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# MEETING NOTICE AND AGENDA

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## TRANSNET INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE (ITOC)

The ITOC may take action on any item appearing on this agenda.

Wednesday, September 14, 2005

9:30 a.m. to 3:30 p.m.

SANDAG, Conference Room 8A  
 401 B Street, Suite 800  
 San Diego, CA 92101-4231

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

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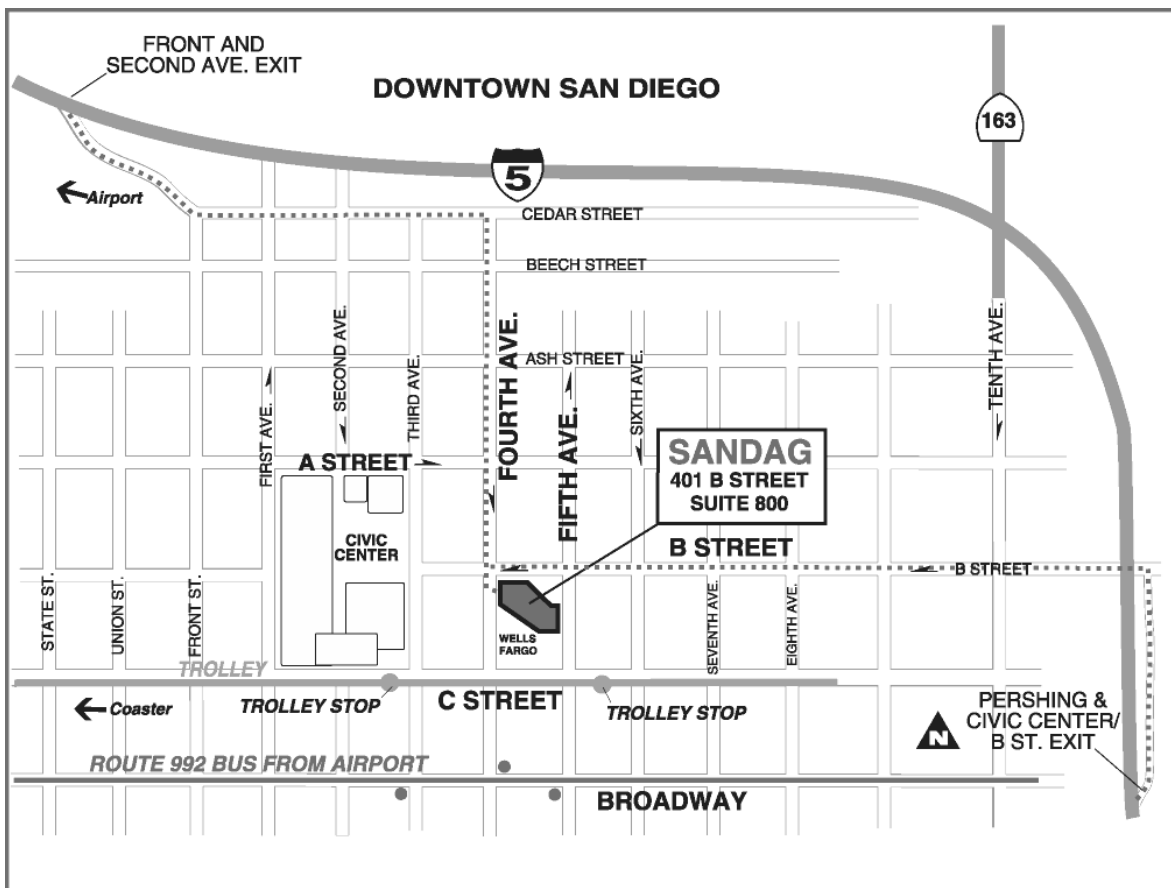


Welcome to SANDAG. Members of the public may speak to the *TransNet* Independent Taxpayer Oversight Committee (ITOC) members on any item at the time the ITOC is considering the item. Also, members of the public are invited to address the ITOC on any issue under the agenda item entitled Public Comments/Communications/Member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

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

Wednesday, September 14, 2005

<b>ITEM #</b>		<b>RECOMMENDATION</b>
+1.	<b>MEETING SUMMARY FOR THE JULY 20, 2005 AND AUGUST 17, 2005 MEETINGS</b>	<b>ACCEPT</b>
	<p>The summary of the July 20, 2005, meeting was revised to include the additional points as discussed at the last meeting. A summary of the August 17, 2005 meeting also has been prepared for the Committee's review.</p>	
2.	<b>PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS</b>	
	<p>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.</p>	
+3.	<b>COMMERCIAL PAPER PROGRAM EXPANSION (Craig Scott/Keith Curry, PFM)</b>	<b>RECOMMEND</b>
	<p>SANDAG's Financial Advisor, Public Financial Management (PFM), will summarize the proposed expansion of the <i>TransNet</i> Commercial Paper Program, which is the first step of the initial financial strategy for implementing the <i>TransNet</i> Early Action Program. A memo from PFM is included in the agenda package as background. Action on the Commercial Paper program is scheduled for the September 23, 2005 SANDAG Board meeting. One of the ITOC's responsibilities (Paragraph #9) is to review debt financing proposals. Any comments or recommendations from the ITOC on this issue will be brought forward to the SANDAG Board meeting. The attached draft "Implementation Procedures for ITOC's Debt Financing Oversight Responsibilities" has been developed through the Bylaws Subcommittee for review and comment by the ITOC. These draft procedures, as modified by the ITOC, will be used to guide the ITOC's review of future debt financing proposals.</p>	
4.	<b>PLAN OF FINANCE STATUS REPORT (Craig Scott/Keith Curry, PFM)</b>	<b>INFORMATION/ DISCUSSION</b>
	<p>Staff and the Financial Advisor will report on the status of the ongoing effort to complete the overall financial strategy for the <i>TransNet</i> Early Action Program, including the financial model development process and the upcoming investigation of interest rate hedging opportunities.</p>	

ITEM #		RECOMMENDATION
5.	PRESENTATION ON 2005 INDICATORS OF SUSTAINABLE COMPETITIVENESS (Marney Cox)	INFORMATION
	<p>At the request of the Committee, a copy of the report entitled "2005 Indicators of Sustainable Competitiveness: A Quality of Life Index for San Diego" was previously sent to Committee members. SANDAG staff will present an overview of the key findings of that report.</p>	
+6.	PROJECT/PROGRAM MANAGEMENT (URS/Jack Boda)	DISCUSSION
	<p>The Chair has invited representatives of URS, consultants to the Prop. MM Program, to present information regarding program management techniques used in implementing that program. SANDAG staff will continue the discussion initiated at the last meeting regarding SANDAG's efforts to design a program/project management system for the <i>TransNet</i> program. A scope of work is included describing SANDAG's planned work effort in this area. In addition, for the Committee's review and comment, the attached draft "Implementation Procedures for ITOC's Major Project Oversight Responsibilities" has been included in the agenda package as guidance for meeting the ITOC's responsibilities (Paragraph #10) in this area, which focuses on the review of quarterly reports regarding cost control and schedule adherence.</p>	
+7.	BYLAWS AND IMPLEMENTATION PROCEDURES	DISCUSSION/ POTENTIAL ACTION
	<p>The initial draft of the ITOC's bylaws and the first three of the planned series of implementation procedures were distributed at the last meeting for comment. Based on the comments received to date, the Bylaws Subcommittee has prepared revised drafts of the Bylaws and the Implementation Procedures for Debt Financing (see Item #3), Major Project Oversight (see Item #6), and Performance Audits. These procedures correspond to ITOC responsibilities specified in Paragraphs 9, 10, and 3, respectively, from the <i>TransNet</i> Ordinance. These items are presented for discussion by the Committee and potential action.</p>	

**ITEM #**

**RECOMMENDATION**

8. FUTURE MEETING SCHEDULE AND AGENDA TOPICS

ACTION

The dates shown below have been suggested as potential meeting dates from 9:30 a.m. to 3:30 p.m. The next meeting date and time is to be confirmed at the end of each meeting. The ITOC may wish to suggest specific agenda topics for the next meeting. Potential topics for the next meeting include the draft *TransNet* Plan of Finance development process, ITOC Bylaws and Implementation Procedures (if needed), and a major discussion/training session related to performance measurement on the current transportation system.

- October 19, 2005
- November 9, 2005
- December 7, 2005

9. ADJOURNMENT

+ next to an agenda item indicates an attachment

# INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

September 14, 2005

AGENDA ITEM NO.: **1**

**Action Requested: ACCEPT**

SUMMARY OF THE JULY 20, 2005 AND AUGUST 17, 2005  
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MEETINGS

File Number 1110200

## **July 20, 2005 Meeting Summary (Revisions shown in bold):**

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

Ex-Officio Members: Gary Gallegos, SANDAG  
Tracy Sandoval

Others: Lisa Briggs, San Diego Taxpayers Association  
Harvey Goodfriend, San Diego Taxpayers Association  
Lou Smith, representing Prop MM ICOC  
Jack Limber, SANDAG  
Craig Scott, SANDAG

The following summarizes the major actions and key discussion points under each agenda item from the July 20, 2005 meeting.

## **Item 1 – Meeting Summary of the June 15, 2005 ITOC Meeting**

The summary of the actions and discussions from the second ITOC meeting on June 15, 2005 was accepted as written. John Meyer noted that he was not voting on the meeting summary since he was not present at that meeting.

## **Item 2 – Public Comments/Communications/Member Comments**

There were no public comments. Vice-Chair Callaghan requested that the ITOC receive a presentation regarding the SANDAG/EDC report on Economic Competitiveness at one of its future meetings. A copy of the report had been distributed to the ITOC members prior to the meeting.

## **Item 3 –San Diego Taxpayers Association Perspective on the ITOC**

Lisa Briggs from the San Diego County Taxpayers Association provided comments regarding the importance of oversight committees and the role of the ITOC from the Taxpayers Association perspective. Ms. Briggs thanked the ITOC members for their willingness to volunteer to serve on this important committee, which she viewed as a vital resource for the success of the *TransNet* program. The composition of the ITOC in terms of the professional skill set of each member was a key feature so that the members would know the kind of questions to ask and the type of information needed to answer those questions. The ITOC should focus on each program involving the expenditure of *TransNet* funds to make sure the dollars are being spent wisely and that the goals of the ballot measure are being achieved. The ITOC should be proactive and provide a resource to the SANDAG Board of Directors, including making recommendations for improvement to the *TransNet* program. The success of the ITOC will depend on how the committee members and the staff interact and whether or not the ITOC becomes a resource for the implementation of the program. Gary Gallegos concurred and stated that the goal of the staff is to work closely with the ITOC over time in the development of recommendations to bring to the SANDAG Board regarding the implementation and ongoing refinement and enhancement of the program.

## **Item 4 – The Proposition MM San Diego Unified School District Citizen Oversight Committee Experience**

Lou Smith provided an overview of the structure of the Independent Citizens Oversight Committee (ICOC) that was established to provide oversight on the \$1.5 billion school bond program for the San Diego Unified School District authorized under Proposition MM in 1998. His definition of the oversight required from groups like the ITOC was to be aware but not involved in the details of the implementation of the program. ***He described the organizational structure of the Prop. MM Oversight Committee, which focused the oversight of the overall program into four functional areas – program management, planning/design, construction, and fiscal. He felt the program management component was key in identifying the primary risk factors affecting project costs and monitoring the management of the overall program at a relatively high level to provide an early warning system to address potential problem areas as soon as possible.***

He ***also*** described the committee/sub-committee structure used by the ICOC and the use of consultants to provide staff support for the ICOC. This led to a discussion of the need for consultant assistance for the ITOC. Lou Smith said the organizational model could be different for the ITOC and *TransNet* in that we are dealing with the extension of an existing program with a staff infrastructure in place, as opposed to Prop. MM which required a rapid build up for a new program from scratch. ITOC members discussed the potential roles of a consultant and the support that could be provided from staff. Concerns were raised regarding potential duplication of effort in terms of

paying a consultant to provide information and support for the ITOC that the staff could provide. ***Other concerns were raised about the potential need for consultant assistance to maintain the independence of the ITOC so that the ITOC does not become a rubber stamp for staff proposals.*** Gary Gallegos stated that the ITOC should lean on the staff as much as possible to provide the information that the ITOC needs so that scarce resources could be spent on project implementation.

#### **Item 5 – Workshop Session on Organization of the ITOC and the Development of a “Scope of Work”**

This discussion focused on how the ITOC should organize itself to carry out its roles and responsibilities, what kind of information does the group need, and what issues are coming up in the near future that the group needs to focus on. Staff outlined the key activities coming up in the near future that will require ITOC review and involvement, including the updated costs and schedules for the major *TransNet* Early Action projects, the development of the financial strategies to fund these projects in the Plan of Finance, the implementation of the proposed expansion of the commercial paper program, and the development process for the new Regional Transportation Plan (RTP). Harvey Goodfriend encouraged the group to stay focused on the big picture in terms of using the available *TransNet* funds to meet the goals of improved mobility and congestion relief in a cost-effective manner. The possibility of using subcommittees to work on specific issues in more detail was discussed. The ITOC members were interested in developing a set of bylaws to cover the general administrative procedures of the ITOC and a set of “standard operating procedures (SOP’s)” to cover how the ITOC will go about dealing with each of the ten specified areas of responsibility included in the *TransNet* Ordinance, the reports or other deliverables expected, and a schedule for when these activities should occur. Jim Callaghan and Maryam Babaki volunteered to serve on a subcommittee to develop these bylaws and SOP’s. Staff was asked to begin developing initial drafts of these materials for the subcommittee to start reviewing.

#### **Item 6 – Future Meeting Schedule**

The next ITOC meeting was scheduled for August 17, 2005 from 11:00 to 3:00 p.m. at SANDAG. Future meeting dates were reserved for September 14, October 19, November 9, and December 7, 2005. Potential agenda items discussed included a report from the Bylaws Subcommittee, the RTP development process and schedule, and updated costs and schedules for the *TransNet* Early Action Program. The next scheduled meeting date will be confirmed at the end of each ITOC meeting.

#### **Item 7 – Adjournment**

The meeting was adjourned at 3:05 p.m.



## **August 17, 2005 Meeting Summary:**

**Attendance:** Committee Members: Maryam Babaki  
Hamid Bahadori  
Michael Boyle  
John Meyer  
Jim Ryan

Ex-Officio Members: Tracy Sandoval

Others: Jack Limber, SANDAG  
Jack Boda, SANDAG  
Craig Scott, SANDAG  
Mike Hix, SANDAG  
Richard Chavez, SANDAG  
Julie Wiley, SANDAG  
Jim Linthicum, SANDAG

The following summarizes the major actions and key discussion points under each agenda item from the August 17, 2005 meeting.

### **Item 1 – Meeting Summary of the July 20, 2005 ITOC Meeting**

The summary of the actions and discussions from the ITOC meeting on July 20, 2005 was discussed. Chairman Boyle requested that the summary be expanded to reflect some additional points of discussion from that meeting. The rest of the ITOC concurred. The revised meeting summary will be brought back for consideration at the next meeting.

### **Item 2 – Public Comments/Communications/Member Comments**

There were no public comments. Mike Boyle initiated a discussion of potential information needs of the ITOC. Options were discussed ranging from adding the ITOC members to SANDAG's e-mail news clipping service, receiving e-mails on economic trends and related issues through the AGC, and subscribing to various professional publications in the transportation field. Staff was requested to pursue obtaining complimentary subscriptions for the Engineering News Record (ENR) and to review items from the daily news clipping service and other publications for articles of interest to the ITOC. A package of articles will be included as part of the agenda package for each meeting.

### **Item 3 –Regional Transportation Plan (RTP) Update Process**

Copies of the 2003 RTP were provided to each ITOC member for reference. Mike Hix provided a PowerPoint presentation covering the key components of the RTP, the schedule for the RTP update process which is currently underway, and the major areas where input from the ITOC will be sought. He described how all major projects must be included in the RTP in order for the projects to qualify for funding. He also described how the RTP must be designed to meet various state and federal requirements, such as conformity with air quality regulations, and that the RTP must include

specified analyses related to financial constraints. Discussion focused on the managed lane/bus rapid transit concept, which is the backbone of the recommended improvements in the RTP. Mike and other staff described the expected benefits of the planned improvements related to congestion relief and travel time improvements. He also described some of the new features to be included in the update of the RTP, including a new focus on freight strategy.

The ITOC's responsibilities as related to the RTP are primarily related to the performance measures and project evaluation criteria used in the development of the RTP, with an emphasis on *TransNet*-funded projects. Mike distributed a table showing the types of performance measures used in the development of the 2003 RTP. The ITOC discussed many of these measures and discussed the need for better ways of measuring congestion and other factors. It was pointed out that reviewing these factors and criteria and recommending improvements to this process is what the ITOC should focus on in terms of its involvement in the upcoming RTP development process. This issue will be a recurring on topic as the RTP update process takes place through 2006.

#### **Item 4 – Updated Costs and Schedules for the *TransNet* Early Action Program**

Richard Chavez provided a PowerPoint presentation summarizing the results of a recent research conducted by staff and consultants on trends in construction cost increases, specifically the recent price spikes on key construction materials such as steel and cement. Trends in California, as well as several other states, were analyzed. This research was used to develop cost escalation factors to be used in updating the *TransNet* project costs from the 2002 dollar base used in the Ordinance and Expenditure Plan for use in the Plan of Finance exercise. The ITOC discussed these trends, as well as some of the potential measures identified in this research effort for containing costs in the future, including modifying current contract constraints, expanding material sites, and protecting future right-of-way from development. Other factors like the use of design-build techniques and advanced acquisition of right-of-way were discussed by the ITOC.

#### **Item 5 – ITOC Major Project Oversight Responsibilities/Status Report on Early Action Program Project Management**

Jack Boda summarized work underway to develop a reporting system for management of the projects to be funded in the *TransNet* Early Action Program. He provided a PowerPoint show illustrating the types of information that could be developed and requested the ITOC's input in terms of the types of information and reporting formats that the ITOC would like to see so that the system can be designed to provide what the ITOC needs. This system will be used to generate the ongoing quarterly reports on the major construction projects that the ITOC will be reviewing for years to come. The concept would be to design a reporting system that would raise a red flag on potential problems as early in the process as possible so that corrective actions can be undertaken. The ITOC would provide a key role in such a process. Jack offered to come back over the next couple meetings to refine the reporting process and share additional information as the project management system is developed.

## **Item 6 – Report from the “Bylaws” Subcommittee**

Copies of the draft bylaws developed through the Bylaws Subcommittee were distributed. The ITOC members were requested to provide comments to the staff by August 26<sup>th</sup> so that the Subcommittee could review them and develop a revised draft for the ITOC’s consideration at the next meeting. Copies of the first “three implementation procedures” for debt financing, major project oversight/quarterly reporting, and performance audits also were distributed for comment. All four documents will be further discussed at the next ITOC meeting.

In anticipation of the agenda item next month on the expansion of the commercial paper program to help fund the Early Action Program, the ITOC members discussed the kind of information that they felt would be helpful in reviewing the proposal. A review of the overall financial strategy as related to the use of commercial paper program was requested, along with an analysis of the pros and cons of commercial paper as compared to other financing options. There also was discussion of various approaches to analyzing the costs and benefits of such financing proposals. The staff was requested to set up a meeting with the Financial Advisor and John Meyer to discuss the upcoming proposal in more detail and the information requested by the ITOC so that the ITOC’s questions could be answered as part of the presentation at the next meeting.

## **Item 7 – Future Meeting Schedule**

The ITOC discussed options for future meetings, including having longer meetings or meeting twice a month. Due to travel concerns, the ITOC opted for longer meetings at least for the next few meetings. The next ITOC meeting was scheduled for September 14, 2005 from 9:00 a.m. to 3:00 p.m. (subsequently changed to 9:30 a.m. to 3:30 p.m.) at SANDAG. Future meeting dates were reserved for October 19, November 9, and December 7, 2005. Potential agenda items for the next meeting included a report from the Bylaws Subcommittee on draft bylaws and implementation procedures, a discussion of the *TransNet* Plan of Finance status and the specifics of the proposed expansion of the Commercial Paper Program, and continued discussion of project management and the development of a quarterly reporting system. The next scheduled meeting date and time will be confirmed at the end of each ITOC meeting.

## **Item 8 – Adjournment**

The meeting was adjourned at 3:00 p.m.

# INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

September 14, 2005

AGENDA ITEM NO.: **3**

**Action Requested: RECOMMENDATION**

COMMERCIAL PAPER PROGRAM EXPANSION

File Number 1110200

Attachments related to this item include:

- Memorandum from Public Financial Management providing information related to the proposed expansion of the existing *TransNet* Commercial Paper Program and related financial planning activities.
- Implementation Procedures for ITOC's Debt Financing Oversight Responsibilities. This revised draft was developed through the Bylaws Subcommittee for the ITOC's review and comment.



August 30, 2005

## Memorandum

**To:** SANDAG Board of Directors/Independent Taxpayers Oversight Committee  
**From:** Keith D. Curry, Public Financial Management  
**Re:** Recommendation: Commercial Paper Program, Investigation of Interest Rate Hedging and Financial Planning Update

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In May, 2005 we outlined a strategy to provide funding for TransNet “Early Action” projects. This was reviewed and approved by the SANDAG Transportation Committee. This memo updates the information provided at that time regarding the financial planning model and progress on implementing financing options.

### *Commercial Paper*

As indicated in our May memo, the recommended financing vehicle for the Early Action Program is tax-exempt commercial paper (CP). Commercial paper is preferable to long term bonds for several reasons, including the following:

1. **CP is lower in cost**, averaging approximately 230 basis points lower than fixed rate bonds over the past decade. CP rates have averaged 2.61% vs. 4.93% for fixed rate bonds.
2. **CP is flexible**. SANDAG may increase the amount of outstanding CP as project needs dictate. This avoids unspent bond proceeds accruing interest and negative arbitrage, should projects be delayed.
3. **CP has lower cost of issuance**.
4. **CP fits better in the current SANDAG debt profile**, as bonds related to TransNet I are retired between now and 2008.
5. **CP is a continuing program**, allowing SANDAG to refund its outstanding CP in favorable interest rate situations or when a critical mass of outstanding debt is achieved, and then to ramp back up for new project requirements.

Since 1991, SANDAG has had in place an authorized CP program in the amount of \$135 million. Currently, \$56.9 million of this authorization is outstanding.

SANDAG’s commercial paper is currently remarketed by Lehman Brothers and secured by a credit facility provided by JP Morgan Chase Bank.



As directed by the Transportation Committee, SANDAG conducted a competitive procurement among firms in the pre-qualified investment banker pool. JP Morgan and Citigroup were selected to be remarketing agents on two new tranches of CP at \$100 million each. This will bring total CP capacity to \$335 million.

Both JP Morgan and Citigroup proposed to remarket the CP at a fee of 4 basis points per annum (\$40,000 annually for \$100 million). In addition, the existing remarketing agent, Lehman Brothers, agreed to reduce their fee from 5 to 4 basis points in order to match these bids. We believe this to represent the lowest available pricing for a program of this magnitude.

Following the selection of the remarketing agents, we solicited competitive proposals for liquidity support from major banks. The liquidity ensures that purchasers of CP will be able to get out of their positions upon maturity of the CP and is a required element of commercial paper.

Once again, SANDAG received exceptional bids. With three tranches of CP, SANDAG was able to stagger the renewal dates of each of its credit facilities. This mitigates against the possibility of being required to renew liquidity for the entire program during a time of limited liquidity availability or abnormally high pricing.

The existing bank, JP Morgan Chase, was awarded the existing Series A tranche at a 3 year cost of 10 basis points per annum and the new Series C tranche at a cost of 12.5 basis points per annum for five years. Dexia bank was awarded the Series B notes at a cost of 14.5 basis points for 7 years.

This compares to existing pricing of 17.5 basis points for only one year and is a significant savings over the current program. Savings on the expanded program of approximately \$177,000 annually, as compared to existing pricing, will be achieved.

The SANDAG board will consider the CP documents at its September meeting. If approved, the program will close on the next CP remarketing date, November 11, 2005. Following that date, the \$335 million will be available for Early Action Projects; however, SANDAG will not be required to ramp up or issue this CP until project needs require it.

The additional CP and available cash from the existing TransNet Program should provide sufficient funds until the beginning of 2008. To the extent additional funds are needed prior to that date, SANDAG may consider short term notes or long term bonds at that time.



### *Financial Planning Model*

PFM, in conjunction with SANDAG staff has developed an interactive financial planning model that enables staff to input various construction scenarios and test the effect on cash flow and borrowing requirements. We have participated in multiple training exercises with SANDAG staff and understand that the model is in a near final design. This will enable staff to run independent financial scenarios on project phasing alternatives.

As cost projections for the Early Action Program projects are updated and refined, the model will enable SANDAG to construct both a short term and long term financial plan.

### *Hedging Strategy*

Today, interest rates are near historic low levels. Thirty year bonds could be sold at an approximate cost of 4.35%. Prudence dictates that in a program the size of TransNet, interest rate risks should be managed to ensure the lowest possible cost of borrowing. While we could take advantage of this situation now and issue long term bonds, there are several factors that create both obstacles and risks. For example, the final costs and schedules for the projects in the Early Action Program are under development and will most likely change during the early years of the program. It is often the case that projects of this magnitude can take longer than originally estimated. This can lead to unspent bond proceeds invested at less than the borrowing rate for negative arbitrage. In addition, long term fixed rates, while low, are not lower than the costs of CP. Long term borrowings should be implemented in the context of the overall plan so that debt capacity can be planned and allocated in an optimal strategy to complete the entire TransNet Program. Existing debt service requirements of approximately \$82 million annually, also limit available debt capacity through FY 2008. Delaying or capitalizing interest in order to “finance around” the existing debt service can be needlessly expensive.

We can however anticipate that by early 2008 we will have a sizable bond financing requirement. After more than two years of planning and engineering, several projects will be ready for construction, and we can refund and fix the rates on the CP, allowing us to begin again to ramp up an additional \$335 million in CP for projects after 2008.

The financial markets provide various tools for hedging interest rate exposure for future bond transactions. These include forward delivery bonds, swaptions, interest rate swaps and rate locks. These tools however have costs, much like insurance. In addition, to the extent rates stay the same or go down between now and 2008; hedging can be more costly than doing nothing. However, given the historically low levels of current interest rates, we recommend SANDAG solicit proposals from its pre-qualified list of investment bankers to hedge approximately \$500 million of an expected 2008 bond issuance. The investigation of hedging options was part of the



financial strategy approved by the Transportation Committee in May and does not commit SANDAG to complete a hedging transaction. We expect to present the results of this analysis to the ITOC and SANDAG board in November.

I hope this information is helpful. Please do not hesitate to contact me if I can provide any additional information.

Best wishes.



## Implementation Procedures for ITOC's Debt Financing Oversight Responsibilities

### Ordinance Language

*"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." [Paragraph #9]*

### Background/Discussion

- The current *TransNet* program has been financed through a combination of pay-as-you-go financing and debt financing. A short-term variable rate Commercial Paper (CP) program was established in 1991 with a limit of \$135 million and a series of long-term debt issues have been used to accelerate the implementation of the major highway and rail transit projects, as well as several major street and road projects.
- At the June 2005 ITOC meeting, SANDAG's Financial Advisor, Keith Curry from Public Financial Management (PFM), described SANDAG's debt financing history under the *TransNet* program and described the interim financial strategy for funding the Early Action Program, as approved by the SANDAG Transportation Committee in May 2005.
- This interim financial strategy involved the expansion of the CP program from \$135 million to \$335 million to provide a mechanism for funding the accelerated implementation of the Early Action Program projects prior to the revenues from the *TransNet* Extension becoming available in July, 2008. The strategy also included investigating potential hedging strategies that could be employed to lock in historically low rates for upcoming long-term debt issues.
- The ITOC's oversight of debt financing activities should focus on obtaining an understanding of the debt financing being proposed, evaluating the pros and cons of the proposed approach as opposed to other financing options, and ensuring that the proposal is cost-effective in terms of the overall delivery of the *TransNet* program. The ITOC should take the following factors into consideration in reviewing debt financing proposals:
  - a. The proposed interest rate and the current interest rate environment
  - b. The overall cost of issuance
  - c. The risk versus the benefits from the proposed use of derivative products (interest rate swaps)
  - d. The ability to spend the bond proceeds as scheduled
  - e. The increase or decrease in interest rate risk as a result of doing or not doing a given transaction or by the selection of one type of financing vehicle over another.
  - f. The risk of cost increases in a pay-as-you-go scenario due to price escalation.
- In reviewing the cost-effectiveness of a proposed debt financing, the ITOC should consider the costs related to the proposed financing as compared to the benefits related to accelerating the delivery of the program - such as savings resulting from avoiding cost escalation and other benefits such as travel time savings, safety improvements, energy savings, and air quality

improvements associated with the congestion relief provided by the implementing the projects in an expedited manner.

- With the exception of the initial commercial paper expansion proposal, future debt financing proposals will be based on the most recent update to the *TransNet* Plan of Finance. The Plan of Finance will provide the latest cash flow estimates related to the projects and programs to be funded with *TransNet* revenues. The Plan of Finance will include estimates of state, federal, and other available matching funds and will identify debt financing required to meet the desired project implementation schedules.

### **Schedule/Timing**

- The first scheduled action related to debt financing is the expansion of SANDAG's existing CP program. The approval of the legal documents related to the expansion of the CP program is scheduled for the September 23, 2005 Board of Directors meeting.
- Staff is currently working with the Financial Advisor, Bond Counsel, Disclosure Counsel, CP Dealers, Letter/Line of Credit providers, Rating Agencies, and related parties on the development of the legal documents required for the CP expansion.
- It is anticipated that this issue will be a major discussion item at the September ITOC meeting. SANDAG's Financial Advisor will be present to review the process related to the CP program and to discuss any issues or concerns that the ITOC may have.
- The next step regarding debt financing is the solicitation of proposals related to hedging opportunities to protect against interest rate increases prior to SANDAG's next long-term financing. This activity is scheduled to commence in October following the completion of the CP expansion process.
- The first major long-term financing is currently planned for mid-2008 once all the debt incurred under the current *TransNet* program is paid off and the *TransNet* Extension officially begins.
- As future debt financing issues arise, staff will notify the ITOC at its next meeting and will coordinate with the ITOC during the debt financing process. A recommendation from the ITOC will be sought prior to final action on the proposed financing by the SANDAG Board of Directors.

# INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

September 14, 2005

AGENDA ITEM NO.: **6**

**Action Requested: DISCUSSION**

PROJECT/PROGRAM MANAGEMENT

File Number 1110200

Attachments related to this item include:

- Scope of Work for Program Management Services. This scope of work provides additional detail on the work just getting underway at SANDAG to develop a project/program management system to be used in the ongoing development of *TransNet*-funded projects.
- Implementation Procedures for ITOC's Major Project Oversight Responsibilities. This revised draft was developed through the Bylaws Subcommittee for the ITOC's review and comment.

## **PROGRAM MANAGEMENT SERVICES**

### **Agreement No. 1 Task Order Number One**

#### **Scan of Program Management Systems September 2005**

## **1 DESCRIPTION OF SERVICES**

PBS&J, as the Sub-CONSULTANT to HNTB for the San Diego Association of Governments (SANDAG), shall act as an extension of SANDAG staff for *TransNet* program planning and technical support. The services provided will include an overall program assessment that will include a review and update of program and project management processes. Phase I of this assignment will include data collection and an overall program assessment to determine the program requirements, level of effort and costs to SANDAG for the development of a comprehensive program management system for the *TransNet* 'Early-Action' program. Recommendations made from the Phase I assessment may be implemented during subsequent phase.

## **2 SCOPE OF SERVICES**

PBS&J's services to be performed for this task order shall include, but are not limited to, the following:

### **2.1. Data Collection and Program Assessment**

Consultant shall research, review, and evaluate existing program/project management processes and tools currently in use by SANDAG and Caltrans. The consultant shall review industry best practices for program management processes and tools. Consultant shall prepare a report with recommendations and a schedule for implementation. The Consultant shall make recommendations of best management practices for adoption by the agencies. This will include identifying specific program management tools that are necessary to most effectively and efficiently deliver the *TransNet* Program. The report shall take into full consideration the existing processes and tools that SANDAG and Caltrans currently utilize, and will provide recommendations to best utilize and integrate existing platforms.

Specific activities are described below:

- 2.1.1** Interview SANDAG and key stake holder's representatives as identified by SANDAG to understand existing program management processes, tools and desired outcomes. Collect necessary data and reports to document processes and needs.
- 2.1.2** Review industry use of program/project management tools. Review agencies with capital improvement programs of a magnitude and scope similar to the SANDAG program. Identify the tools and business processes utilized by the agencies and the successes/issues that are occurring, such as but not limited to: schedule and budget

control, risk management, change control, and the use of analytical tools such as 'Earned Value.' Make recommendations as to the adoption of best practices to aid in the overall management of the TransNet program.

- 2.1.3** Review agencies program management staffing and make recommendations regarding the staffing required to effectively deliver the TransNet program; review the applicability of a 'program office' and determine the requirements to make recommendations on the appropriate mix of Caltrans and consultant staff for each corridor Early Action Plan project.
- 2.1.4** Review existing SANDAG and Caltrans program/project management systems to identify opportunities for automated, information sharing/collaboration using to maximize efficiencies. Identify specific steps necessary to implement. Describe how project managers from the various teams are to collaborate on developing and maintaining integrated project schedules; and identify the tools and systems that should be used to effect the creation of a single, unified schedule that describes the all work programmed for each major corridor.
- 2.1.5** Review existing project status processes and develop an integrated project status process. Identify the steps required to enable a program level dashboard report.
- 2.1.6** Review existing SANDAG and Caltrans financial, project accounting, and program budget tracking process and systems, and consider the use of existing budget tools to integrate into a consolidated program management tool.
- 2.1.7** Review SANDAG and Caltrans and Work Breakdown Structure (WBS) and recommend a WBS for use by SANDAG to enable integrated scheduling, budgeting and project accounting with Caltrans. If applicable, identify the steps required to by SANDAG to adopt and implement a revised WBS.
- 2.1.8** Develop a set of recommended requirements that SANDAG can insert into future project scope of work statements for development of TransNet projects to ensure that consultant teams adhere to project management, accounting, and reporting requirements.

Deliverables – At the completion of these activities, PBS&J shall prepare a draft report for SANDAG's review and approval. A final report shall be prepared based upon SANDAG and Caltrans comments. The report shall include findings from the assessment, list of action items with recommended priorities such as:

- Program Office Staff Requirement
- Draft Template of Dashboard Report and a process to update status of projects
- Ways for Caltrans/SANDAG/Consultants to coordinate on WBS
- Proposed Organization Chart for a decision making and Inter/Intra departmental communication process
- Discuss need for a process and propose such a process to develop Benchmark cost, schedules, and scope

- Provide a table summarizing recommendations with schedule for implementation. Categorize recommendations in regards to difficulty of implementation: low, medium, high.
- Recommend ways to use information from MS Project and P3 to develop a Program/Project level schedules
- Recommend ways to import pertinent data from independent financial systems of SANDAG and Caltrans to develop Dashboard Reports
- Detailed scope statement for inclusion in future consultant task orders, schedule to implement, risks, and an estimate of costs.

### **3 INFORMATION TO BE PROVIDED BY SANDAG**

- 3.01 Update PBS&J on the current program/project management system status
- 3.02 List of SANDAG and key stake holder's representatives for interview and information gathering
- 3.03 Access to existing files pertaining to the Project/Program development including project development, costs, and schedules.
- 3.04 Provide access to SANDAG project management and accounting systems, and existing project management tools
- 3.05 Furnish invoicing and documentation standards for use by PBS&J

### **4 PROGRESS REPORTS**

The Consultant shall meet with SANDAG as needed to discuss progress on the project. The Consultant shall deliver, within the time specified herein, all reports, and minutes of meeting.

- Monthly Progress Report showing actual hours per activity and percent product per deliverable.
- Total cost expended per activity, and per deliverable.

### **5 LENGTH OF SERVICES**

The duration of these activities shall be from September 6, 2005 to November 4, 2005. The draft report is due to SANDAG no later than October 14, 2005.

## Implementation Procedures for ITOC's Major Project Oversight Responsibilities

### Ordinance Language

*"Review the major Congestion Relief projects identified in the Ordinance for performance in terms of cost control and schedule adherence on a quarterly basis." [Paragraph #10]*

### Background/Discussion

- To date, the ITOC has been briefed on the Early Action Program approved by the SANDAG Board, which contains those projects from the 40-year *TransNet* Extension Expenditure Plan that have been targeted for accelerated implementation.
- Staff has been working with Caltrans staff and consultants to update the costs for these Early Action projects from the cost estimates in 2002 dollars used in the ballot measure to 2005 dollars for input to the *TransNet* Plan of Finance development process.
- The result of this initial Plan of Finance process will be the establishment of the baseline cost, schedule and scope for the projects moving forward to implementation. The quarterly review process will provide the mechanism for the ITOC's oversight of the major project implementation.
- Staff has initiated discussions with consultants regarding the development of a project management and tracking process for the implementation of these projects. Once the baseline cost, schedule and scope is established, this project management system would be used to establish:
  - Project/program controls
  - Project scheduling process
  - Risk management assessments
  - Project/program performance measures
  - Change control process
  - Conflict resolution process
- Staff will work with the ITOC to share information and develop the reports that the ITOC will need to carry out its responsibilities in terms of reviewing cost control and schedule adherence. Input from the ITOC at this early stage is important to ensure that the project management system is designed to provide the information that the ITOC requires.
- A regular quarterly reporting format will be established containing the key information needed by the ITOC to review the progress being made on the major *TransNet* Congestion Relief projects.
- Early action by the ITOC should focus on providing input to the staff on type of information the ITOC needs to carry out its responsibilities, including the format and level of detail, so that the ITOC's needs can be incorporated in the development of the project management system and the quarterly reporting process.

## **Schedule/Timing**

- The review of major project cost control and schedule adherence will be conducted on a quarterly basis following the establishment of the baseline cost, scope and schedule which is scheduled to be completed in Fall, 2005.
- An item of discussion over the next few meetings should focus on the types of information needed by the ITOC and the reporting format for the quarterly reports so that the staff can work to develop the information in the desired format.



# INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

September 14, 2005

AGENDA ITEM NO.: **7**

**Action Requested: DISCUSSION/POTENTIAL ACTION**

BYLAWS AND IMPLEMENTATION PROCEDURES

File Number 1110200

Attachments related to this item include:

- *TransNet* Independent Taxpayer Oversight Committee Bylaws. This revised draft was developed through the Bylaws Subcommittee based on comments received to date. Comments from John Meyer are attached.
- Implementation Procedures for ITOC's Performance Audit Responsibilities. This revised draft also was developed through the Bylaws Subcommittee for the ITOC's review and comment.

## ***TransNet* INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE BYLAWS**

### **Introduction**

The *TransNet Extension* Ordinance and Expenditure Plan, approved by the voters in November, 2004 as Proposition A, established the Independent Taxpayer Oversight Committee (ITOC). The 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 is to 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. The ITOC is an advisory body to the SANDAG Board of Directors, which is the final authority for actions related to the implementation of the *TransNet* program. These bylaws are based on the provisions related to the ITOC that were included as part of Proposition A.

### **A. 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. 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. The seven voting members are to include:

1. 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.
2. 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.
3. A professional with demonstrated experience of ten years or more in real estate, land economics, and/or right-of-way acquisition.
4. A professional with demonstrated experience of ten years or more in the management of large-scale construction projects.
5. 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.

6. 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.
7. 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.
8. Ex-Officio Members: SANDAG Executive Director and the San Diego County Auditor

## **B. Selection Process**

### **1. 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.

### **2. 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.

**DISCUSSION: John Meyer suggested that this language be modified to address the incorporation of additional cities in the future. Since this language is the adopted Ordinance language, a 2/3 vote of the SANDAG Board of Directors would be required to make amendments. The Subcommittee recommends no change.**

## **C. Terms and Conditions for ITOC members**

### **1. Length of Term**

ITOC members shall serve a term of four years, except that initial appointments may be staggered with terms of two to four years. Term limits for ITOC members should be staggered to prevent significant turnover at any one time.

### **2. Additional 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 Selection Committee for approval at least 120 days prior to the end of the member's current term. 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. In no case shall any member serve more than eight years on the ITOC.

### **3. Removal From Membership**

Members of the ITOC may be removed for cause including the member's failure to attend a total of three regular meetings, not including subcommittee meetings, in one calendar year or for failure to comply with the ITOC's conflict of interest provisions. The ITOC will consider any extenuating circumstances relating to a member's failure to attend the required number of meetings prior to recommending removal. The ITOC will notify the Selection Committee of actions regarding removal and request that the process be initiated to select a new member.

**DISCUSSION: 1) An option to consider here is the use of a percentage instead of a fixed number of meetings; and 2) John Meyer suggested that the removal role be given to the Selection Committee instead of the ITOC. Under that option, a notification process could be established so that the Selection Committee would be automatically notified when an ITOC member missed the specified number of meetings and any appeal/review of extenuating circumstances would be considered by the Selection Committee.**

### **4. Vacancies**

If mid-term vacancies occur as a result of Section C(3) or due to the death, disability, or resignation of a member, the process for replacement shall generally follow the same

process as established for regular appointments described in Section B. The Selection Committee may modify the process as may be necessary given the particular circumstances. Every effort should be made to fill the vacancy in the same area of expertise.

**5. Selection of Chair and Vice-Chair:**

The ITOC shall select a Chair and Vice-Chair by majority vote of the committee. The Chair and Vice-Chair shall serve at the pleasure of the committee for a term to be set by the committee.

**DISCUSSION: The initial action by the ITOC was to appoint the Chair and Vice-Chair to two-year terms. John Meyer commented that one-year terms may be worth consideration to avoid “burnout” of the Chair and Vice-Chair. Does the ITOC wish to revise this section to be more specific regarding a regular rotation – i.e., one year or two year terms?**

**6. Responsibilities of the Chair**

The Chair will run the ITOC meetings, work with staff to set the agenda for the meetings, and serve as the primary spokesperson for the ITOC to the SANDAG Board of Directors and Transportation Committee, other groups and organizations, and the media.

**7. Responsibilities of the Vice-Chair**

The Vice-Chair serves in the capacity of the Chair when the Chair is not available. The general expectation is that the Vice-Chair will become Chair at the conclusion of the current Chair’s term, subject to approval by the ITOC.

**DISCUSSION: John Meyer suggested that the second sentence is not necessary. Does the ITOC wish to include such language or add other language related to the role of the Vice-Chair?**

**8. Compensation**

ITOC members shall serve without compensation except for direct expenses (parking/mileage for attendance at meetings) related to the work of the ITOC.

**9. 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. Each ITOC member shall be required to sign a conflict of interest statement and an annual statement of economic interests.

**DISCUSSION:** John Meyer suggested that this language be modified to add “initiating legal action” in addition to referencing “no legal action pending.” Since this language is the adopted Ordinance language, a 2/3 vote of the SANDAG Board of Directors would be required to make amendments. The Subcommittee recommends no change.

## **D. ITOC Funding and Administration**

### **1. Annual Funding**

Beginning with the implementation of the *TransNet Extension* on July 1, 2008, 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. Transition Period**

During the initial transition period through July 1, 2008, the ITOC’s activities will be phased in to the extent possible within the budget constraints of the one percent administrative cap under the initial *TransNet* Ordinance. Through June 30, 2008, the provisions of the initial *TransNet* Ordinance will remain in effect with requirements such as the completion of the annual fiscal audits of *TransNet* recipients being administered by SANDAG using the 1% administrative funds. Staff will work in coordination with the ITOC on key activities that will become ITOC responsibilities after July 1, 2008 and seek ITOC’s input as appropriate during this transition period.

### **3. Duration of the ITOC**

Given the forty-year duration of the *TransNet* tax extension, the ITOC shall continue as long as funds from the current authorization remain available. These activities would include conducting annual fiscal audits of recipients until *TransNet* funds are fully expended and the development of related project close-out procedures. The ITOC budget for FY 2048 should reflect the estimated funding required to complete the close-out of the *TransNet* program.

### **4. Audits of ITOC Expenditures**

The expenditures of the ITOC shall be audited annually as part of the same fiscal audit process used for all other *TransNet*-funded activities.

### **5. Annual Budget Process**

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, starting April 1, 2008 for the 2008-09 Fiscal Year.

**DISCUSSION: John Meyer raised concerns relating to D(1) – D(5) regarding the lack of funding prior to the beginning of the new measure programs in July 2008. The Subcommittee felt that the implementation procedures to be worked out for each of the ITOC’s major responsibilities should clarify how the ITOC will carry out its work during this transition period.**

**6. Open Meeting Requirements**

All ITOC meetings, including any standing subcommittees of the ITOC which may be established, 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.

**7. Meeting Procedures**

Except as otherwise provided by the *TransNet* Ordinance or its bylaws, the ITOC shall conduct its business in accordance with generally accepted parliamentary procedures based on the principles of Roberts Rules of Order, as applicable to committees similar to the ITOC.

**8. Quorum**

A quorum of the ITOC shall consist of a minimum of four members. To pass a motion, fifty percent plus one of the members present and voting must vote in favor (a minimum of three votes at the minimum quorum level).

**9. Access to Records**

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.

**10. Consultant Selection**

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.

**E. SANDAG Staffing and Support of the ITOC**

**1. General Support for ITOC**

SANDAG shall provide reasonable staff support and shall provide meeting space for regularly scheduled meetings at the SANDAG offices (401 B Street, Suite 800, San Diego, CA 92101). SANDAG will provide supplies and incidental materials adequate for the ITOC to carry out its responsibilities and conduct its affairs. Such staffing and administrative support shall not be charged against the funds set aside for the administration of the ITOC provided under Section D(1).

## **2. Compliance with Public Meeting Requirements**

SANDAG shall assist the ITOC in terms of compliance with the public meeting laws, including posting meeting notices and agendas. An Internet webpage for the ITOC will be maintained by SANDAG as part of its website containing ITOC agenda materials, reports, and other information related to the ITOC. As a general practice, the agenda and related materials will be distributed to ITOC members one week prior to the scheduled meeting.

## **3. Preserving ITOC Independence**

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.

## **F. ITOC Roles and Responsibilities**

The *TransNet* Ordinance specifies the roles and responsibilities for the ITOC and describes the intent of the ITOC as a functional partner to SANDAG in the ongoing implementation of the *TransNet* program. As stated in the *TransNet* Ordinance, 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.

### **1. Intent**

The *TransNet* Extension Ordinance (pp. 44-45) contained intent language that summarized the foundation of the desired partnership between ITOC and SANDAG. That intent language is included below and provides general guidance for how the ITOC and SANDAG should interact as the ITOC carries out each of the specific roles and responsibilities.

- 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.

## **2. Implementation Procedures**

A set of implementation procedures for each of the basic ITOC responsibilities established in the Ordinance will be developed by the ITOC and updated from time to time as necessary. These implementation procedures will be based on the basic Ordinance language for each ITOC responsibility with additional background information, a detailed description of the way in which the ITOC is to approach each area of responsibility, and a schedule or general timing for when each activity should be undertaken.

**DISCUSSION: John Meyer raised the question of whether or not the implementation procedures (or the SOP’s as they have been called) should be part of the Bylaws or separate stand-alone documents. The Subcommittee recommends referring to them in the Bylaws, but keeping them as stand-alone documents since the concept is that each procedure will evolve over time and will expand to include more specifics as each procedure is more fully developed.**

## **G. Effective Date and Amendments:**

### **1. Effective Date**

These Bylaws shall become effectively upon adoption by a majority vote of the ITOC.

### **2. Amendments:**

These Bylaws may be amended or repealed and new Bylaws adopted by majority vote of the ITOC members in office at that time.

#### Attachments:

- Full Text of the *TransNet Extension* Ordinance and Expenditure Plan
- Summary of major Brown Act requirements for public meetings
- Key provisions of Roberts Rules of Order for conducting meetings

To : ITOC sub-committee on bylaws  
From: John Meyer  
Date: August 26, 2005

I wish to commend the committee members on the amount of work performed and the comprehensive draft as presented to us at this time. I do have a few (mostly minor) observations, as follows:

**B. Selection Committee** – should there be a bit of flexibility in the make up of this committee in future years – i.e., if areas like Fallbrook, Ramona etc. become cities? Such can be accomplished by just adding a short sentence to that effect.

**C. 3. Removal from Membership**

I am a bit uncomfortable having this removal originate within the committee as it could lead to dissention. Why not leave that to the Selection Committee?

**5. Terms of Chair etc.** –Given the amount of time that has to be devoted which could lead to “burnout”, I would be agreeable to changing it to one-year terms.

**7. Vice-Chair** – I feel that the second sentence is not necessary.

**9. COI** – I would add “initiating” legal action in addition to pending of such..... feeling that anytime legal action is commenced by a Member it would compromise the committee’s mission.

**D 1 & 5** – The \$250,000 and April 1, 2008 issue which really troubles me.

If there is a legal opinion that we cannot obtain any funding before that date then it does not make any sense that we spend a lot of effort in overseeing any of the proposed fast-track projects to be financed by the increased LOC (or commercial paper financing).

If legal approves spending before 2008 then there should be no problem in supporting our efforts financially, if need for same arises.

I feel the same way about inflationary adjustments for the amount allocated and, of course, that we should commence the budgeting obligation sooner than April 1, 2008.

**F2. Implementation Procedures** – I take it that this will consist of or include the so-called Standard Operating Procedures. Should such be incorporated in these bylaws or should it remain so flexible as to better stand alone?

In the event clarification on these comments is desired: I plan to be in my home office Monday – Keep up the good work!

JM

## Implementation Procedures for ITOC's Performance Audit Responsibilities

### Ordinance Language

*“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.” [Paragraph #3]*

### Background/Discussion

- Performance audits are intended to examine the performance of agencies in delivering certain products and services. In this situation, it is the performance of SANDAG, Caltrans, MTS, NCTD, the County of San Diego, the cities and other agencies involved in the implementation *TransNet*-funded projects and services. This is not a financial audit, but a somewhat more subjective review of how well the agencies are doing in delivering projects on time and within budget.
- The performance audit should review the experience over the three-year period under evaluation, identify any problems encountered, and make recommendations for improving efficiency and effectiveness of expenditures under the *TransNet* program.
- The subsequent performance audit would include review the status of the implementation of the recommendations made in the prior performance audit and evaluate the effectiveness of those recommendations.
- The performance audit should include a review of the approaches being followed for contracting, construction management, permitting, and other processes related to project implementation and consider changes to improve the efficiency and effectiveness of the overall project development process.

- The independent contractor to be used to perform these performance audits should have experience in project design, construction management, and related project implementation activities.
- Prior to issuing the Request for Proposals (RFP) for the independent performance auditor, the ITOC should discuss the specific issues to be addressed in the performance audit, identify activities to be evaluated, and develop a specific scope of work to be included in the RFP. Certain issues may arise over the next three years that the ITOC would like to have the auditors consider as part of the audit scope.
- Depending on the level of detail in the scope of work, the cost for the triennial audit process could be in excess of \$100,000. The cost of these performance audits would come out of the ITOC's annual funding (\$250,000 as adjusted for inflation) which becomes available in FY 2008-09.

### **Schedule/Timing**

- The first triennial performance audit should begin in Fiscal Year 2008-09 covering the three-year period from Fiscal Year 2005-06 – to Fiscal Year 2007-08. The consultant selection process should be initiated by April 1, 2008 so that a consultant can be under contract and begin work in early FY 2008-09.
- The schedule for the audit process should provide for a draft report and recommendations to be made available to the SANDAG Transportation Committee at least 60 days prior to the ITOC's scheduled approval of the final report.