MEETING NOTICE AND AGENDA

TRANSNET INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE (ITOC)
The ITOC may take action on any item appearing on this agenda.

Wednesday, July 20, 2005
11 a.m. to 3 p.m.
SANDAG, Conference Room 8B
401 B Street, Suite 800
San Diego, CA 92101-4231

Staff Contact: Craig Scott
(619) 699-1926
csc@sandag.org

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Welcome to SANDAG. Members of the public may speak to the TransNet Independent Taxpayer Oversight Committee (ITOC) members on any item at the time the ITOC is considering the item. Also, members of the public are invited to address the ITOC on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Speakers are limited to three minutes. The ITOC may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org under Meetings on SANDAG’s Web site. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form also available on the Web site. E-mail comments should be received no later than noon, two working days prior to the ITOC meeting.

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**TRANSNET INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE (ITOC)**

Wednesday, July 20, 2005

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<tr>
<th>ITEM #</th>
<th>ACTION</th>
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<tr>
<td><strong>+1.</strong> Meeting Summary for the June 15, 2005, Meeting</td>
<td>ACCEPT</td>
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<td>A summary of the June 15, 2005, meeting has been prepared for the Committee’s review.</td>
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| 2. Public Comments/Communications/Member Comments | |
| Members of the public will have the opportunity to address the ITOC on any issue within the jurisdiction of the ITOC. Speakers will be limited to three minutes each. Committee members also may provide information and announcements under this agenda item. |

| **+3.** San Diego Taxpayers Association Perspective on the ITOC | INFORMATION/DISCUSSION |
| Lisa Briggs, Executive Director of the San Diego Taxpayers Association, will provide an overview of the perspective of the Association on the roles and responsibilities of the ITOC. Ms. Briggs and several other Association members worked closely with SANDAG on the development of the ITOC language in the TransNet Extension Ordinance. |

| **+4.** The Proposition MM San Diego Unified School District Citizen Oversight Committee Experience | INFORMATION/DISCUSSION |
| Lou Smith will provide an overview of the Citizen Oversight Committee formed to provide oversight for the expenditure of the Prop. MM school bond funds. Mr. Smith will cover the organization and structure of the oversight committee, its major functions, its budget, and some lessons learned from the experience to date. |
-5. **Workshop Session on Organization of the ITOC and the Development of “Scope of Work”**

The ITOC will discuss its roles and responsibilities and establish priorities for work tasks to be undertaken in the near term. Chairman Mike Boyle has developed a discussion outline summarizing the key responsibilities of the ITOC and listing a series of discussion questions for use by the ITOC in this workshop session. In relation to the ITOC responsibilities regarding performance measures, Mr. Boyle has provided an article published in the Union Tribune as background for the ITOC’s discussion. In addition, the ITOC language from the voter-approved TransNet Ordinance also has been included for reference.

As part of this workshop, the ITOC should discuss:

- The ITOC’s specific responsibilities as outlined in the Ordinance, including how and when it should deal with each one.

- How the ITOC should organize itself to carry out its responsibilities, including the need for bylaws/operating rules, subcommittees, and SANDAG staff/consultant assistance.

- What kind of information does the ITOC need to carry out its responsibilities? Are there certain revenue/expenditure reports or other reports that the ITOC would like to receive on a regular basis?

6. **Future Meeting Schedule and Agenda Topics**

The dates shown below have been suggested as potential meeting dates from 12:00 to 3:00 p.m. The next meeting date is to be confirmed at the end of each meeting and the ITOC may wish to suggest specific agenda topics for the next meeting.

- August 17, 2005
- September 14, 2005
- October 19, 2005
- November 9, 2005
- December 7, 2005

7. **Adjournment**

+ next to an agenda item indicates an attachment
INDEPENDENT TAXPAYER 
OVERSIGHT COMMITTEE

July 20, 2005

AGENDA ITEM NO.: 1

Action Requested: ACCEPT

SUMMARY OF THE JUNE 15, 2005 INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MEETING

Attendance: Committee Members: Maryam Babaki Hamid Bahadori Michael Boyle James Callaghan Doug Gibson Jim Ryan

Ex-Officio Members: Gary Gallegos, SANDAG

Others: Keith Curry, Public Financial Management Jack Boda, SANDAG Richard Chavez, SANDAG Mike Hix, SANDAG Jack Limber, SANDAG Jeff Martin, SANDAG Craig Scott, SANDAG Renee Wasmund, SANDAG

The following summarizes the major actions and key discussion points under each agenda item from the June 15, 2005 meeting.

Item 1 - Meeting Summary of the May 18, 2005 ITOC Meeting

The summary of the actions and discussions from the initial ITOC meeting on May 18, 2005 was accepted as written.

Item 2 - Public Comment and Communications

There were no public comments. Vice-Chair Callaghan reported that he had seen a presentation of the SANDAG/EDC report on Economic Competitiveness and requested that copies be provided to the ITOC members for their information. The ITOC may want to have the presentation on the findings of this report added to one of its future agendas.
Item 3 - TransNet Debt Financing Overview

Craig Scott provided a brief summary of SANDAG's debt financing efforts under the TransNet program and introduced Keith Curry from Public Financial Management, SANDAG's Financial Advisor. Mr. Curry presented an overview of the TransNet program's debt financing history and summarized the interim financing strategy for the Early Action Program, as approved by the Transportation Committee at the May 20, 2005 meeting. He also reviewed the status of the Plan of Finance development process. ITOC members had several comments and questions regarding the Plan of Finance process, including concerns about cost escalation issues and the availability of state and federal matching funds. Mr. Curry described how these issues are being handled in the development of the Plan of Finance and indicated that the draft plan will be brought back to the ITOC at a future meeting. ITOC members also had several questions related to the expansion of the Commercial Paper (CP) program, which was one of the key components of the interim financial strategy. Mr. Curry reviewed the mechanics of the program and the impact of the CP program on SANDAG's bonding capacity.

Item 4 - SANDAG Performance Measurement Efforts

Richard Chavez presented the ITOC with an overview of SANDAG's current efforts in terms of data collection related to highway and transit system performance. He reviewed the recent “State of the Commute” report information, data from a travel time study along the region’s major travel corridors, and information available from the Performance Monitoring System (PeMS), which is a tool developed by Caltrans in cooperation with U.C. Berkeley, with funding assistance from SANDAG to develop data reporting for this region. The ITOC raised several issues related to need for additional data, particularly on the arterials and other local roads, so there is better information to use as we evaluate the impact of our investment of tax dollars on the regional transportation system. As part of this discussion, there was a request to investigate the potential of providing the ITOC with additional information and training on the PeMS program and to schedule additional presentations from MTS, NCTD, and the San Diego Traffic Engineers Council (SANTEC) on what is currently being done in terms of performance-related data collection by the transit operators and local jurisdictions.

Item 5 - Regional Transportation Plan (RTP) Update Process

This item was deferred to a future meeting.

Item 6 - ITOC Scope of Work

The ITOC members discussed the role of the committee and how to go about organizing the committee to carry out its responsibilities. It was agreed to focus the next meeting on a workshop session to review the ITOC's roles and responsibilities as specified in the Ordinance in detail and to identify priorities regarding which activities the ITOC should focus on in the near term. The members discussed the need to develop bylaws or standard operating procedures to describe the administrative functions of the ITOC and to provide step-by-step procedures for future ITOC members to follow in carrying out the various roles and responsibilities. As part of this workshop session, it was suggested that representatives from the Taxpayers Association be invited to discuss their perspectives on the roles of the ITOC. It also was suggested that a representative of one of the
existing oversight committees be invited to discuss how the committee was organized and what lessons were learned in carrying out their responsibilities to date.

**Item 7 - Future Meeting Schedule**

The next ITOC meeting was scheduled for July 20, 2005 from 11:00 to 3:00 p.m. at SANDAG. Future meeting dates were reserved for August 17, September 14, October 19, November 9, and December 7, 2005. The next scheduled meeting date will be confirmed at the end of each ITOC meeting.

**Item 8 - Adjournment**
PROPOSED DISCUSSION POINTS FOR
ITOC RESPONSIBILITIES (7/20/05 ITOC MEETING)

AUDITING CONSTRUCTION

3. “…triennial performance audits of…projects and programs to review project delivery, cost control, schedule adherence…related activities…and…the ITOC's performance...(include consideration of changes to contracting, construction, permitting and related processes…-...improve the efficiency and effectiveness of…expenditure)...(by)...an independent performance auditor…the ITOC's report and recommendations…shall be made...to the...Transportation Committee…the SANDAG Board of Directors and the public…”

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.”

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| • TRIENNIAL CONSTRUCTION AUDIT  
• QUARTERLY PROJECT REVIEW | - What is the definition, scope of work or tasks that are included by the terms project delivery, cost control, schedule adherence and related activities?  
- What type of evaluation, purpose and form is meant by “audit”? What needs to take place to satisfy this audit requirement?  
- How does the ITOC accomplish the triennial audit of these subjects? When should the triennial audit procedure start?  
- What experience and qualification should a consulting firm have in order to qualify to perform the triennial performance audit?  
- When do the quarterly cost & schedule reports on Congestion Relief projects begin?  
- What nature of experience and qualification should a construction consulting firm (“independent performance auditor”) have to in order to qualify to provide advice on the form of project delivery (design-bid-build, design-build, engineer-procure-construct, etc.), cost control/overruns, schedule adherence/delays, etc.?  
- Does ITOC have the funding to hire a consultant? If so, what scope? What will be the costs? |
MEASURING TRANSPORTATION PERFORMANCE

6. “Participate in...refinement of...transportation...performance measurement...and the project evaluation criteria...of the...(RTP) and...prioritizing projects for...the Regional Transportation Improvement Program (RTIP)...for...improvements and modifications to the TransNet program...the oversight committee shall...report to the...Transportation Committee, the SANDAG Board of Directors and the public...”

7. “annual...independent analysis...review (of) SANDAG system performance evaluations...(including..."State of the Commute" report)...(include...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)...”

8. “Review and comment on the...RTIP...programming of...revenues...an opportunity...(for) ITOC to raise concerns regarding...projects...eligibility...before any expenditures are made....(In addition...focus on significant cost increases and/or scope changes on...major corridor projects...in the Ordinance and Expenditure Plan)...”

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<th>TASKS:</th>
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<tr>
<td>• REFINING TRANSPORTATION PERFORMANCE MEASUREMENT</td>
<td>- How well do we understand SANDAG’s existing transportation performance measuring? What else, if anything, should we do to educate ourselves?</td>
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<tr>
<td>• REFINING PROJECT EVALUATION CRITERIA</td>
<td>- How well do we understand SANDAG’s existing project evaluation criteria? What else, if anything, should we do to educate ourselves?</td>
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<tr>
<td>• PRIORITIZE PROJECTS</td>
<td>- How well do we understand SANDAG’s annual performance evaluations (State of Commute, etc.)? What else, if anything, should we do to educate ourselves?</td>
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<td>• REPORT TO TRANSPORTATION COMM., SANDAG BOARD AND PUBLIC</td>
<td>- What data does SANDAG presently collect? Is additional data desirable? How is existing data crunched and analyzed? For what purposes is the resulting information and analysis used? Is it reliable? Is it used for public relations? Is it used for strategic planning? Is it used for evaluating infrastructure investment trade-offs? Is there additional data that should be collected? Is there additional analysis performed?</td>
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<tr>
<td>• INDEPENDENT REVIEW SYSTEM PERFORMANCE EVALUATIONS</td>
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<tr>
<td>• REVIEW AND COMMENT ON REVENUE PROGRAMMING</td>
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- How will the ITOC participate in the refinement of SANDAG’s transportation performance measurement? When will this commence? Will it be retroactive to help form a baseline? Will assistance from a consultant be required? If so, what area of expertise? Are funds available to the ITOC for these consulting services?

- How will the ITOC participate in the refinement of SANDAG’s project evaluation criteria? Do they include a cost/benefit analysis? If so, is there follow-up after the project is complete? When will ITOC’s work on this commence? Will consulting assistance be required? If so, what area of expertise? Are funds available to the ITOC for these consulting services?

- How will the ITOC analyze the SANDAG performance evaluations? Should SANDAG be measuring additional transportation aspects (i.e. – Has completed project throughput matched projections? How well have new projects fared in reducing congestion? What is the annual cost of congestion to our region in terms of lost productivity? What data would be needed to augment SANDAG performance evaluations.)

- Paragraphs 6 and 8 provide the ITOC is to “report to” and "review & comment" to the policy makers on the setting of project priorities. When, and under what circumstances, is this to occur?

### EVALUATION OF FINANCING

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.”

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<tr>
<td>REVIEW DEBT FINANCING</td>
<td>- What is the acceptable method of financing the early projects?</td>
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<td>- Does that method allow for the ITOC to utilize TransNet Extension funding for its work?</td>
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- The City of San Diego has proposed (Councilman Madaffer) to bond against its future share of local street tax revenues. How would this work? What are the benefits/detriments? How does this work if the ordinance's Maintenance of Effort requirements are not met?
- What had been the cost of finance for the original TransNet sales tax? How much money was collected? How much was spent on financing?

**ORDINANCE & EXPENDITURE PLAN RECOMMENDATIONS**

4. Provide recommendations to the SANDAG Board of Directors regarding any proposed amendments to the Ordinance and Expenditure Plan.

5. …undertake a comprehensive review of the TransNet program every 10 years...(to) Provide recommendations…for improving the program…should take into consideration the results of…TransNet…improvements…compared to the performance standards established through the Regional Transportation Plan and the Regional Comprehensive Plan.”

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<th>TASKS:</th>
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<tr>
<td>• RECOMMENDED AMENDMENTS</td>
<td>- What kind of amendments to the Ordinance &amp; Expenditure Plan are referred to?</td>
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<tr>
<td>• COMPREHENSIVE TEN YEAR REVIEW</td>
<td>- Is there a threshold of information &amp; analysis required before the ITOC should suggest amendments to the Ordinance &amp; Expenditure Plan?</td>
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<td>- What tasks are included in the 10 year comprehensive review of the TransNet program? What information is it based upon? When does the collection of this information begin? Is it an ongoing effort put in place now? Or is it a once in a decade snapshot?</td>
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<td>- Should ITOC review whether the allocations are commensurate with user demand?</td>
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THE FISCAL & COMPLIANCE AUDIT
(MAINTENANCE OF EFFORT)

1. “Conduct an annual fiscal and compliance audit of...all recipients...using...an independent fiscal auditor to assure compliance with the...Plan...evaluate compliance with the maintenance of effort requirement and any other applicable requirements.”

2. “…annual report…presenting the...annual (maintenance of effort) audit...results...(to) the...Transportation Committee...the SANDAG Board...and the public…”

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<td>• ANNUAL FISCAL AND COMPLIANCE AUDIT OF RECIPIENTS</td>
<td>- SANDAG has been fulfilling this requirement and will continue to do so until 2009 when it will “hand-off” to ITOC.</td>
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<tr>
<td>• ANNUAL MAINTENANCE OF EFFORT REPORT TO TRANSP. COMM. BOARD AND PUBLIC</td>
<td>- What is the procedure for our region’s cities to avail themselves of local street &amp; roads TransNet funds? How does the Maintenance of Effort requirement work?</td>
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<td>- Will the requests for local street &amp; road funds by the cities come to ITOC for review?</td>
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<td>- City of San Diego Councilman Madaffer has stated that he wishes to bond against future TransNet Extension revenues in order to fund/jumpstart his City’s street repairs in light of its lack of bonding capacity. Does this comply with the ordinance’s Maintenance of Effort standards?</td>
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<td>- This probably is not a priority item for ITOC discussion since the timing of SANDAG’s “hand-off” is year’s away.</td>
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<td>- This probably merits attention as an information item on one of our future agendas (so ITOC can be educated on the existing audit program, i.e. who conducts it, how is it accomplished, what is the scope, how have local governments respected the maintenance of effort requirement, and what has been the monetary cost?).</td>
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ITOC FUNDING & ADMINISTRATION ISSUES
(EDITED FOR ITOC DISCUSSION)

1. “All ITOC costs incurred…shall be paid…from…TransNet…(and) shall not exceed $250,000 annually…for the duration of the program.”

2. “The…ITOC shall be audited annually as part of the same…audit…for…TransNet-funded activities.”
   - Will this be performed by the ongoing SANDAG commissioned audit of its expenditures (as opposed to the maintenance of effort audit by ITOC)?
   - At what point is there a need to prepare an RFP to bring an auditing firm on board and how do we separate their responsibilities from SANDAG’s regular auditors?

3. “The…ITOC…funding for… the initial transition period… until Fiscal Year 2008-09… will be phased in to the extent possible within the budget constraints of the one percent administrative cap under the current TransNet Ordinance.”

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.”
   - The ITOC budget needs to be in place (90 days before July 1 each year). Do we need to concern ourselves with this for FY 05/06?

5. “All ITOC meetings shall be…in…compliance with the Brown Act…at least quarterly…”

6. “SANDAG…will fully cooperate with and…support…ITOC…but…limit involvement to the provision of information required by…ITOC to ensure…independence.”

7. “ITOC…shall have full and timely access to all…TransNet…public documents, records and data…”

8. “ITOC…consultants…shall be selected on an open and competitive basis…with the widest possible number of qualified firms…(per) SANDAG’s… procurement procedures…”

9. “SANDAG shall provide meeting space, supplies and incidental materials…for the ITOC.”
Tracking tax revenue for transportation projects

By Michael F. Boyle

In 1987, voters approved a half-cent sales tax increase (known as "TransNet") dedicated to regional transportation projects in an attempt to relieve congestion.

With just six years left before the tax expires, voters likely will be asked to extend the TransNet tax. And again, it would be an attempt to ease continuing, indeed worsening, congestion.

Whether the tax is a good idea should depend at least in part, on an evaluation of how wisely the TransNet money collected to date has been spent, and how government likely would perform in the future.

Toward that end, the nonpartisan San Diego County Taxpayers Association created a task force two years ago to study the region's transportation, growth, infrastructure, and finance issues. The report card is now in, and it reveals some surprising results.

Transportation projects in San Diego County are created in a two-step process. First, local agencies (transit, highways, cities and special interests) participate in the creation of a Regional Transportation Plan (RTP). The plan is a wish list through which these different agencies place their desired projects on a map.

Next, these projects are funded and implemented by the San Diego Association of Governments. The SANDAG board comprises 19 members from the 18 cities (usually mayors or council members), plus one from the county Board of Supervisors.

Each SANDAG board position is an "extra duty" added to the elected post its member already holds. What happens if SANDAG's board faces a conflict between serving local interests—for example, property values or sales tax revenue generation—and more promising long-term regional interests lacking local political sizzle?

During its first 10 years, from fiscal 1988 through 1998, TransNet collected over $1.6 billion. The tax is expected to bring in $3.3 billion by the time it expires in April 2008. As a political compromise to obtain voter support, TransNet revenue was split one-third each between local roads, freeways and transit projects. In fact, during the first decade of TransNet it has worked out to 28 percent of the total available funds ($493 million) going to local roads, while freeways received 30 percent ($527 million), and transit projects—including light rail (the trolley), commuter rail (the Coaster), and buses—received 38 percent ($667 million) of the available funding. The remaining 4 percent was allocated to administration, studies and bicycles.

The transit systems are owned, planned, operated or maintained by either the Metropolitan Transit Development Board (MTDB), or the North County Transit Board (NCTB). Some 55 percent of the total allocation for transit projects was spent on the trolley ($364 million); 19 percent was spent on the Coaster ($125 million); 17 percent was spent on debt service ($117 million); and about 8 percent was spent on buses.

While transit projects received 38 percent of the available TransNet funds over the first decade of the tax, they handled only 1.6 percent of the additional regional trips. Let's look at some possible examples and reasons.
How well is revenue for transportation projects being spent?

In 1991, the city of Solana Beach approved a marquee NCTD project known as the Solana Beach Transit Station. This project was largely designed to accommodate the Coaster commuter rail system running from Oceanside to downtown San Diego. The project’s cost (station, grade separation, and park) was around $830 million.

No surrounding residential density was required for station approval. While this may have pleased fearful locals, it ran against sound regional investment since grade-separated urban rail systems work best where there is extremely high population density (such as Hong Kong, with 250,000 people per square mile) or cities with an older, denser, central business district (New York, London or Paris).

The available Coaster data supports this analysis. Right now, less than 5,000 people a day—the equivalent of 20 percent of one freeway lane—ride the Coaster. The comparison changes a little during rush hour: the Coaster carries around 800 an hour while the freeway lane tends to reach capacity at 2,200 an hour. The number for the Coaster is not likely to rise much, since it is doubtful Solana Beach voters will ever approve the level of density required to help make the Coaster a viable transportation alternative.

And in Santee, city leaders have long sought a solid sales tax-generating business base. One way they planned to jump-start retail business growth was to support development of the Santee Trolley Station and an adjacent 50-acre retail center.

In 1995, Santee’s wish became reality. Major retail tenants, smaller retailers, and restaurants occupy its shopping mall. There are even plans for a future library. All of this is undoubtedly a victory for Santee and its city leaders, who also sit on the SANDAG board. However, it comes with a regional price tag of $109 million.

Just as with the Solana Beach Coaster/Transit Station, there is insufficient residential density near the Santee Trolley Station to support the project. No residential development is planned to create the level of density necessary to allow people to walk home or to work from a transit stop. In short, this is another example of an expensive project that may serve the development strategy of an individual city, but does little or nothing to relieve overall regional congestion.

Money well spent?

Notwithstanding this dismal return on investment, SANDAG is proceeding with two more rail projects. The first is the $431 million, 5.9-mile Mission Valley East Trolley extension being built on a grade and underneath the San Diego State University campus, rather than a less expensive route at grade along the I-8 freeway corridor.

The second is an NCTD project: a $332 million, 22-mile Oceanside to Escondido passenger rail line expected to open in 2005. Local demands for “grade separation” will likely cause this project’s price tag to cost much more. Yet no matter what the ultimate cost, with an optimistic predicted ridership of just 12,000 passengers per day, the NCTD project will have an insignificant impact in relieving traffic on adjacent SR-78, which annually grows by 9,000 daily trips.

While freeways continue to serve the greatest number of people at about 8.5 million daily trips (32 percent of total regional daily trips) they received 30 percent of the TransNet funds available to SANDAG during its first 10 years. This is distressing in light of estimates that, with the next 20 years, our region will add another 650,000 cars, and trips will increase by 34 percent.

Despite these statistics, recent highway construction in San Diego County has slowed. From 1955 to 1980, 245 miles of freeway were constructed in the county. Since 1980, only 88 miles of freeways and expressways were added. Indeed, a 1997 study by the San Diego Highway Development Association reported that eight freeway segments and 29 major thoroughfares listed in the 1982 City of San Diego General Plan had been erased or were not included in the SANDAG regional transportation plan.

For example, State Route 125, a six-lane freeway to run from Santee north to I-15 intended to relieve I-15 congestion, was essentially erased by Poway; And SR-80, a four-lane divided highway to link I-5 to I-15 relieving SR-78 congestion, was essentially erased by Encinitas.

Longtime La Mesa Mayor and SANDAG Director Art Madrid recently explained: “SANDAG caves on tough decisions that should be made on the basis of what is best for the entire region and not for individual jurisdictions.”

Future in the balance

Our future depends upon the 2030 Regional Transportation Plan. This document, which is the blueprint for handling our region’s projected growth of 1 million people over the next 30 years, is being developed by SANDAG. It is essentially a map containing a wish list of for all of the transportation capital projects that the region’s agencies would like to see planned, funded and built through 2030. It also will form the basis for any measure to extend TransNet.

Our regional quality of life, and even economic viability, may well hinge on our ability to make correct calls with our coming transportation infrastructure investments. Tax dollars are scarce, and we may not have either the time or money to recover from major errors.

Unfortunately, a flaw is the lack of data on how our existing transportation investments perform. Surprisingly, there is no across-the-board ability to collect and evaluate how well the billions invested in transportation have been spent. Most elected officials and citizens have no idea how poorly our regional investment in rail has performed. Since there is no evaluation, there is no accountability.

A key proposal for the 2030 Regional Transportation Plan is the creation of a new transit system titled “Regional Transit Vision.” This creates a network of improved buses resembling trains on wheels with the nonstop express commuter component using dedicated freeway lanes. Cost estimates range between $7.5 and $9.2 billion. But will Regional Transit Vision induce drivers to leave their cars? Or will it greatly displace, like rail? While Regional Transit Vision planners have performed market surveys on preferences, there is no hard data upon which to predict performance.

And how does SANDAG address the impact of technological advances upon transportation (fuel cells, better gas mileage, etc.)? Technological advances, such as an “automated highway system,” claim to increase existing capacity and reduce traffic congestion. CALTRANS believes automation will double existing freeway capacity. If true, this could overcome the congestion that will follow from creation of more dense population centers. A factual cost/benefit comparison of this investment with Regional Transit Vision should be accurately made.

Lessons learned

The San Diego County Taxpayers Association believes the following conclusions may be drawn from the first 10 years of our experience with the TransNet tax:

1) Our tax revenues spent for rail projects have not appreciably relieved regional congestion;
2) Our major rail investment without surrounding density and deleted highways during our increasing congestion illustrate the shortcomings of SANDAG’s locally appointed board as our regional transportation agency;
3) An empowered and focused regional transportation agency directly accountable to voters is needed to govern future infrastructure investment decisions;
4) Our investment decisions should focus on the cost/benefit to our citizens and rely upon factual performance measures, considering all transportation modes objectively; and
5) The passage of a TransNet extension by voters should be conditioned upon a new governing agency and adherence to performance-based decisions.

We, the current residents of this region, have been given much. Our gifts include our fine quality of life, economy, environment and governance. As stewards we are called to pass them to our children in good condition. We are no longer separated by city boundaries but are challenged to effectively address complex regional problems. We need an elected and accountable regional governing body in order to make factual transportation decisions. Our state Legislature or our county Board of Supervisors will need your interest and support while this is addressed this year.
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 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 with appropriate credentials in the field of transportation project design or construction 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.

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 of the City of San Diego
- A mayor from the Cities of Chula Vista, Coronado, Imperial Beach, or National City selected by the mayors of those cities.
- A mayor from the Cities of El Cajon, La Mesa, Lemon Grove, or Santee selected by the mayors of those cities.
- A mayor from the Cities of Carlsbad, Del Mar, Encinitas, Oceanside, or Solana Beach selected by the mayors of those cities.
- A mayor from the Cities of Escondido, Poway, San Marcos, or Vista selected by the mayors of those cities.

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.

**Terms and Conditions for ITOC members**

- ITOC members shall serve a term of four years, except that initial appointments may be staggered with terms of two to four years.
- ITOC members shall serve without compensation except for direct expenses related to the work of the ITOC.
- In no case shall any member serve more than eight 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.

Term limits for ITOC members should be staggered to prevent significant turnover at any one time. The initial appointment process should be based on this staggered term limit concept.

**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.