed-used, transit friendly development and local circulators for streetcar and Airport Express	Local business partners fail or the partnerships do not materialize	Alternative funding sources substituted; RTP amended if needed
New State Funds	New	Assumption of Prop 1B-equivalent funding in future years based on historical legislations	Limits number of state funded transportation projects	Alternative funding sources substituted; RTP amended if needed
High-Speed Rail	New	Assumption of federal, state and private funds to complete the San Diego section of the High-Speed Train	Funds do not materialize, or only a portion of funds needed are available	Alternative funding sources substituted, RTP amended if needed

Table TA 1.2 – New Revenue Sources Documentation

Revenue Source	Amount	Description	Actions to Ensure Availability	Responsible Party
Public Private Partnerships/Transit Oriented Development	$1.2B	Private sector involvement in funding of transit facility development (mixed-use) and service for local circulators, streetcars, Airport Express	Pursue approvals for developer contributions, benefit assessment districts, joint development and value capture projects	MPO, transit operators, local jurisdictions
Future Local Revenues	$11.9B	Half cent sales tax for 35 years to pay for among others transit operations	MPO has legislative authority to seek voter approval; specific in the *TransNet* Ordinance to place on ballot	Upon Board action to proceed, find a sponsor for outreach and polling efforts
State Funds	$9.5B	Based on state history to fund transportation infrastructure, assume $250M over a 5-year period every 5 years escalated by 5 percent	MPO in partnership with local and regional agencies and with business community to convey the need to state legislators	MPO, local agencies, business community
Borders/Other Freight	$3.1B	Intermodal connectors or last mile freight roadway projects as identified in the transportation bills starting with ISTEA	Continue to work with legislators	MPO