MEETING NOTICE
AND AGENDA

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

Wednesday, November 15, 2006
9:30 a.m. to 3:30 p.m.
SANDAG, 7th Floor Conference Room
401 B Street
San Diego, CA  92101-4231

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

AGENDA HIGHLIGHTS

• I-15 CORRIDOR PROJECT UPDATE

• SPRINTER PROJECT STATUS REPORT AND SANDAG INDEPENDENT ASSESSMENT

• AMENDMENT TO THE TransNet ORDINANCE AND EXPENDITURE PLAN TO INCLUDE COMPLETION OF THE SPRINTER AND PROPOSED AMENDMENTS TO THE TransNet EARLY ACTION PROGRAM

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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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## ITEM # | RECOMMENDATION
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1. **ETHICS TRAINING FOR ITOC MEMBERS** (Julie Wiley, SANDAG) | INFORMATION

SANDAG General Counsel will provide an overview of the Brown Act, parliamentary rules, and conflicts of interest laws applicable to the ITOC. Training materials will be handed out at the meeting.

Estimated Start Time: 9:30 a.m.

2. **MEETING SUMMARY OF THE OCTOBER 18, 2006 ITOC MEETING** | ACCEPT

The summary of the October 18, 2006 ITOC meeting has been prepared for the Committee’s review.

Estimated Start Time: 10:30 a.m.

3. **PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS** | INFORMATION

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.

Estimated Start Time: 10:35 a.m.

4. **UPDATED TransNet POLICIES AND PROCEDURES** (John Kirk, SANDAG) | INFORMATION

As part of the annual update to SANDAG Board Policies, changes to TransNet-related policies are recommended. Staff will review the proposed changes to TransNet policies, which are focused primarily on strengthening the procedures for programming TransNet-funded projects in the Regional Transportation Improvement Program and clarifying conflict of interest provisions for ITOC members. A copy of the policy changes is attached to the agenda report.

Estimated Start Time: 10:40 a.m.

5. **SPRINTER PROJECT STATUS REPORT AND SANDAG INDEPENDENT ASSESSMENT** (Jim Linthicum, SANDAG/Tom Lichterman, NCTD) | INFORMATION

This item provides a monthly status report on the SPRINTER rail project, including discussion of implementation and effectiveness of project cost control measures and the SANDAG independent assessment of the project. North County Transit District (NCTD) and SANDAG staffs will summarize recent progress on the project.

Estimated Start Time: 10:50 a.m.
**ITEM #**

+6. AMENDMENT TO THE TransNet ORDINANCE AND EXPENDITURE PLAN TO INCLUDE COMPLETION OF THE SPRINTER AND PROPOSED AMENDMENTS TO THE TransNet EARLY ACTION PROGRAM (EAP) (Craig Scott, SANDAG)

As a continuation of last month’s discussion on the SPRINTeR rail project financial plan options and other potential revisions to the TransNet Plan of Finance for the EAP, staff will summarize the status of the financial analysis to date. The recommended SPRINTeR Financial Plan includes an amendment to the TransNet Extension Ordinance and Expenditure Plan to include completion of the SPRINTeR project as part of the TransNet Extension and to add the project to the EAP as well. One of the ITOC roles (Paragraph 4 of the Ordinance) is to provide its comments and recommendations on any proposed amendments to the Ordinance and Expenditure Plan.

7. I-15 CORRIDOR PROJECT UPDATE  
(Gustavo Dallarda, Caltrans, District 11)

The I-15 Corridor Director will review the status of this Early Action Program (EAP) project with the ITOC.

8. FUTURE MEETING SCHEDULE

The dates shown below have been suggested as potential meeting dates. The meetings are proposed to be scheduled from 9:30 a.m. to 3:30 p.m. The next meeting date and time will 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 next quarterly report on the status of the major corridor projects, a detailed update on the SR 52 corridor project, the process for establishing the new Maintenance of Effort base year requirement, an update on the Environmental Mitigation Program, and draft guidelines for accommodating bicycle and pedestrian travel on major transportation projects.

Scheduled Future Meeting Dates:
- December 20, 2006

Potential 2007 Meeting Dates:
- January 17, 2007
- February 21, 2007
- March 21, 2007
- April 18, 2007
- May 16, 2007
- June 20, 2007
- July 18, 2007
- August 15, 2007
- September 19, 2007
- October 17, 2007
- November 21, 2007
- December 19, 2007

9. ADJOURNMENT

+ next to an agenda item indicates an attachment
MEETING SUMMARY OF THE OCTOBER 18, 2006
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE (ITOC) MEETING

October 18, 2006 Meeting Summary

Attendance-
Committee Members: Maryam Babaki, Hamid Bahadori, James Callaghan, Ron Gerow, Doug Gibson, John Meyer, Jim Ryan

Ex-Officio Members: Gary Gallegos


The following summarizes the major actions and key discussion points under each agenda item from the October 18, 2006 meeting.

Item 1 - Meeting Summary of the September 20, 2006 Meeting

The meeting summary of the September 20, 2006 regular meeting was approved as written. John Meyer thought that the additional detail on comments provided by ITOC members on major discussion topics was helpful.
Item 2 - Public Comments/Communications/Member Comments

There were no public comments. Hamid Bahadori distributed materials produced by the American Automobile Association (AAA) regarding the transportation-related measures coming up on the November statewide ballot.

Item 3 - Overview of November Ballot Measures

Kim Kawada provided an overview of the fact sheet and related materials provided in the agenda package regarding the transportation-related measures on the statewide ballot in November. She reported that the SANDAG Board is in support of the proposed infrastructure bond package. She reviewed the importance of Prop. 1A in protecting the transportation revenues provided through Prop. 42 and the potential benefits to the region from the passage of Prop. 1B, the $19 billion transportation bond measure. Craig Scott described SANDAG staff’s involvement in working with the California Transportation Commission on the draft set of guidelines for the one of the major discretionary programs to be created by Prop. 1B for corridor mobility improvements and the effort to put the region in the best position possible to benefit from the bond programs.

Jim Callaghan expressed concern over the size of the bond measure and the lack of an ITOC-type group to provide oversight on the expenditure of the bond funds. He also was concerned about the total level of indebtedness of the state. Doug Gibson commented that even if the new bond measures were to pass, the state’s total debt service would still be within 6 percent of total general fund revenues which is within the generally accepted level for state debt. Hamid Bahadori expressed interest in having the ITOC review the projects to be submitted for funding to gain a better understanding of how the projects were selected and how the additional state funding might benefit the TransNet program. John Meyer inquired about the status of the repayment process for the Prop. 42 funds borrowed in prior years for general fund purposes. Kim Kawada indicated that the FY 2007 budget actually included an accelerated payback of the funds as compared to the approved repayment schedule.

Jim Callaghan asked about supporting the inclusion of a statewide ITOC as part of the bond measure. Craig Scott indicated that such an oversight group was not part of the proposal that has been placed on the ballot and that follow-up state legislation would be required to create a separate oversight committee. Hamid Bahadori stated that the passage of Prop. 1A and 1B would be important to provide the state matching funds needed to complete the TransNet program and made a motion, seconded by Jim Ryan, that the ITOC support the measures.

ACTION (7-0) - The ITOC supported the passage of Propositions 1A and 1B to support the implementation of the TransNet program.

Item 4 - I-805 Corridor Project Update

Joel Haven provided a PowerPoint presentation (Attachment 1) summarizing the goals of the I-805 corridor project and the three major sections of the project. He demonstrated a video “fly-over” of the corridor from the southern terminus near the border to the northern terminus at the merge with I-5. The video provided a view of the engineering work that had been conducted to date showing the location of the additional managed lanes, direct access ramps, and bus rapid transit...
(BRT) stations, including discussion of some of the alternative sites under consideration. He indicated that most of the work could be accommodated within the existing right-of-way. Joel also reviewed plans for early implementation of BRT services in advance of the completion of the managed lanes. He reviewed the current budget and schedule for the project. The environmental document is expected to be completed by 2010 and construction of initial portions of the corridor could be ready to go by 2011, which would make those projects eligible for the state bond funds if the measure passes.

Jim Callaghan asked Joel to walk through the components of the project that were included in the TransNet Expenditure Plan budget. Joel described the main components of the project and indicated that, based on the work that had been done on the I-805 Corridor Study since the passage of Prop. A in 2004, he planned on bringing back alternatives for the ITOC to review regarding the location of some of the direct access ramps, BRT stations, and freeway connectors. Ron Gerow asked about the ownership status of the proposed BRT locations and suggested that if they had not been purchased, Caltrans and SANDAG should notify the zoning departments of the local jurisdictions regarding the intentions for these locations and seek assistance in ensuring that the property is not developed. John Meyer encouraged Caltrans and SANDAG to not label the early implementation of express bus services “BRT” until the managed lanes and all the other amenities associated with BRT services are in place. Another term should be used to reflect the interim nature of the service to avoid having the new services fail to meet expectations.

Joel Haven also noted that on Saturday, October 28, 2006, a groundbreaking ceremony would be held for the opening of the westbound auxiliary lanes on SR 52, the first piece of the SR 52 Early Action Program project. He encouraged ITOC members to attend.

**Item 5 – Proposed Revisions to the TransNet Early Action Program (EAP)**

Craig Scott reviewed the material provided in the agenda report on this topic. Two optional financial plans were developed to address the cost increases on the SPRINTER based on whether or not Proposition 1B passes in November. The key component of the financial plans is a proposed TransNet Ordinance amendment to include the completion of the SPRINTER project as part of the Expenditure Plan project listing to make it eligible for receipt of TransNet Extension funds. Craig reviewed the process for amending the Ordinance, including the ITOC’s role in providing recommendations on all proposed Ordinance amendments. He also reviewed some additional potential projects to be added to the EAP and the financial analysis work underway to update the Plan of Finance and evaluate the impact of these potential EAP revisions.

ITOC members discussed the SPRINTER financial plans and the proposed Ordinance amendment, but didn’t feel comfortable making any recommendations until the financial analysis work was completed and the impact of adding the cash flow needs of the SPRINTER to the EAP could be determined. Staff indicated that the analysis work as related to the SPRINTER would be available in time for the next ITOC meeting. Hamid Bahadori asked if including the SPRINTER in the TransNet Extension would create an open-ended allocation of funds. Gary Gallegos stated that the project would be treated like any other and would have a set budget and schedule. The North County Transit District (NCTD) would have to come back to the ITOC, the Transportation Committee, and the SANDAG Board for any future major budget or schedule adjustments. John Meyer and other members reiterated their greater comfort level with the project following the detailed briefing they
received on the project at the October meeting, including a better understanding of the role SANDAG is playing in terms of staff oversight of the project. Jim Linthicum described SANDAG’s involvement in the project and the status of SANDAG’s efforts to develop an independent cost estimate to complete the project. He stated that he was quite impressed with the project controls that have been established and how the system is functioning to date.

Hamid Bahadori, Jim Callaghan and Doug Gibson expressed interest in seeing the results of the financial analysis at the next meeting so they would have a better understanding of the impacts on the delivery of the other projects in the EAP. Maryam Babaki also requested a report from NCTD and SANDAG on the status of the project as part of next month’s discussion.

**Item 6 - Transportation Project Evaluation Criteria Based on Cross-Mode Cost-Effectiveness**

Rachel Kennedy provided a progress report on the work the staff had done on development of cross-mode evaluation criteria. She reminded the ITOC of the work done throughout the year through the Transportation Project Evaluation Criteria (TPEC) Working Group. The TPEC effort focused on a detailed review and update of the mode-specific criteria used by SANDAG in the past. ITOC has reviewed the TPEC’s recommendation at several previous meetings. Regarding the ITOC’s interest in the development of a single set of evaluation criteria for all modes, Rachel described the literature review she had conducted and the contacts she had made to Federal Highway Administration, Federal Transit Administration, and other regional agencies like SANDAG in other areas. To date, staff has not been able to find another agency that has developed such a cross-mode evaluation factor for Regional Transportation Plan (RTP) project evaluation, so this could be a pioneering effort.

Rachel distributed a handout summarizing a draft methodology she had developed for measuring cost-effectiveness for highway and transit projects using the same measurements including public and private (user) costs. She described some of the challenges and pitfalls with the approach and indicated that the methodology was very much a work in progress and not something the staff is prepared to recommend. She indicated that one of the key challenges was trying to evaluate multimodal projects, such as the managed lane projects, which make up a major component of the future improvements in the RTP. On such facilities designed to be jointly used by solo drivers, carpools, and buses, it is difficult to assign costs and benefits by mode. Gary Gallegos raised an additional issue related to measuring the cost-effectiveness of smaller, incremental projects on existing facilities compared to new major corridor projects.

ITOC members raised a number of issues on the draft cost-effectiveness methodology and the various assumptions that went into it. Maryam Babaki reminded the group about how this issue first came up at the ITOC in its early discussions regarding performance measurements. With all the work that has been done on updating the mode-specific criteria, this cross-mode type of evaluation is the last missing piece. Gary Gallegos described the evolution of project evaluation criteria at SANDAG which started with the development of highway criteria and expanded over time to the set of mode-specific criteria we have today. He said the ITOC was right to continue to push on this cross-mode evaluation, but stressed the difficulty of coming up with a useful set of criteria and that we were a long way from having a set of criteria that would be useful for the RTP development process. Hamid Bahadori argued that even if we could reach agreement on such criteria, it wouldn’t
have much value for planning purposes in that it would only be one of many things to consider in
deciding which projects should go forward. He said that we need to be very careful in using this or
any other single factor in picking projects. He indicated that the reason SANDAG staff hasn’t been
able to find another region using such cross-mode factors could be that it can’t be done. He stated
that for many types of trips, there really isn’t a real choice between modes. He felt we could be
spending a lot of time on something that won’t have much practical use as a decision-making tool.

Jim Callaghan stressed the importance of continuing to improve the region’s performance
measurement capabilities, as the ITOC’s Ordinance responsibilities require, so that we can evaluate
what is working and what isn’t and use that information to influence the next set of future
projects. Several members commented that the draft methodology presented by Rachel provided a
good start and food for thought, but that much additional work would be required. Gary Gallegos
suggested that if the discussion gets to the point where a more specific scope of work for research
in a given area can be developed, SANDAG may be able to obtain state or federal research grant
funding. Maryam Babaki stated that we need to continue to work on this topic, as well as ITOC’s
role as related to Paragraphs 6 and 7 of the Ordinance. The consensus of the group was to continue
discussions of cross-mode evaluation measures and general performance measurement improve-
ments beginning in early 2007.

**Item 7 - Future Meeting Schedule and Agenda Topics**

The next regular meeting of the ITOC was scheduled for November 15, 2006, from 9:30 a.m. to
3:30 p.m. at SANDAG. Potential agenda items for the meeting included the next quarterly report on
the status of the major corridor projects, reports from Corridor Directors/Project Managers on the
status of the SR 52 and I-15 projects, a review of the proposed approach to developing the new
“maintenance of effort” requirement, a review of draft guidelines for accommodating bicycle and
pedestrian travel on major transportation projects, and new procedures for incorporating TransNet
projects in the Regional Transportation Improvement Program (RTIP). The potential need for ITOC
members to attend ethics training was discussed. Staff indicated that this would be coordinated
with a future ITOC meeting if at all possible.

**Item 8 - Adjournment**

The meeting was adjourned at 1:35 p.m.
GOALS

- Design an efficient transportation system including transit/HOV

- Provide access in high population areas

- Minimize out-of direction travel at transit stations for Bus Rapid Transit
Northern Segment
Middle Segment
Southern Segment
BRT
2 HOV/Reversible Lanes
4 Managed Lanes
Direct Connectors

I-805 Managed Lanes & BRT

MOVIE
South Segment

- 2 HOV/Reversible Lanes
- BRT
- TransNet Funded
- Future Stations
- Deleted Station
- Intermediate route

I-805 HOV/BRT Corridor

South Segment

- 2 HOV/Reversible Lanes
- BRT
- TransNet Funded
- Future Stations
- Deleted Station
- Intermediate route

I-805 HOV/BRT Corridor
OTAY RANCH RESIDENTIAL VILLAGES

Heritage

Transit Station

Median Transit Way

TRANSNET II

4ML + 2 HOV Revers.
No GP
4 DARs
1 Fwy to Fwy Conn.

Plus other projects

$2.6 Billion (2002)
Next Steps

- Present alternatives
- Finalize scope
- Prepare Draft I-805 Managed Lanes EIR/S
- Develop freeway shoulder operating plan
- Evaluate New Starts funding
Questions?
Each year, a review is conducted of the SANDAG Bylaws and Board Policies to determine if updates are necessary to reflect changes over the past year or to clarify specific roles and responsibilities. One of the policies staff is proposing changes to concerns TransNet policies and procedures. Policies related to the TransNet program have been consolidated in Board Policy #31. A copy of that Board Policy showing the proposed changes is attached.

Some of the proposed changes to Policy 31 reflect minor revisions, such as changing the word “Policy” to “Rule.” Many of the TransNet policies were approved individually over the first few years following the passage of the initial TransNet measure in 1987 to provide more detailed interpretations and clarifications of the requirements of the TransNet Ordinance. Now that these policies have been consolidated into one Board Policy, the term “rule” is proposed to avoid confusion.

The first substantive change is to Rule #7 concerning the “Program of Projects Approval Process and Amendments.” As you may recall, there were some issues that arose earlier this year regarding the timing and sufficiency of documentation regarding public hearings and related requirements associated with the programming of TransNet funds in the Regional Transportation Improvement Program (RTIP). The new language is intended to prevent future problems by clarifying that SANDAG will not approve a member agency’s project list in the RTIP until the member agency has held a clearly noticed public hearing and its governing body has passed a resolution approving the specific list of projects and provided the resolution to SANDAG. The proposed changes also would apply to all RTIP amendments.

The other substantive changes are new Rules 18 and 19. Rule 18 is the incorporation of “70/30” Guidelines that the ITOC helped to develop earlier this year as part of Board Policy #31. Rule 19 is intended to clarify the Board’s interpretation of the conflict of interest requirement included in ITOC language attached to the TransNet Extension Ordinance. That language includes a statement that “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.” The proposed change would establish an interpretation by the Board that this language imposes the same level of restrictions on the ITOC representatives as those that apply to SANDAG Board members pursuant to California state law (Government Code sections 87100 et seq. and 1090) rather than some stricter
standard than that required by state law. This change would assist the Office of the General Counsel in applying a legal analysis of conflict of interest matters relating to ITOC members, reduce confusion for ITOC members regarding their responsibilities, and potentially prevent the unnecessary loss of ITOC members.

Attachment 1. Excerpt from the staff report for the November 3, 2006, SANDAG Executive Committee showing the proposed changes to SANDAG Board Policy 31 dealing with TransNet Ordinance and Expenditure Plan Rules
The following rules have been adopted and amended by the SANDAG Board of Directors in its role as the San Diego County Regional Transportation Commission (RTC). The purpose of these rules is to implement the provisions of the original TransNet Ordinance (87-1) and the TransNet Extension Ordinance (04-01).

**Rule Policy #1: Procedure for Distribution of Revenues for Transportation Services for Seniors and the Disabled**

**Adoption Date:** February 26, 1988 (Resolution RC88-2)

**Amendment:** Repealed at November 18, 2005, Board Meeting. This rule was superseded by Rule Policy No. 11.

**Rule Policy #2: Loan of Funds for Privately-Funded Projects**

**Adoption Date:** April 22, 1988 (Resolution RC88-5)

**Amendment:** Amended at November 18, 2005, Board Meeting.

**Policy Text:** The Commission may approve a loan of sales tax funds to a city or county from its formula-based share of Local Street and Road funds to finance a project which is prohibited from receiving funding under Section 9 of Commission Ordinance 87-1 or Section 8 of Ordinance 04-01 if the following terms and conditions are met.

1. A finding is made by the Commission that absent private sector funding, the project would be an eligible street and road project.

2. The City or County agrees to enter into an agreement to repay the loan plus interest (at a rate determined by the Commission) prior to the termination of the sales tax in accordance with Section 3 of Commission Ordinance 87-1 or Section 3 of Ordinance 04-01.

3. That the City or County agrees to guarantee repayment of the loan if private developer funding is determined to be inadequate to repay the loan prior to termination of the sales tax.
**RulePolicy #3: Reimbursement of Local Funds to Advance Approved Projects**

*Adoption Date:* May 27, 1988 (Resolution RC88-6)  
*Amendment:* Amended at November 18, 2005, Board Meeting.

*Policy Text:* A city or county may advance improvements on a project(s) which is included in the approved transportation sales tax Program of Projects with local agency funds (other than private developer funds as set forth in Section 9 of Ordinance 87-1 or Section 8 of Ordinance 04-01) prior to sales tax funds being available and receive reimbursement including interest from sales tax funds if it is determined by the Commission that the following terms and conditions are met.

1. The project(s) is included in the approved transportation sales tax Program of Projects, and no other financing technique is found to be more desirable or cost effective to utilize in order to advance the improvement.

2. The city or county shall be reimbursed for the local funds expended as soon as sales tax funds become available, or on a schedule agreed to between the local agency and the Commission.

3. That no more than 30 percent of the funds will be used for maintenance projects if the funds are borrowed from TransNet revenues pursuant to Section 2(C)(1) of Ordinance 04-01.

**RulePolicy #4: SR 78 Corridor Reserve Fund Allocation Policies**

*Adoption Date:* Originally Adopted May 26, 1989 (Resolution R-89-82)  
Wording changed December 14, 1990 (Resolution RC91-10)  
*Amendment:* Amended at November 18, 2005, Board Meeting.

*Policy Text:* For purposes of allocating funds under Section 2(a)(3) in Ordinance 87-1:

1. Only those projects designated as "funded" on the SR 78 Corridor project list approved on December 13, 1990 by the SR 78 Corridor Policy Committee are eligible to receive SR 78 Corridor Reserve Funds.

2. The list of SR 78 Corridor projects and their priority and funding eligibility may be revised by a majority vote of the SR 78 Corridor Policy Committee and the approval of the Board of Directors.

3. The basic contribution for a non-Caltrans project on the SR 78 Corridor Reserve funded list is 50 percent of the estimated right-of-way, engineering, and construction costs. However, the total amount of Corridor Reserve Funds designated for projects within one jurisdiction may be allocated to vary from the basic 50 percent for any given project as long as the cumulative total for programmed projects at any point in time does not exceed 50 percent.
4. The basic contribution for a Caltrans project on the SR 78 Corridor Reserve funded list is 100 percent of the estimated right-of-way, engineering, and construction costs.

5. Contributions from the SR 78 Corridor Reserve Fund to any one jurisdiction cannot exceed 50 percent (100 percent for Caltrans) of the project cost estimates shown on the approved funded list of December 13, 1990. If actual project costs are less than estimated, a maximum contribution of 50 percent (100 percent for Caltrans) of the new costs shall be in effect.

6. A project that for any reason is removed from the funded list can only be replaced by the next highest ranked unfunded project (or projects), regardless of jurisdiction and only if the funded list of projects does not exceed the total Corridor Reserve dollars available. As with other funded projects, Corridor Reserve funds can only be used to improve the replacement project(s) to minimal four-lane standards (six lanes at freeway interchanges).

   Added June 22, 1990 (Resolution RC90-40):

7. SR 78 Corridor Reserve funds for right-of-way will not be encumbered until a project has environmental clearance and the first 25 percent of the total value of the right-of-way is acquired. When a total of 75 percent of the right-of-way has been acquired, the construction funds will be encumbered at the request of the agency.

   Added December 14, 1990 (Resolution RC91-10):

8. All agencies submitting projects from the SR 78 Corridor Funded Project List for programming are encouraged to pursue matching funds from the State's SB 300 program.

   Added February 22, 1991 (Resolution RC91-13):

9. Any new source of state highway funds for the San Diego region should be considered for allocation to the TransNet SR 78 Corridor Reserve to offset local funds which were used for projects which are normally the responsibility of the State, such as freeway-freeway interchange improvements and ramp metering systems.
**RulePolicy #5: Use of Local Street and Road TransNet Funds for the Development of Transportation Demand Management Programs**

**Adoption Date:** August 25, 1989 (Resolution RC90-23)

**Amendment:** Amended at November 18, 2005, Board Meeting.

**Policy Text:**
The development and implementation of a Transportation Demand Management Program shall be an eligible use of Local Street and Road funds pursuant to Section 19(E) of Ordinance 87-1 and Section 21(c) of Ordinance 04-01. Transportation Demand Management shall mean a comprehensive set of strategies designed to influence travel behavior with respect to mode, time, frequency, route, or distance in order to improve the efficiency and effectiveness of local streets and roads. Principal strategy measures involve, but are not limited to, ridesharing, alternative work hours, and parking management.

**RulePolicy #6: Fund Accounting and Interest Allocation**

**Adoption Date:** March 23, 1990 (Resolution RC90-35)

**Amendment:** Amended at November 18, 2005, Board Meeting.

**Policy Text:**
For the purposes of determining compliance with Section 12 of Ordinance 87-1 and Section 13 of Ordinance 04-01, each agency shall maintain a separate fund (fund accounting) for TransNet revenues, if possible. Where the creation of a separate fund is not possible due to accounting methodology used by the agency, an alternative approach to maintaining separate accountability for TransNet revenue and expenditures must be developed and submitted to the Commission staff for concurrence. Interest earned on TransNet revenues received by the agency must be allocated to the TransNet fund and used only for projects approved by the Commission in the Program of Projects. For accounting purposes, the interest earnings shall be considered to be expended first. Further, the Ordinances allow the agencies to retain any unused TransNet funds. Interest accrued should be applied to each active project that carries an outstanding balance. The agency can determine the method of the interest distribution to be validated by the audit.

**RulePolicy #7: Program of Projects Approval Process and Amendments**

**Adoption Date:** March 23, 1990 (Resolution RC90-35)

**Amendments:** Amended at November 18, 2005, and December 15, 2006 Board Meetings.

**Text:**
Each local agency shall develop a five-year list of projects to be funded with TransNet revenues under Section 2D of Ordinance 87-1 and Section 4D of Ordinance 04-01 in accordance with the Regional Transportation Improvement Program (RTIP) update schedule. All projects a local agency wishes to include in its Program of Projects must be consistent with the Regional Transportation Plan and approved by the Commission for inclusion in the RTIP. A local agency’s projects shall not receive Commission approval until the Commission receives a resolution from the local agency that documents that the local
agency held a clearly noticed public hearing regarding the proposed list of projects prior to approval by the local agency’s legislative body of the projects. The language that must be included in the resolution and the deadlines for submission shall be prescribed by the Commission. The resolution shall contain the provisions set forth in Rule #15.

A Program of Projects amendment shall be initiated when a local agency desires to add a new project to the approved Program of Projects, to drop an approved project in its entirety, or to change the TransNet funds programmed for a project by $2 million or 10 percent of total project, whichever is less. Projects proposed in the amendment must have been approved by the governing body of the local agency within the preceding 12 months. The local agency shall initiate the amendment process by holding a clearly noticed public hearing and submitting a resolution using the language and deadlines prescribed by the Commission as documentation of governing body approval. The amendment must be approved by the Commission prior to the expenditure of funds on the new or amended projects.

Rule Policy #8: Determination of New Transit Services

Adoption Date: March 23, 1990 (Resolution RC90-35)
Amendment: Amended at November 18, 2005, Board Meeting.

Policy Text:

For the purpose of determining compliance with Section 4(B)(2)(c) of Ordinance 87-1, the level of service provided in FY 1988 shall be considered at the base level of service in existence prior to the availability of TransNet revenues which must be maintained through other funding sources. Compliance with the “new” service requirement shall be determined using the following procedure:

1. Determine the number of vehicle service miles operated during the fiscal year using TransNet revenues for any given operator by dividing the TransNet revenues for operations by the total systemwide operating cost for that operator and multiplying the total vehicle service miles operated by the quotient.

2. Subtract the number of miles determined in Step 1 from the total system vehicle service miles operated during the year.

3. If the adjusted number of miles from Step 2 is greater than or equal to they FY 1988 base level, then the compliance test is met.

4. The attached table of base statistics from FY 1988 (Attachment 1) will be used to determine compliance. These figures reflect all publicly funded operators within the MTDB (MTS) and NSDCTDB, North County Transit District (NCTD) service areas (Articles 4, 4.5, and 8) because TransNet revenues could potentially be used by the operators to fund service improvements on any of these systems.
RulePolicy #9: Use of TransNet Revenue for Bus Purchases

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Amended at November 18, 2005, Board Meeting.

Policy Text: TransNet revenues may be used to support the purchase of buses required to operate new services funded with TransNet revenues. The number of buses which can be purchased with TransNet revenues shall be determined using the following procedures.

1. Determine the number of annual new vehicle service miles service being operated in accordance with RulePolicy Number 8 – Determination of New Transit Services.

2. Divide the number of new miles of service by the systemwide average annual vehicle services miles per bus for a given operator to determine the equivalent number of buses required to operate the new service. Round up to the nearest whole number of bus equivalents.

The TransNet revenues used for bus purchases shall come out of the revenues available under Section 4(B)(2)(c) of Ordinance 87-1. The use of TransNet revenues for bus purchases shall be used to the maximum extent possible as matching funds for available state and federal capital funds. If, at some point in the future, the number of buses purchased with TransNet revenues cannot be justified based on the number of new miles being operated with TransNet revenues, then a pro-rated reimbursement to the TransNet fund will be required based on the remaining useful life of the vehicles. TransNet revenues may not be used to support the purchase of replacement buses for the “existing” (FY 1988) level of service. Any buses purchased with TransNet revenues will remain under the ownership of MTDB (MTS) or NSDCTDB (NCTD) and be made available to the operator chosen to operate the new services.

RulePolicy #10: Use of TransNet Revenues to Replace Reduced State and Federal Operating Support

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Amended at November 18, 2005, Board Meeting.

Policy Text: For purposes of determining compliance with Section 4(B)(2)(c) of Ordinance 87-1, the maximum amount of TransNet funds that MTDB (MTS) or NSDCTDB (NCTD) are eligible to use to replace federal funds in a given year is equal to the FY 1987 base year levels of federal and state operating support ($6,113,307 for MTS and $2,511,816 for NCTD) less the amount of state and federal operating support available in that year. The priority on the use of funds under this section is to provide new service improvements. MTS and NCTD are encouraged to use other available revenues, such as Transportation Development Act (TDA) funds, to offset reductions in state and federal funds, if possible, and to use TransNet funds under these sections for new service improvements.
**Rule Policy #11: Use of TransNet Revenues for Transportation Services for Seniors and the Disabled**

**Adoption Date:** March 23, 1990 (Resolution RC90-35)

**Amendment:** Amended at November 18, 2005, Board Meeting

**Policy Text:** The funds made available under Section 4(B)(1) of Ordinance 87-1 or Section 4(c)(1) of Ordinance 04-01 for improved transportation services for seniors and the disabled shall be used to augment the revenues made available under the Transportation Development Act (TDA) Article 4.5 program for the same purposes. These TransNet funds shall be allocated to eligible service providers using the fund distribution formula approved by the SANDAG Board of Directors for use in distributing the TDA Article 4.5 funds. For accounting purposes, following the expenditure of fare revenues and other local and other local operating revenues, the interest earnings on the TransNet and TDA funds shall be considered to be spent first, followed by the TransNet funds, then the TDA funds.

**Rule Policy #12: Use of TransNet Revenues for Accessibility Improvements**

**Adoption Date:** March 23, 1990 (Resolution RC90-35)

**Policy Text:** In the development of TransNet-funded local street and road projects, local jurisdictions may include, within the street right-of-way, improvements to enhance accessibility to the transportation system, including, but not limited to, accessibility improvements to bus stop areas.

**Policy Rule #13: Investments Policy**

**Adoption Date:** July 27, 1990 (Resolution RC91-2)

**Amendment:** Repealed at November 18, 2005, Board Meeting. This rule policy has been superseded by the Annual Investment Policy Update (see Resolution No. 2006-06 approved at the September 23, 2005, SANDAG Board of Directors meeting).

**Rule Policy #14: Capital Equipment Acquisition Loans to SANDAG**

**Adoption Date:** November 16, 1990 (Resolution RC91-6)

**Policy Text:** The loan of unused administrative allocations from TransNet funds to SANDAG for the purpose of acquiring office and computer equipment is authorized when lower cost financing is not available. The repayment schedule shall be based upon funding authorized in the SANDAG-approved budget and will include interest at a rate equal to the interest earning rate of the San Diego County Pooled Money Fund.

**Rule Policy #15: Local Agency Hold Harmless Agreements**

**Adoption Date:** October 25, 1992 (Resolution RC92-7)
Policy Text: Each local agency shall be required to hold harmless and defend the Commission against challenges related to local TransNet projects. This rule/policy is to be implemented by requiring that each local agency agree in its resolution approving its projects for TransNet funding to hold the Commission harmless.

Rule Policy #16: Repayment of Commercial Paper Program Proceeds
Adoption Date: September 23, 2005
Amendment: Amended at November 18, 2005, Board Meeting.

Policy Text: Each agency receiving proceeds from the TransNet Commercial Paper Program shall be responsible for its proportionate share of the ongoing interest and related administrative costs from the date the proceeds are received until the principal amount of the loan is fully repaid. Repayment of the principal amount shall commence within three years of the agency’s receipt of the proceeds and shall be completed within five years of the agency’s receipt of the proceeds. Repayment of the proceeds may be accomplished by rolling the outstanding amount into a long-term bond issue during the five-year repayment period. In such cases, the agency would then be responsible for its proportionate share of the bond issuance costs and annual debt service costs. The repayment of debt, in all cases, is the first priority on the use of the agency’s share of annual TransNet revenues.

Rule Policy #17: Fiscal and Compliance Audits
Adoption Date: November 18, 2005

Policy Text: I. Fiscal and Compliance Audit Procedures

The fiscal and compliance audit is an essential tool to determine that TransNet funds are being used for the intended purposes. The Commission has the fiduciary responsibility to ensure that the public funds are used in accordance with the TransNet Ordinance and Expenditure Plan. In order to complete the audits in a timely manner, SANDAG proposes the following:

A. July/August: SANDAG meets with the auditors to review the audits required for the year and provide all necessary documentation/information for the auditors to begin work.

B. September to November: Auditors schedule site visits. Recipient agencies must be ready and available to meet with the auditors and provide requested financial schedules and other information necessary for the completion of the audit.

C. November/December: Auditors issue draft reports to both SANDAG and the agencies. The agencies must be available to review and comment on the draft report in a timely manner. All outstanding issues should be resolved within four weeks.
D. December/January: Auditors issue the final reports. If there are outstanding issues, those should be resolved so that the audit is completed no later than March.

SANDAG Responsibility: SANDAG will provide all information necessary to complete the audit.

Agency Responsibility: All agencies must be ready for the site visit, provide requested information, and review and comment on the draft reports in a timely manner.

If the auditor is unable to complete the audit because an agency was not ready or did not provide the required information or reviews in a timely manner, then the agency will be deemed in noncompliance of the Ordinance. SANDAG will withhold future TransNet payments (except for required debt service payments) until the audit is completed.

The Ordinance states that the Commission:

[S]hall not allocate any revenues...to any eligible local agency in any fiscal year until that local agency has certified to the Commission that it will include in its budget for that fiscal year an amount of local discretionary funding for street and roads purposes at least equal to the minimum maintenance of effort requirement. An annual independent audit shall be conducted to verify that the Maintenance of Effort requirements were met. Any local agency which does not meet its Maintenance of Effort requirement in any given year shall have its funding reduced in the following year by the amount by which the agency did not meet its required Maintenance of Effort level. Any local street and road revenues not allocated pursuant to the Maintenance of Effort requirement shall be redistributed to the remaining eligible agencies according to the formula described in [the Ordinance].

Although there are no specific MOE requirements for the highway, transit, or other discretionary programs, the verification of fund usage is essential. Therefore, the withholding of TransNet fund payments applies to all agencies that do not have a completed audit.

II. Exceptions

SANDAG acknowledges the existence of unforeseen circumstances which may prevent an audit from completion. Should situations warrant an extension, the agencies must submit a request for an extension to be considered by the SANDAG Transportation Committee, including an explanation of the situation and specific timelines for completion of the audit.

III. Audit Adjustments

Specific Project Funding/Discretionary Programs

This section applies to funding allocated for the specified projects under the Highway and Transit Programs under Ordinance 87-1, including funding allocated for bicycle facility improvements. Under the TransNet Extension
(Ordinance 04-01), this section applies to the Major Corridor funding – Section 4(A) and (B) and the four discretionary programs: (1) Transit Senior program – Section 4(C)(2); (2) Local Environmental Mitigation program – Section 4(D)(2); (3) Local Smart Growth Incentive program – Section 4(D)(3); and (4) Bicycle, Pedestrian, and Neighborhood Safety Program – Section 2(E).

After the projects are completed and there are funds remaining, the agency is required to return the money to the program. After the fiscal audit determines that the project has been completed, SANDAG will transmit a letter to the agency to return the funds to SANDAG. The agency must remit the balance within 60 days of the letter. Should an agency fail to respond in a timely manner, all future TransNet payments (including funds from the other programs) to that agency will be suspended until the funds are returned.

Local Street and Road Formula Program (Section 4(C) of Ordinance 87-1 and Section 4(D)(1) of Ordinance 04-01) and Transit Funding (Section 4(B) of Ordinance 87-1 and Sections 4(C)(1), 4(C)(3), and 4(C)(4) of Ordinance 04-01).

The audit identifies the status of each project funded with TransNet funds – i.e., completed projects, projects that have negative balances, inactive projects, and ongoing projects. The agencies are responsible to work with the auditors to make proper adjustments as follows:

Completed projects: once a project is identified as completed and there are TransNet funds remaining with that project, the agency is required to transfer the balance to another TransNet-eligible project (any project included in the approved Program of Projects). The audit should make note to which project the funds will be transferred. Completed projects should no longer show in the following year’s audit.

Projects with negative balances: an ongoing project or a completed project may have expended all the TransNet funds but the agency decided to augment with other funds. In this case, the project should show zero balance for the amount of TransNet expended rather than showing a negative balance. If the project is completed, then it should no longer show in the following year’s audit. If the project is ongoing and the agency intends to backfill the project with the following year’s TransNet funds, then it should be noted in the audit. However, this practice is discouraged as it will throw off the MOE calculation.

Inactive projects: if a project has had no activity over a period of two audits, the agency must either close out the project or note when the project will be completed. These projects should no longer show in the following year’s audit. Any remaining TransNet funds must be transferred to another TransNet-eligible project.

IV. Local Agency Balance Limitations

Based on the audit, an agency that maintains a balance of more than 30 percent of its annual apportionment (after debt service payments) must use the remaining balance to fund projects. SANDAG will defer payment until the unused balances fall below the 30 percent threshold.
Rule #18:  
Adoption Date:  June 23, 2006  
Text:  As specified in Section 2(C)(1) of the Ordinance 04-01, at least 70 percent of the revenues provided for local street and road purposes should be used for congestion relief purposes and no more than 30 percent for maintenance purposes. Attachment 2 provides a set of guidelines to be used in the implementation of this new requirement beginning with the 2006 Regional Transportation Improvement Program (RTIP) update. These guidelines apply to the programming of all available local TransNet funding (annual formula funds and prior year carry-over balances) beginning with July 1, 2008 (Fiscal Year 2008-09).

Rule #19:  Conflict of Interest for ITOC Representatives  
Adoption Date:  December 15, 2006  
Policy Text:  The Board intends to make every effort to ensure the representatives selected to serve on the Independent Taxpayers Oversight Committee (ITOC) are free from any bias that would interfere with objective decision making by the ITOC. The Conflict of Interest section of the “Statement of Understanding Regarding the Implementation of the Independent Taxpayer Oversight Committee for the TransNet Program,” which is part of the TransNet Extension Ordinance, states in part: “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.” The Board interprets this language to impose the same level of restrictions on the ITOC representatives as those that apply to SANDAG Board members pursuant to California state law found at Government Code sections 87100 et seq. and 1090 et seq.

Attachments:  
1. FY 1988 Base Year Statistics  
2. SANDAG Board Item No. 12, June 23, 2006
## Metropolitan Transit Development Board (MTS) Area

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Operator/Service</th>
<th>Vehicle Service Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 4.0</td>
<td>Chula Vista Transit</td>
<td>559,734</td>
</tr>
<tr>
<td></td>
<td>National City Transit</td>
<td>276,303</td>
</tr>
<tr>
<td></td>
<td>County Transit System:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Suburban Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rural Bus</td>
<td>646,904</td>
</tr>
<tr>
<td></td>
<td>Poway Fixed Route</td>
<td>170,953</td>
</tr>
<tr>
<td></td>
<td>San Diego Transit</td>
<td>1,033,084</td>
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<tr>
<td></td>
<td>Strand Express Agency</td>
<td>400,738</td>
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<tr>
<td></td>
<td>Total</td>
<td>13,874,464</td>
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<tr>
<td>Article 8</td>
<td>County Transit System:</td>
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<tr>
<td></td>
<td>Express Bus</td>
<td>189,276</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>189,276</td>
</tr>
<tr>
<td>Article 4.0</td>
<td>El Cajon Express</td>
<td>308,331</td>
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<td></td>
<td>La Mesa Dial-A-Ride</td>
<td>251,516</td>
</tr>
<tr>
<td></td>
<td>Lemon Grove Dial-A-Ride</td>
<td>62,090</td>
</tr>
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<td></td>
<td>County Transit System:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poway Dial-A-Ride</td>
<td>23,030</td>
</tr>
<tr>
<td></td>
<td>Poway Airporter</td>
<td>103,925</td>
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<tr>
<td></td>
<td>Spring Valley Dial-A-Ride</td>
<td>73,298</td>
</tr>
<tr>
<td></td>
<td>San Diego Transit DART</td>
<td>309,370</td>
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<tr>
<td></td>
<td>Total</td>
<td>1,131,560</td>
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<tr>
<td>Article 4.5</td>
<td>Chula Vista Handytrans</td>
<td>128,807</td>
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<tr>
<td></td>
<td>County Transit System - WHEELS</td>
<td>219,906</td>
</tr>
<tr>
<td></td>
<td>National City Wheels</td>
<td>15,159</td>
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<tr>
<td></td>
<td>Poway Call-A-Ride</td>
<td>60,156</td>
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<tr>
<td></td>
<td>San Diego Dial-A-Ride</td>
<td>1,149,541</td>
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<td></td>
<td>Total</td>
<td>1,573,623</td>
</tr>
<tr>
<td>MTDB (MTS) Area Total</td>
<td></td>
<td>16,768,923</td>
</tr>
</tbody>
</table>

## North San Diego County Transit Development Board District

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Operator/Service</th>
<th>Vehicle Service Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 4.0</td>
<td>NCTD Fixed Route</td>
<td>7,651,408</td>
</tr>
<tr>
<td></td>
<td>NCTD FAST</td>
<td>126,744</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>7,778,152</td>
</tr>
<tr>
<td>Article 4.5</td>
<td>NCTD Lifeline</td>
<td>386,680</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>386,680</td>
</tr>
<tr>
<td>NSDCTDB (NCTD) Area Total</td>
<td></td>
<td>8,164,832</td>
</tr>
<tr>
<td>REGIONAL TOTAL</td>
<td></td>
<td>24,933,755</td>
</tr>
</tbody>
</table>

Adopted: February, April, and May 1988; August 1989; March, July, and November 1990; October 1992; September and November 2005

Amended: June and December 1990; February 1991; November 2005
The TransNet Ordinance requires that at least 70 percent of the revenues provided for local street and road purposes should be used to fund direct expenditures for facilities contributing to congestion relief. No more than 30 percent of these funds should be used for local street and road maintenance purposes. The required multi-year Regional Transportation Improvement Program (RTIP) project lists submitted by local agencies that are found to be out of compliance with this requirement will not be approved. Local agencies may request an exception to this requirement and must provide justification for such a request as part of its project list submittal.

The following table categorizes and lists the more typical types of facilities that are considered to contribute to congestion relief. For other facilities not listed, it must be demonstrated that congestion relief can be obtained before the project can be considered part of the 70 percent Congestion Relief category. Maintenance costs of items listed in the 70 percent Congestion Relief category are eligible under the 30 percent category. Facilities that are not considered to contribute to congestion relief (Items 28-30) are eligible under the 30 percent category.

<table>
<thead>
<tr>
<th>Congestion Relief (At least 70%)</th>
<th>Maintenance and Non-Congestion Relief (No more than 30%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New or Expanded Facilities</strong></td>
<td></td>
</tr>
<tr>
<td>1. New roadways and bridges</td>
<td>Lane removal for bike lanes</td>
</tr>
<tr>
<td>2. Roadway and bridge widening</td>
<td>Pavement overlay (less than 1 inch)</td>
</tr>
<tr>
<td>3. Roadway widening for bike lanes</td>
<td>Pot hole repair, chip seal, fog seal, crack seal (except when part of roadway rehabilitation project)</td>
</tr>
<tr>
<td><strong>Major Rehabilitation and Reconstruction</strong></td>
<td>Roadway realignment that does not increase roadway capacity</td>
</tr>
<tr>
<td>4. Roadway rehabilitation (grinding and overlay, or new structural pavement, or new overlay 1-inch thick or greater)</td>
<td>Bridge replacement for aesthetic purposes</td>
</tr>
<tr>
<td>5. Roadway realignment</td>
<td>Minor drainage improvements not part of a congestion relief project</td>
</tr>
<tr>
<td>6. Bridge retrofit or replacement</td>
<td></td>
</tr>
<tr>
<td>7. Roadway drainage improvements for the purpose of improving capacity-impeding conditions such as significant and frequent roadway flooding</td>
<td>Stand alone landscaping project of an existing median</td>
</tr>
<tr>
<td>8. New sidewalk or sidewalk widening</td>
<td>Traffic signal replacement, bulb replacement, hardware, software, inductive loop repair</td>
</tr>
<tr>
<td><strong>Traffic Operations</strong></td>
<td></td>
</tr>
<tr>
<td>9. Median installation for safety improvement or left-turn movement</td>
<td></td>
</tr>
<tr>
<td>10. New traffic signal, passive permissive left turn (PPLT) installation, signal removal for congestion relief reasons, traffic signal upgrades, intersection lighting</td>
<td></td>
</tr>
<tr>
<td>11. Traffic signal coordination</td>
<td></td>
</tr>
<tr>
<td>12. Traffic signal interconnection</td>
<td></td>
</tr>
<tr>
<td>Congestion Relief (At least 70%)</td>
<td>Maintenance and Non-Congestion Relief (No more than 30%)</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>13. Centrally controlled traffic signal optimization system</td>
<td></td>
</tr>
<tr>
<td>14. Traffic surveillance or detection system (video)</td>
<td></td>
</tr>
<tr>
<td>15. Traffic data collection system for performance monitoring purposes (in pavement detection, radar)</td>
<td></td>
</tr>
<tr>
<td><strong>Smart Growth-Related Infrastructure</strong></td>
<td>• Light bulb replacement</td>
</tr>
<tr>
<td>16. Traffic calming measures</td>
<td>• Bus-only lanes that do not provide congestion relief</td>
</tr>
<tr>
<td>17. Pedestrian ramps</td>
<td></td>
</tr>
<tr>
<td>18. Pedestrian traffic signal activation</td>
<td></td>
</tr>
<tr>
<td>19. Pedestrian crossings/overcrossings</td>
<td></td>
</tr>
<tr>
<td>20. Buffer area between sidewalk and street</td>
<td></td>
</tr>
<tr>
<td>21. Pedestrian roadway lighting</td>
<td></td>
</tr>
<tr>
<td><strong>Transit Facilities</strong></td>
<td></td>
</tr>
<tr>
<td>22. New bus stops</td>
<td></td>
</tr>
<tr>
<td>23. Bus stop enhancements</td>
<td></td>
</tr>
<tr>
<td>24. Bus-only lanes</td>
<td></td>
</tr>
<tr>
<td>25. Queue jumper lanes for buses</td>
<td></td>
</tr>
<tr>
<td>26. Traffic signal priority measures for buses</td>
<td></td>
</tr>
<tr>
<td>27. Transit operational costs for shuttle and circulator routes</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Congestion Relief</strong></td>
<td></td>
</tr>
<tr>
<td>28. Erosion control (unless required as part of a congestion relief project)</td>
<td></td>
</tr>
<tr>
<td>29. Landscaping (unless required as part of a congestion relief project)</td>
<td></td>
</tr>
<tr>
<td>30. Roadway signing and delineation (unless it is a congestion relief project)</td>
<td></td>
</tr>
</tbody>
</table>

Note: Staff costs for congestion relief project development (environmental, preliminary engineering, design, right-of-way acquisition, and construction management) are eligible expenditures under the 70 percent category. Staff costs for transportation infrastructure maintenance or traffic operations efforts are eligible under the 30 percent category. Costs for general TransNet fund administration and transportation planning are eligible up to 1 percent of annual revenues.

* To receive credit for providing congestion relief under the 70 percent category, smart growth-related infrastructure must be provided in one of the existing or planned (not potential) seven Regional Comprehensive Plan smart growth land use type characteristic areas: Metropolitan Center, Urban Center, Town Center, Community Center, Transit Corridor, Special Use Center, or Rural Community. Smart growth-related infrastructure built outside of one of the seven types of characteristic areas is eligible under the 30 percent category.
As part of the ongoing discussion on the SPRINT project, this item provides the monthly update on the implementation status of the project and the effectiveness of the project cost control measures. SANDAG also will provide an update on the status of its independent assessment of the project.

A copy of the monthly report provided to the SANDAG Transportation Committee is provided for information.

Attachment: 1. Staff report for the November 3, 2006, SANDAG Transportation Committee regarding the SPRINT project
San Diego Association of Governments

TRANSPORTATION COMMITTEE

November 3, 2006

AGENDA ITEM NO.: 7

Action Requested: INFORMATION

SPRINTER PROJECT STATUS REPORT AND SANDAG INDEPENDENT ASSESSMENT

Introduction

The North County Transit District (NCTD) SPRINTER Rail Project converts an existing 22-mile freight rail corridor into a Diesel Multiple Unit (DMU) transit system connecting Oceanside, Vista, San Marcos, and Escondido. The SPRINTER is one of the regional transportation projects in the original TransNet measure. In response to requests from NCTD and the Federal Transit Administration (FTA), SANDAG staff is currently providing support and oversight of the project, and has been asked by the SANDAG Board of Directors to report on its progress monthly to the Transportation Committee.

Background

In summer 2006, NCTD began developing additional controls on its budget and schedule to address increases in the SPRINTER project budget and other FTA concerns. Controls to better forecast the schedule are now in place and are proving to be effective tools to predict overall project completion. These controls have only been in place for a short time and continue to be refined, but it appears that an overall completion date of early 2008 is achievable assuming there are no significant weather delays this winter.

Controls to forecast the final cost of the project are still being developed and should be in place within a month. The NCTD Amended Recovery Plan, developed last August, identified risks to the NCTD final project budget. The FTA mandated the pricing of certain risks, which caused an increase in the estimated project cost to $484.1 million. None of the risks identified in the plan, however, have so far come to fruition, while other risks have been partially mitigated. Therefore, at this time, the forecast in August appears to be conservative. As the controls are developed this month, a more complete assessment of final cost can be made.

Finally, to improve overall management of the project, NCTD has supplemented its construction management team with specialty staff dedicated to project controls and office engineering assistance to avoid any owner-caused delays.

Discussion

Current Progress

The SPRINTER project continues to make steady progress on multiple fronts. On the Mainline Contract, over 18 of the 32 miles of new track have been reconstructed, and 32 of 36 grade crossings have been rebuilt. On the California State University San Marcos Loop contract, all five of
the new bridges have been substantially completed, as has the new Barham Lane and work in the Civic Center area. At the vehicle maintenance facility in Escondido, installation of plumbing and other systems continues, and storage track capacity has been completed that is sufficient to store 10 of the 12 rail cars. On the DMU contract, 10 of the cars are now complete and stored on the property.

Overall, these four contracts are 66.4 percent complete as of the end of September 2006, based on billings to date. When comparing billings against time expended, construction is on schedule. Cumulatively, for all four contracts, approved change orders stand at 4.8 percent of work completed and billed to date (Attachment 1).

**SANDAG Oversight**

At the direction of the FTA, NCTD developed an Amended Recovery Plan during the summer of 2006 to address budget and schedule challenges on the project. As part of this plan, NCTD requested assistance from SANDAG staff in the areas of project controls and start-up. In addition, at its September meeting, the Board of Directors directed staff to oversee progress of the project, provide an independent assessment of the project budget and schedule, and report back to the Transportation Committee each month.

The scope of the SANDAG involvement includes oversight of the project schedule, cost, and quality control. We are tracking progress and issues involving the purchase of the 12 new DMU rail cars. We also are monitoring the effectiveness of the project team including the team organization, their technical strengths, their relationships, and the communication among team members. All the above factors will bear on the successful delivery of this project.

**Schedule**

NCTD has sufficient controls in place to monitor the progress of each contractor and supplier on the project. NCTD not only uses traditional critical path scheduling methods, but also more advanced efficiency, manpower, and trend analyses. Two of the three construction contracts have more than enough float time available, and it is anticipated that they will not impact the overall project completion. Delivery and commissioning of the DMU rail cars is in a similar situation. Only construction work on the Mainline contract has the potential to delay overall completion.

Recently, NCTD developed a “start-up” plan that schedules all necessary tasks to be performed after contractor turnover but before the start of revenue service. Start-up activities include testing the vehicles and systems, emergency drills, and simulated operations. The schedule component of this plan is currently being integrated with the various construction/procurement schedules for a single master project schedule. This master schedule will be used to monitor the impact of any change on the earliest start of revenue service, also called the revenue operations date (ROD). The current master schedule has a ROD in January 2008. NCTD will prepare a schedule with a target ROD of December 2007 in order to see what actions would be needed to accelerate the schedule. NCTD will need to declare an ROD in mid-2007 to allow time for systemwide operational changes such as changing bus routes to feed the SPRINTER.
Cost

NCTD has sufficient controls in place to track expenditures on each construction contract including the cost of future change orders. Unfortunately, NCTD could not bring on its new cost engineer as soon as anticipated, and therefore, other controls are still under development. These other controls include tracking not only construction costs but also vehicle, construction management, design support, insurance, in-house staff, environmental mitigation, and start-up costs. These controls are being developed and are expected to be in place within a month. The result of all the above will be a “living” cost to complete that will predict total project expenditures on a monthly basis and the ability to track how changes impact final cost. This cost to complete will not be a blank check, but an effort to continually compare the anticipated final cost to the approved budget.

The Amended Recovery Plan identifies the top ten risks to the project budget. Additional construction management and design costs, future change orders on the Mainline contract, and regulatory requirements, are some of the major risks identified. Each risk has a series of actions identified to potentially mitigate the additional cost. NCTD produces a monthly report that tracks the risks and mitigations. To date, none of the risks identified have come to fruition, and many of the risks have been partially mitigated resulting in an estimated $14 million potential savings to the “at risk” contingency. Risks that are still of particular concern include the cost impact of construction quantity overruns compared to the engineer’s estimate, the design and integration of communication and railroad signaling, and the cost to provide design support through construction. Design support has been especially frustrating to the team as the designer is still developing controls to ensure the redesigns are on time, within negotiated budget, and of acceptable quality.

Quality

NCTD has an extensive construction management team that provides oversight of all contractor activities. NCTD also monitors the quality of the work installed or procured via “nonconformance reports” that track work not meeting specifications. Each contractor has developed quality control plans, and NCTD employs a quality manager independent of the construction management team to oversee this effort. These controls have worked well on this project and quality does not seem to be an issue. The quality of the work on the new DMU vehicles will be determined when testing begins in late November.

Organizational Effectiveness

The construction manager’s role has been expanded to include cost and schedule management for the entire project. NCTD also has added a project controls director, a start-up manager, a regulatory start-up coordinator, a cost engineer, a project accountant, a stormwater inspector, and an office engineer to its team. NCTD is interviewing candidates for three other engineering positions that are open. These positions are being filled by not only NCTD staff and consultants but also by SANDAG, SANDAG consultants, and City of San Diego staff on a reimbursed basis.

Overall, both the new and existing members of the SPRINTER team are very seasoned professionals. We believe NCTD now has the technical capacity in both quantity and quality of staff to manage a project of this size and complexity.
NCTD has regular meetings on construction progress, safety, start-up, internal milestones, and other key project deliverables in order to ensure issues are being communicated and problems solved. Monthly reports are written to track the recovery plan efforts, the contractor’s performance, and the overall project.

The leadership from NCTD, the construction manager, and the Mainline/Loop contractor meet on a weekly basis to discuss problems and disputes. Their relationship is very good and should lead to the early resolution to any potential claims.

**Project Concerns**

Projects this size have many problems that are solved on a daily basis. Problems that are not resolved timely are of particular concern because of the potential to delay work and increase cost. The following are examples we are tracking.

1. The subcontractor that is installing the railroad signaling and communication systems may be understaffed. Shifting some of the work to another electrical contractor on the project is being discussed.
2. Railroad signals preempt city traffic signals at grade crossings. NCTD has hired two specialized consultants to assist the city traffic engineers in modifying their traffic controllers near SPRINTER grade crossings.
3. The project designer needs to improve the quality and timeliness of his work. He also needs to better control costs of each redesign effort.
4. There have been more than 400 construction change orders issued, many related to quantity and/or design problems whose time adjustments could impact the completion schedule.

**Next Steps**

Over the next six weeks, the controls will be put in place to monitor total project cost and other metrics that will allow the Transportation Committee to monitor the overall status of the project. The master project schedule, with a target ROD of December 2007, will be available and the impacts to achieve this will be identified. We also will start identifying potential regulatory concerns from third parties like the Federal Railroad Administration and the California Public Utilities Commission.

JACK BODA  
Director of Mobility Management and Project Implementation


Key Staff Contact: Jim Linthicum, (619) 699-1970, jlin@sandag.org
SPRINTER RAIL PROJECT
MONTHLY STATUS REPORT
September 2006

Description
The SPRINTER Rail Project is converting an existing 22-mile freight rail corridor into a Diesel Multiple Unit (DMU), single-track line transit system running east from Oceanside, through Vista, San Marcos, and unincorporated portions of San Diego County, to Escondido. The alignment also includes 1.7 miles of new right-of-way to serve the campus of California State University San Marcos. The project alignment will include three new 3.5-mile passing tracks, 15 stations; and procurement of 12 DMU vehicles. A new Vehicle Maintenance Facility is being built in Escondido.

Current Status:
Mainline Contract
Mainline Contract Value: $182.4 million net of insurance
- 18 miles of ballasted track, out of 32 miles total, has been reconstructed.
- 32 of 36 grade crossings have been reconstructed.
- Station platform construction is underway at multiple stations.
- Contract is 59.3% complete.
- Net Change orders as percent of construction value to date: 5.1%

Current Status:
CSUSM Loop Contract
CSUSM Loop Contract Value: $23.5 million net of insurance
- Construction on all five concrete bridges substantially complete.
- San Marcos Civic Ctr paving, parking reconfiguration 90% complete.
- Contract is 77.0% complete, finish is expected in late November 2006.
- Net Change orders as percent of construction value to date: 4.5%

Current Status:
Vehicle Maint. Facility Contract (VMF)
Vehicle Maintenance Facility Contract Value: $23.6 million net of insurance
- Plumbing and HVAC systems installation continues.
- Storage tracks completed sufficient to store 8 DMUs.
- Contract is 78.3% complete, early substantial completion expected in December 2006.
- Net Change orders as percent of construction value to date: 2.5%

Current Status:
DMU Contract
DMU Contract Value: $50.6 million.
- Eight (8) of the twelve DMUs are completed and on-site at the VMF.
- DMU static testing continues for delivered units.
- Contract is 81.5% complete, completion expected in November 2006.
- Net Change orders as percent of manufacture value to date: 5.3%

Cost
The current NCTD-adopted budget is $440 million. NCTD provided an updated cost-to-complete estimate to the FTA in May 2006. The Project Management Oversight Consultant (PMOC) and the FTA evaluated NCTD’s cost-to-complete estimate and identified additional potential cost risks. NCTD has submitted the final Amended Recovery Plan which accounts for these additional risks, with the FFGA-project budget estimated at up to $460.3 million, and the total project, including locally-funded project components, up to $484.1 million. We anticipate FTA approval of the Amended Recovery Plan shortly.
## Funding

In recognition of NCTD’s efforts in submitting the *Amended Recovery Plan*, on September 21, FTA released $5.6 million of the $66.7 million in FY05 and FY06 Full-Funding Grant Agreement funds being held. FTA plans to release an additional $14.4 million on October 18 to meet NCTD’s cash flow needs on the project. These FTA funds releases will postpone NCTD’s need to make use of SANDAG’s commercial paper program.

## Ongoing Cost Control Measures

NCTD has employed a number of project and cost control measures from the beginning of construction. These include:

- Co-location of NCTD, CM, and designer at field site office;
- Ongoing formal Partnering Sessions and weekly senior management meetings with Contractor;
- Staff up field engineering in field office;
- Use VCEP clauses of contracts where feasible to reduce costs;
- Assign separate Construction Management firm Contract Manager and NCTD Project Officer for each contract;
- Use Change Order Review Board for large C/O’s.
- All proposed changes to include a change order evaluation and negotiation of cost and profit rate.

## Cost Control Measures - Additional

As part of the *Amended Recovery Plan*, NCTD identified the top cost risks to the project and provided a “*Risk Mitigation and Management Plan*” to address these risks and reduce their likely impact. Progress on those *Plan* elements include:

- Program-level start-up, cost engineering, office engineering, and project accounting staff positions have been filled to improve schedule and cost forecasting and construction management. SANDAG is providing a Project Controls oversight role.
- A draft integrated schedule based on all known project activities and durations leading to start-up has been developed, which is more comprehensive than stand-alone construction schedules.
- The Construction Management scheduling team is providing updated schedule forecast reports using Critical Path Method, earned-value analysis, manpower analysis, and payment application analysis as project control techniques.
- Detailed sub-schedules for all critical activities on train control/signaling and communications systems have been developed and are being used by the CM team to closely track and manage progress in those key areas.
- A monthly *Risk Mitigation and Management Plan* reporting system has been established with milestones for ongoing assessment of risks and accomplishment vs. schedules for the overall project.
- Monthly resource level reporting against budget by the design consultant has been established to control costs in that area. Further controls are being implemented.
- Risks are being reevaluated at key milestone achievements.

## Schedule Assessment:

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainline Contract</td>
<td>Schedule still viable to meet December 2007 date. The longest critical path is currently the Communications Equipment cabinets for the stations.</td>
</tr>
<tr>
<td>Loop Contract</td>
<td>Schedule anticipates a late November 2006 completion.</td>
</tr>
<tr>
<td>DMUs</td>
<td>On schedule, with 8 cars delivered in August and September 2006.</td>
</tr>
</tbody>
</table>

## Anticipated Activity Next Month:

- Continued grade crossing work in Oceanside and County unincorporated areas.
- Continued delivery of DMUs.
- Continued systems installation at the Vehicle Maintenance Facility.
- Begin vehicle and system testing on test track.
- Fill remaining office engineer and project officer positions.
- Provide ongoing monthly reporting on project controls to FTA.
INDEPENDENT TAXPAYER
OVERSIGHT COMMITTEE

AMENDMENT TO THE TransNet ORDINANCE AND EXPENDITURE PLAN
TO INCLUDE COMPLETION OF THE SPRINTER AND PROPOSED AMENDMENTS
TO THE TransNet Early Action Program (EAP)

Introduction

As a continuation of the discussion from last month’s meeting, this item provides some additional
details regarding the proposed financial plan for fully funding the SPRINTER project based on the
results of the statewide election. In addition, more specifics are included regarding the amendment
to the TransNet Ordinance that would be required to implement the SPRINTER Financial Plan.

A copy of the agenda report developed for the SANDAG Board of Directors meeting on
November 17, 2006, is provided as background for this discussion. The item includes summary
information on the financial analysis that has been conducted to date regarding the impact of the
proposed amendments to the EAP on the delivery of the projects in the original EAP, as approved
by the Board in December 2005.

One of the key roles and responsibilities of the ITOC, as outlined in the TransNet Ordinance, is to
provide its recommendations on any proposed amendments to the Ordinance to the SANDAG Board
of Directors.

Recommendation

The ITOC should make any recommendations or comments it may have on the proposed Ordinance
amendment to include the completion of the SPRINTER project. The ITOC may also wish to provide
comments on the proposed additional projects to be included in the EAP. The ITOC recommenda-
tions will be brought to the SANDAG Board for its consideration prior to any action being taken at
its November 17, 2006 meeting.

Attachment 1. Agenda report for the SANDAG Board of Directors meeting on
November 17, 2006, regarding the proposed amendment to the TransNet
Extension Ordinance and Expenditure Plan
INTRODUCTION OF ORDINANCE CO-06-1 AMENDING ORDINANCE CO 04-01 (SAN DIEGO TRANSPORTATION IMPROVEMENT PROGRAM ORDINANCE AND EXPENDITURE PLAN) REVISING THE EXPENDITURE PLAN TO INCLUDE COMPLETION OF THE SPRINTER PROJECT AND PROPOSED REVISIONS TO TransNet EARLY ACTION PROGRAM

File Number 1110200

Introduction

Over the last few months, the Board of Directors has received briefings on the status of the SPRINTER project. These briefings have included a review of the construction status of the project, the current situation related to the budget for the project, and the project management controls that have been developed to contain costs. These prior discussions also have resulted in the development of an interim financial strategy for the SPRINTER utilizing the SANDAG commercial paper program to cover any shortfalls in the monthly cash flow needs of the project on a short-term basis until there was greater certainty regarding the availability of funding to be provided through the Federal Transit Administration (FTA), the results of the November election, and the total cost of the project.

This item reflects the next step in the process of developing a financial plan for the SPRINTER. One of the key components of this proposed financial plan involves an amendment to the TransNet Extension Ordinance and Expenditure Plan to include the completion of the SPRINTER as one of the projects to be funded through TransNet Extension funds. Such an action would allow the addition of the completion of the SPRINTER as one of the projects in the TransNet Early Action Program (EAP). An Ordinance amendment requires two readings at separate meetings and final adoption requires a two-thirds vote of the Board of Directors. Today’s item would constitute the first reading of the Ordinance amendment. At its November 3, 2006, meeting, the Transportation Committee discussed the proposed SPRINTER financial strategies and recommended Board approval.

Recommendation

The Board of Directors is asked to approve the introduction and first reading of Ordinance CO-06-1 amending Section 2(A)(1)(b)(10) of the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (CO-04-01), as well as the corresponding Table 11 of the TransNet Extension Expenditure Plan Analysis attachment to the Ordinance, to include the completion of the SPRINTER project. This action will allow the implementation of the SPRINTER Financial Plan described below. It is further recommended that the second reading and adoption of the amendment to the Ordinance be scheduled for the December 15, 2006, meeting. At that time, the inclusion of the SPRINTER to the Early Action Program (EAP) and any other potential revisions to the EAP also would be considered.
Discussion

SPRINTER Financial Plan

As discussed at prior meetings, the SPRINTER cost increase may be as much as $98.6 million, increasing the total budget from $385.6 million to $484.2 million. The FTA has required the development of a new financial plan for the SPRINTER demonstrating how this cost increase would be addressed. While North County Transit District (NCTD) has taken steps to mitigate the potential cost risks, this proposed financial plan is based on the worst-case scenario.

With the passage of the statewide transportation infrastructure bond measure (Proposition 1B) on November 7, 2006, new formula-based revenues are now available to NCTD that can be applied to the SPRINTER budget, as shown in Figure 1 below. This proposed SPRINTER Financial Plan uses $50 million out of the $53.7 million in infrastructure bond funds (Prop. 1B - State Transit Assistance [STA] Funds) estimated to accrue to NCTD. The $3.7 million in uncommitted funds may be needed for potential financing costs if, as is likely, the monies are not available in an immediate one-time allocation. In addition to the Prop. 1B funds, the financial plan also relies on the use of NCTD Transportation Development Act (TDA) carryover funds, NCTD FY 2007 STA funds, remaining NCTD bond proceeds, remaining current TransNet program funds, and revenues from the TransNet Extension. The use of TransNet Extension funds would require an amendment to the 2004 TransNet Ordinance to include the completion of the SPRINTER project in the Expenditure Plan, as explained more fully in the following section.

FIGURE 1— PROPOSED SPRINTER FINANCIAL PLAN

<table>
<thead>
<tr>
<th>Estimated SPRINTER Cost Overrun ($98.60)</th>
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<tbody>
<tr>
<td><strong>Funding Plan</strong></td>
</tr>
<tr>
<td>Proposition 1B STA</td>
</tr>
<tr>
<td>NCTD Current TransNet Measure Balance</td>
</tr>
<tr>
<td>NCTD FY 2007 STA</td>
</tr>
<tr>
<td>NCTD TDA Carryover</td>
</tr>
<tr>
<td>NCTD Bond Proceeds</td>
</tr>
<tr>
<td>TransNet Extension</td>
</tr>
<tr>
<td>Remaining Balance</td>
</tr>
</tbody>
</table>

If NCTD is able to mitigate the potential cost risks and hold the cost increase below the $98.6 million estimate, it is proposed that the excess funding would be credited in the following order:

1. TDA Carryover
2. TransNet Extension
3. NCTD FY 2007 STA
4. Proposition 1B STA
TransNet Extension Ordinance Amendment

A key component of the proposed SPRINTER Financial Plan above is an amendment to the Ordinance to include the completion of the SPRINTER as an eligible project in the Expenditure Plan. Section 2(A)(1)(b)(10) of the Ordinance, as approved by the voters in November 2004, includes a total of $197 million in capital costs (net of mitigation costs) for:

“SR 78 Corridor SPRINTER/BRT service providing high-quality, east-west transit service improvements by upgrading and extending the SPRINTER rail line, providing BRT service along the Palomar Airport Road corridor, or a combination of the two.”

The $197 million in total capital costs was to be funded with TransNet funds combined with state/federal funds based on the overall 50/50 match rate assumed in the Ordinance. The Ordinance (Section 4(E)(1)) also specifies that:

“In implementing the projects funded under Section 4(A) [the major highway and transit corridor projects], priority shall be given to projects included in the Expenditure Plan for Proposition A as passed by the voters in 1987 that remain uncompleted, such as the eastern ends of the SR 52 and SR 76 highway improvement projects and the Mid-Coast light rail transit project. The Commission shall ensure that sufficient funding or bonding capacity remain available to implement such projects as expeditiously as possible once the environmental clearance for these projects is obtained and needed state and federal matching funds are committed.”

At the time the Ordinance was developed, the current SPRINTER project was considered to be fully funded and therefore was not specified as a project to be funded in the Expenditure Plan. The proposed amendment would change the wording of the project in the Expenditure Plan, as described above, to read “SR 78 Corridor SPRINTER/BRT service providing high-quality, east-west transit service improvements by completing the initial SPRINTER rail project and using the remaining funds for upgrading and extending the SPRINTER rail line ...” A similar change to the Table 11 in the TransNet Expenditure Plan Analysis attached to the Ordinance would be required as well, as shown on Ordinance CO-06-1 (Attachment 1).

The advantage of the Ordinance amendment approach is that the additional costs for the SPRINTER would be coming out of the funding set aside for transit improvements in the same corridor, avoiding the need to cut back planned improvements in other parts of the region. The disadvantage is that the funding available for future improvements to the SPRINTER and/or BRT services in the corridor could be reduced by up to $24 million.

The Ordinance may be amended by a two-thirds vote of the SANDAG Board of Directors, with the exception of a few provisions that can only be amended by the voters. One of the roles of the Independent Taxpayer Oversight Committee (ITOC) (Paragraph #4 of the Ordinance language regarding the ITOC) is to provide recommendations to the SANDAG Board regarding any proposed amendments to the Ordinance and Expenditure Plan. For this reason, this issue was discussed at last month’s ITOC meeting. While ITOC did not raise any major objections to the concept of an Ordinance amendment at that time, ITOC deferred any formal action until its November 15, 2006, meeting in order to review the financial impacts of the proposed changes on the delivery of the EAP. The ITOC recommendations on this issue will be presented at the November 17 Board meeting.
To move forward with the implementation of the SPRINTER financial plan, it is recommended that the first reading of the Ordinance amendment take place today, with the second reading and adoption to be scheduled for the December 15, 2006, meeting.


The SANDAG Board approved the Plan of Finance for the EAP in December 2005. The Plan of Finance update process has been planned to provide, at a minimum, annual updates in the fall of each year to reflect prior fiscal year actual data. More frequent updates would be undertaken as needed based on significant new information.

SANDAG staff has been working on the regular annual update of the Plan of Finance for the EAP. This work has included replacing the estimated revenues and expenditures for FY 2006 with actual revenue and expenditure data now that the fiscal year has been completed. The EAP project costs also have been updated to reflect the budgets approved by the Board as part of the SANDAG FY 2007 Program Budget. This update work has established a new base to be used in analyzing the financial impacts of adding new projects to the EAP. The analysis work conducted to date has been based on the following revisions and potential additions to the updated EAP Plan of Finance base:

- The addition of $24 million in expenditures to implement the SPRINTER Financial Plan, as described above.

- The inclusion of additional Environmental Mitigation Program (EMP) mitigation costs to reflect the total mitigation costs for the corridors included in the EAP and to meet the Board-approved guidelines for implementing the EMP. The EAP currently includes funding for environmental document preparation for the Interstate 5 (I-5) and I-805 major corridor projects. A total of $404 million (escalated costs to year of expenditure) has been included in the analysis to determine financial feasibility of accelerating the environmental mitigation for these major corridor projects and other mitigation costs anticipated during the EAP time period, as well as an estimated amount of economic benefit funds that could be generated and expended as a result of the accelerated mitigation expenditures. By advancing the environmental mitigation work on I-5 and I-805, these projects will be in a better position to compete for the discretionary funding provided through Prop. 1B. This analysis represents a very aggressive cash flow schedule. Additional work remains to be done to refine these EMP expenditures, which should result in a reduced cash flow demand on the overall program. Actual EMP expenditures would be tied to successful negotiation of a Master Agreement with the wildlife agencies.

- The inclusion of $340 million (escalated costs to year of expenditure) in near-term capital improvements to the Trolley system to include the acquisition of new low-floor vehicles, the rehabilitation of existing Trolley vehicles, and station upgrades on the Blue and Orange lines to provide platform retrofits for low-floor vehicles and shelter modifications. A total of $176 million in TransNet funds matched by an estimated $164 million from MTS could be used to support these improvements. The match is made possible by the passage of Prop. 1B, which included an estimated $164 million in new STA formula funds for MTS. Staff is continuing to work with MTS staff to refine the cost estimates and cash flow requirements. If there is concurrence on the cost estimates by the December Board meeting, these projects could be considered for inclusion in the EAP at that time.
Otherwise, these MTS projects would be considered as part of the comprehensive Plan of Finance update next spring.

- In addition to the increased STA revenues from Prop. 1B assumed above for MTS and for NCTD as part of the SPRINT Financial Plan, approximately $250 million in new formula funds provided by Prop. 1B for the State Transportation Improvement Program (STIP) process and for the new State-Local Partnership Program have been added to the financial analysis. Additional Prop. 1B funding from the discretionary programs included as part of the bond measure will be reflected in future updates to the Plan of Finance as more information is known about when such funds would be available and what projects could be funded by the additional state funds.

- A change in the Plan of Finance assumption regarding the use of the TransNet Major Corridor funding. In the initial Plan of Finance, a 10 percent set aside was factored in to the financial analysis to provide for funding of additional TransNet-eligible projects in addition to those projects in the EAP. Now that additional expenditures are being considered for addition to the EAP, the set-aside has been eliminated in this financial analysis so that full funding for the Major Corridor program can be utilized to support project costs and debt service.

The following summarizes the major changes to the Plan of Finance for the EAP resulting from the inclusion of these additional revenues and expenditures as compared to the updated base model:

- Total TransNet-funded project costs increase by $604 million (costs escalated to year of expenditure) to $4.3 billion to fully fund the SPRINT, include the additional EMP expenditures, and support the Trolley capital improvements.

- The total amount of debt financing (total principal amount of bonds and commercial paper) required to support these additional expenditures increases by $340 million to $1.85 billion.

- The total financing (interest) costs increase by $386 million to $1.63 billion, which is still below the $1.8 billion in nominal dollars set aside in the Ordinance for financing costs.

- The coverage ratio (the ratio of annual revenue to annual debt service) for the Major Corridor program improves from 1.35 to 1.60 in the lowest year (2013) as a result of releasing the 10 percent set-aside of Major Corridor funds assumed in the initial Plan of Finance and the inclusion of the new state funding from Prop. 1B.

- The coverage ratio for the total TransNet program decreases somewhat from 3.49 to 3.36 in the lowest year (2013), due primarily to the higher borrowing need for the EMP. The minimum ratio required by SANDAG bond indenture is 1.3, indicating that significant bonding capacity remains for bonds to be paid out of the local street and road, transit, or other categories.

The financial analysis indicates that the additional costs associated with the SPRINT and the other potential changes to the EAP can be accommodated without impacting the delivery of the rest of the EAP program based on the current EAP project costs and schedules in the approved FY 2007 Program Budget.
**Additional Financial Analysis Work Underway**

In addition to the Plan of Finance analysis work discussed above, staff will be conducting additional work on the Plan of Finance in concert with the development of the 2007 Regional Transportation Plan. This effort will reflect the most recent cost estimates and schedules for all of the projects and will more fully incorporate the funding from Prop. 1B. As stated previously, the financial analysis conducted to date has included the more predictable formula-driven portions of the new funding provided through Prop. 1B. The timing of this financial analysis work should allow for the incorporation of the discretionary funding programs from Prop. 1B that may be available for projects in the EAP. This analysis work will be conducted over the next year. The focus of this effort will be to refine the work done to date and to identify the next tier of projects to be added to the EAP.

GARY L. GALLEGOS  
Executive Director

Attachment:  1. Ordinance No. CO-06-1: An Ordinance of the San Diego County Regional Transportation Commission Amending Ordinance CO-04-01 to Include Completion of the SPRINT Project as part of the Expenditure Plan

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

No Budget Impact
ORDINANCE NO. CO-06-1

AN ORDINANCE OF THE SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
AMENDING ORDINANCE CO-04-01 TO INCLUDE COMPLETION OF THE SPRINTER PROJECT
AS PART OF THE EXPENDITURE PLAN

The SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION ordains as follows:

Section 1. That Section 2(A)(1)(b)(10) is hereby amended to read as follows:

“SR 78 Corridor SPRINTER/BRT service providing high-quality east-west transit service improvements by completing the initial SPRINTER rail project and using the remaining funds for upgrading and extending the SPRINTER rail line and/or providing BRT service along the Palomar Airport Road corridor, or a combination of the two - $197 million.” (Changes underlined)

Section 2. That Table 11 of the TransNet Extension Expenditure Plan Analysis attachment to Ordinance CO-04-01 be amended to read as follows under Project 42 Improvement:

“Corridor transit improvements that would include some combination of projects from the following:

SPRINTER: completing the initial SPRINTER rail project, double tracking, North County Fair extension, some grade separations; and

BRT (Palomar Airport Road): vehicles, signal priority, and other arterial improvements; builds 18 stations.” (Changes underlined)

PASSED AND ADOPTED by the San Diego County Regional Transportation Commission, State of California, on December 15, 2006, by the following vote:

AYES:

NOES:

ABSENT:

_____________________________________________
Chairperson
San Diego County Regional Transportation Commission

Attest:

______________________________
(Signature)

______________________________
Executive Director