MEETING NOTICE
AND AGENDA

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

Wednesday, October 19, 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.

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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SANDAG offices are accessible by public transit. Phone 1-800-COMMUTE or see www.sdcommute.com for route information.
+1. MEETING SUMMARIES FOR THE SEPTEMBER 14, 2005 MEETING AND THE SEPTEMBER 22, 2005 SPECIAL MEETING

The summary of the September 14, 2005 meeting has been prepared for the Committee’s review. A summary of the special ITOC meeting on September 22, 2005 also has been prepared for review.

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. WORKSHOP ON TRANSPORTATION SYSTEM PERFORMANCE MEASUREMENT AND OVERVIEW OF THE FREEWAY PERFORMANCE MEASUREMENT SYSTEM (PeMS)

For this workshop session, the ITOC will move to a computer training room to be set up in the SANDAG 7th Floor Conference Room. This workshop will be led by Dr. Pravin Varaiya from U.C. Berkeley, Dr. Karl Petty from Berkeley Transportation Systems, Inc., and Tarek Hatata from System Metrics Group, Inc. The workshop will be structured as follows:

A. Overview of Freeway Performance Measurement – including a discussion of what is included in performance measurement and how it relates to the management of the transportation system.

B. Overview of PeMS – including what kind of data is used by the PeMS system, what kind of information, reports, and graphs are available from PeMS, and who uses PeMS and what do they do with it.

C. “Hands On” PeMS Demonstration – including how to log in to PeMS and how to access some of the available data and reports.
4. PERFORMANCE MEASUREMENT AND THE ITOC’S ROLES AND RESPONSIBILITIES

The ITOC will return to the SANDAG 8th Floor Conference Room for the remainder of the agenda. This item is intended to provide for a general discussion on performance measurement led by Dr. Varaiya – including how PeMS and other tools could be used by the ITOC, how performance measurement could be applied to some of the TransNet funded projects to be reviewed by the ITOC in the future, and what SANDAG is currently working on to enhance and expand PeMS in the San Diego region.

5. BYLAWS AND IMPLEMENTATION PROCEDURES

This item was carried over from the last meeting. Based on the comments received to date, the Bylaws Subcommittee prepared revised drafts of the Bylaws and the Implementation Procedures for Debt Financing, Major Project Oversight/Quarterly Reporting, and Performance Audits. These procedures correspond to ITOC responsibilities specified in Paragraphs 9, 10, and 3, respectively, from the TransNet Ordinance. These items are presented for discussion by the Committee and potential action.

6. FUTURE MEETING SCHEDULE AND AGENDA TOPICS

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 a review of the draft TransNet Plan of Finance, a discussion of the TransNet Environmental Mitigation Program, and a discussion of the TransNet fiscal audit/maintenance of effort determination process.

- November 2, 2005 – Special Meeting
- November 9, 2005
- December 7, 2005
- January 18, 2006
- February 15, 2006
- March 15, 2006
- April 19, 2006
- May 17, 2006
- June 21, 2006
- July 19, 2006
- August 16, 2006
- September 20, 2006
- October 18, 2006
- November 15, 2006
- December 20, 2006

7. ADJOURNMENT

+ next to an agenda item indicates an attachment
Action Requested: ACCEPT

SUMMARY OF THE SEPTEMBER 14, 2005
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MEETING
AND THE SEPTEMBER 22, 2005 SPECIAL MEETING

September 14, 2005 Meeting Summary:

Attendance:

Committee Members:  
- Maryam Babaki  
- Hamid Bahadori  
- Michael Boyle  
- Jim Callaghan  
- Doug Gibson  
- John Meyer

Ex-Officio Members:  
- Gary Gallegos

Others:  
- Keith Curry, Public Financial Mgmt.  
- Tom Yang, UBS  
- Rick Webb, URS  
- C. J. Haskins, URS  
- Scott Ellis, URS  
- Erin Cazares, URS  
- Bart Desai, PBS&J  
- Allan Kosup, Caltrans, District 11  
- Marney Cox, SANDAG  
- Jack Boda, 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 September 14, 2005 meeting.

Item 1 - Meeting Summary for the July 20, 2005, and August 17, 2005 ITOC Meetings

The revised meeting summary for the July 20, 2005 meeting was approved as written. The meeting summary for the August 17, 2005 meeting also was approved as written. A question was raised regarding the use of meeting summaries rather than more detailed minutes. The issue was to be discussed further as part of the item related to the draft Bylaws.

Item 2 - Public Comments/Communications/Member Comments

There were no public comments. Craig Scott mentioned that, as a follow-up to the discussion at the last meeting, a package of articles and news clippings relating to potential items of interest to the
ITOC was included as part of the agenda package. The members expressed an interest in continuing to receive that type of information.

Doug Gibson raised a point regarding how the ITOC should handle media relations in the future. Since this issue is referenced in the draft Bylaws, it was decided that this issue would be further addressed as part of the discussion on the Bylaws agenda item.

**Item 3 - Commercial Paper Program Expansion**

John Meyer reported that, as directed at the last meeting, he and Craig Scott met with Keith Curry from Public Financial Management (PFM), SANDAG’s Financial Advisor, to discuss the ITOC’s comments and questions from the previous meeting so that Mr. Curry would be able to respond to as many of the questions as possible at today’s meeting. Mr. Curry provided a PowerPoint presentation covering the history of SANDAG’s borrowing experience under the current TransNet program, the initial financing strategy for the TransNet Extension approved by the SANDAG Transportation Committee, the constraints limiting SANDAG’s borrowing capacity until the new measure becomes effective in FY 2008-09, the modeling process being used for the Plan of Finance update, and an analysis of the proposed commercial paper program expansion as compared to a long-term bond issue.

There were several questions related to the cost estimates used in the financial modeling process and to what extent the proposed commercial paper expansion would address the identified cash flow needs for the major projects. Mr. Curry and Craig Scott went into more detail on the Plan of Finance development process and how the cost estimates were developed for input into the financial model being used for the Plan of Finance update. The work on the Plan of Finance is ongoing, with a number of different scenarios being analyzed. The current schedule is to have a draft Plan of Finance ready for initial discussion at the October ITOC meeting. Based the preliminary analysis conducted to date, it is likely that, if all of the projects are implemented according to the current schedules developed by the project engineers, additional short-term notes will be required beyond the proposed $335 million limit on the commercial paper program prior to 2008. This possibility was recognized as part of the initial financial strategy, which included the expansion of the commercial paper program, additional short-term notes as required to meet project cash flow, a long-term debt issue in 2008 to pay off the commercial paper and any additional notes issued, and the investigation of hedging opportunities to lock in today’s historically low interest rates for a long-term borrowing in 2008.

ITOC members stressed the importance of flexibility at this juncture in the implementation of the TransNet Early Action Program. The members felt the commercial paper program was a very flexible financing tool that could be used to meet the cash flow needs of the Early Action Projects at the lowest possible financing cost.

**ACTION:** On a 5-0 vote, the ITOC endorsed the proposed financing strategy to increase the TransNet Commercial Paper Program to $335 million, with the understanding that additional borrowing may be required to meet the cash flow needs of the Early Action Projects.
Item 4 – Plan of Finance Status Report

The status of the Plan of Finance was covered in the previous item.

Item 5 – Presentation on 2005 Indicators of Sustainable Competitiveness

Marney Cox provided a PowerPoint presentation on the results of a recent SANDAG/San Diego Economic Development Corporation study entitled “2005 Indicators of Sustainable Competitiveness.” A copy of the report had been distributed to ITOC members previously at the request of Jim Callaghan. Mr. Cox described the background of the study, which relates back to the region’s Economic Prosperity Strategy and efforts to keep the region’s economy growing while maintaining the region’s quality of life. The report is an attempt to measure the region’s progress in key areas as compared to 18 other metropolitan areas with similar characteristics. The focus is on the three “E’s” – economy, environment, and equity. Mr. Cox reviewed a series of measures showing how the San Diego compared with the other regions. The region ranked ninth overall, achieving a top ranking for environment, ninth for economy, and sixteenth in the equity category. Mr. Cox reviewed in detail the individual measures that led to these rankings. There was substantial discussion regarding how the measurements were defined and what could be done to improve the rankings in the future. The passage of the TransNet Extension was cited as one of the key factors that will help the region to do better in future evaluations in that investment in infrastructure, including highway and local road improvements as well as transit service improvements, are very important to the region in maintaining and enhancing its economic vitality. The members felt that the study provided a valuable tool to the region’s decisionmakers in developing future policy initiatives to sustain the region’s quality of life and maintain economic competitiveness. ITOC’s role in making sure that future TransNet expenditures are as cost effective as possible was cited as an important piece of this overall decisionmaking framework.

Item 6 – Project/Program Management

Mike Boyle introduced a team from URS that has been involved in program management for the San Diego City School’s Proposition MM Bond program. URS has been under contract to the school district staff to develop a program management system for tracking cost control and schedule adherence for the various projects funded through Prop. MM. The system has been designed to build up from the detailed individual project level to provide higher level reports for management, as well as for the Prop. MM Oversight Committee. The URS representatives provided a PowerPoint presentation showing examples of the kinds of reports that have been produced for the school construction projects and distributed additional materials to give the ITOC a feeling for the types of information that could be displayed to monitor TransNet-funded major transportation projects. The information that generated the most discussion was a total indicated cost chart showing actual costs against a high/low projection of future costs to complete the program. The ITOC discussion focused on the desired frequency of reporting and the appropriate level of detail in the data presented. There was considerable discussion regarding the differences in approach in developing a program from scratch for a school bond measure as compared to working with a program like TransNet, which has been underway for 17 years and has projects ready to go to construction.
As a continuation of the discussion initiated at the previous meeting, Jack Boda summarized SANDAG’s work effort that is just getting underway to develop a reporting system for management of the projects to be funded in the TransNet Early Action Program. He introduced the project manager from PBS&J, which is SANDAG’s consultant hired to enhance the existing program management tools available to SANDAG and Caltrans. The focus of the effort will be to analyze the various project/program management programs and financial accounting programs currently in use and to develop an approach that better integrates and utilizes the data that is available. The objective of the effort is 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 discussion focused on seeking 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. The enhanced project management system will be used to generate the quarterly reports on the major construction projects that the ITOC will be reviewing in the future. A special ITOC meeting was set for Thursday, September 22, 2005, at 9:15 a.m. at SANDAG for PBS&J to conduct an interview of the ITOC members focusing on what information is important to the ITOC for purposes of meeting its responsibilities and what format should be used to present that information. This effort is related to the ITOC’s responsibilities as described in Paragraphs 3 and 10 of the ITOC provisions in the TransNet Ordinance.

**Item 7 - Bylaws and Implementation Procedures**

This item was deferred to the next meeting. Members were encouraged to send comments to the staff and Bylaws Subcommittee.

**Item 8 - Future Meeting Schedule**

The Chair described the plans for the next meeting, which will focus on techniques for measuring the performance of the existing system, including a demonstration of the PeMS system. The next ITOC meeting was scheduled for October 19, 2005, from 9:30 a.m. to 3:30 p.m. at SANDAG. Future meeting dates have been reserved for November 9, and December 7, 2005. Other potential agenda items for the next meeting included a discussion of the draft bylaws and implementation procedures, a discussion of the draft TransNet Plan of Finance, issues related to the TransNet Environmental Mitigation Program, and an update on the quarterly reporting process as part of the program management system development.

**Item 9 - Adjournment**

The meeting was adjourned at 3:30 p.m.
September 22, 2005 Special Meeting Summary:

Attendance-
Committee Members:  ▪ Maryam Babaki  ▪ Michael Boyle
▪ Hamid Bahadori  ▪ Jim Callaghan
Ex-Officio Members:  ▪ None
Others:  ▪ Bart Desai, PBS&J  ▪ Jack Boda, SANDAG
▪ Mike McFall  ▪ Craig Scott, SANDAG
▪ Phoenix Palmer

Item 1 - Public Comments/Communications/Member Comments

There were no public comments.

Item 2 - ITOC’s Information Needs Related to Program Management/Quarterly Reports

This special meeting was scheduled to serve as an “interview” of the ITOC by representatives from SANDAG’s consultants, PBS&J, on the topic of project/program management. PBS&J is under contract to enhance SANDAG’s and Caltrans’ program management systems to improve how the existing project tracking and fund accounting systems interface with each other. One of the outputs of this new program management system will be a quarterly report showing the status of the major TransNet projects, which is directly related to one of the ITOC’s responsibilities (Paragraph #10 in the Ordinance). The ITOC’s input in terms of the type of information to be collected and the format in which it should be displayed in the quarterly reports was important to the consultant’s efforts in creating a new reporting system.

Bart Desai from PBS&J outlined his team’s work effort and their initial plans to develop a “dashboard” type reporting system that would create a high level set of reports to track how the overall system is performing in terms of cost control, schedule adherence, and related factors. The system would have the ability to drill down to the corridor and individual project levels to identify the source of problems as they occur.

ITOC members requested samples of the type of information that was currently being used in order to get a better feel for what is available now and how it could be improved. Staff was to provide such materials to the ITOC members [subsequently a set of materials dated October 4, 2005 was sent to all ITOC members].

The ITOC members stressed the importance of creating a system that flagged problems as soon as possible so that corrective actions could be initiated. The members also expressed an interest in the reporting process being able to identify barriers or constraints to implementing the projects, in addition to just reporting status, expenditures, etc. This would help to determine what kind of actions could be taken to address the identified issues, which could include such things as implementing institutional changes and seeking amendments to state or federal laws. The concept is to use the quarterly reporting process to constantly evaluate the successes and failures of the program and continuously improve the project delivery process over time.
Members also expressed interest in the decision-making process for change orders, scope changes, and other factors that could impact the cost and schedule for projects. The appropriate place in the process for the ITOC to become involved was also discussed. There was recognition of the need to identify appropriate levels of changes that would initiate ITOC and SANDAG Transportation Committee/Board of Directors involvement so that only significant changes would be subject to such a review process. The proposed change in the relationship between SANDAG and Caltrans in terms of the creation of corridor managers in charge of the overall implementation of a given major corridor improvement also was discussed in detail. The ITOC felt that such a change, if successfully implemented, could be very positive in terms of future project delivery.

Bart Desai said that, as part of his draft report, sample reporting formats would be prepared and a proposed organization chart would be developed showing the information flow and decision-making steps on components such as major cost increases and scope changes. The draft report would be shared with the ITOC for comment.

**Item 3 - Adjournment**

The meeting was adjourned at approximately 11:30 a.m.
This workshop session will be led by Dr. Pravin Varaiya from U.C. Berkeley, Dr. Karl Petty from Berkeley Transportation Systems, Inc., and Tarek Hatata from System Metrics Group, Inc. The workshop will include an overview of performance measurement and a “hands on” demonstration of the PeMS system. The purpose of the workshop is to provide ITOC members with information related to the state of the art in performance measurement so that the more detailed implementation procedures for the ITOC’s responsibilities in the area of performance measurement can be developed.

Attachments related to this item include:

- Summary of the major ITOC responsibilities from the TransNet Extension Ordinance. Paragraphs 6 and 7 relate to performance measurement. Paragraph 6 focuses on performance measures as part of the development of the long-range Regional Transportation Plan (RTP), while Paragraph 7 focuses on performance measurement of the existing system.
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 related 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 ten years and to make recommendations for improving the program over the subsequent ten 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.
Action Requested: DISCUSSION/POTENTIAL ACTION

BYLAWS AND IMPLEMENTATION PROCEDURES

This item was carried over from the past regular meeting. 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 responsibilities related to Debt Financing (Paragraph #9), Performance Audits (Paragraph #8), and Major Project Oversight/Quarterly Reporting (Paragraph #10). This revised draft also was developed through the Bylaws Subcommittee for the ITOC’s review and comment.
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 effective 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 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.
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.
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.