

INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

January 14, 2009

AGENDA ITEM NO.: **1**

Action Requested: APPROVE

MEETING SUMMARY FOR THE NOVEMBER 12, 2008,
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MEETING

File Number 1110200

Attendance

- Committee Members:
- John Meyer, ITOC Chair
 - Kevin Cummins
 - Hamid Bahadori
 - Jesus Garcia
 - Valerie Harrison
 - Tracy Sandoval
 - Gary Gallegos
 - Jim Ryan
- Absent:
- Ron Gerow
- Staff:
- Charles "Muggs" Stoll

The meeting of the *TransNet* Independent Taxpayer Oversight Committee (ITOC) was called to order by Chair John Meyer at 9:31 a.m.

1. APPROVAL OF MEETING SUMMARY

Action: Upon a motion by Mr. Cummins and a second by Ms. Harrison, the ITOC approved the October 15, 2008, meeting summary as amended.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Mr. Bahadori commented that it is important to note that sales tax measures in other areas passed by large majorities. People must be realizing the need for more self reliance at the local level. He stated that San Diego set a good example for the rest of the state.

Chair Meyer commented that the school bond issues also passed despite the economic situation.

Chair Meyer stated that staff had prepared responses to e-mailed public comments and requested that the members review the draft responses for approval prior to sending.

Mr. Cummins stated that he would like to see quantitative data and references to other similar projects in the response to the comments on the Mid-City Express Bus.

Discussion ensued regarding the type of quantitative data, how it would be included, and whether to re-draft the answer at this time to include the quantitative data. The consensus was to have Mr. Stoll re-draft the reply to include data or a reference to where the data could be found for comparisons to comparable systems and also include data reflecting the increase in ridership with the new system. The Chair would review the re-draft, and on his approval, Mr. Stoll would send the reply.

Mr. Garcia asked whether staff expected there would be data reflecting improvement in ridership due to the bulbouts, and Ms. Kirshner stated that staff could not isolate the ridership increase to only one improvement.

4. 2008 ITOC ANNUAL REPORT (DISCUSSION/POSSIBLE ACTION)

Mr. Stoll presented the item. He stated that he has been working with Mr. Cummins on the proposed final version of the 2008 ITOC annual report. They are requesting input from the ITOC prior to the presentation to the Board of Directors.

Discussion ensued regarding the table with the current status of *TransNet* Early Action Program (EAP) projects and the funding numbers reflected for the SPRINTER. Comments included whether to add a footnote to explain that the project was not originally included in the *TransNet* Extension Ordinance because it was fully funded in the first ordinance, how to reflect how the estimate was developed, and whether to reflect the total cost of the project or just the funding under the Extension Ordinance. The consensus was to show the original 2002 estimate, show that escalated to 2008 funding, reflect the actual budget of \$484,000 as the 2008 current estimate, and include a footnote explaining how the cost estimates were determined.

Mr. Garcia requested clarification regarding the breakdown of funding, specifically the funding that is identified for the managed lanes portion of the Ordinance. He commented that the equal thirds funding breakdown was for public transit, local streets and major corridors and asked whether the public transit portion was being used for the managed lanes project.

Mr. Stoll stated that in the original Ordinance, the funding breakdown was equal thirds to each program, but the Extension Ordinance breakdown is more complex. He stated that the major corridors program includes both transit and highway projects, such as direct access ramps. The percentages are broken into many different categories in the Extension Ordinance. The managed lanes are part of the major corridors funding. Both public transit and highways are included in the major corridors program, and within that program, the Ordinance does not break down what is transit and what is highway by percentage.

Mr. Bahadori commented that he had requested a section in the annual report that highlighted those specific recommendations that the ITOC had made to the Board of Directors.

Chair Meyer suggested including that section in the next annual report because it would take too much space and take too long to re-write the report.

Mr. Stoll stated that staff tried to capture that request within the portion titled "ITOC Activities for Fiscal Year 2007/2008," which includes how the ITOC advised the Board on key programs.

Chair Meyer expressed his concerns regarding the negative impact of the statement under “future challenges” regarding those projects that will not be constructed due to the program deficit. He stated that the tone needs to be changed, while still raising a warning about the deficit.

Discussion ensued regarding the wording of the paragraph for the future challenges section of the annual report and whether over the 40-year program, funding sources would be found so that all projects in the *TransNet* program would be built, whether there was a need for the Board to prioritize projects due to the potential deficit causing some not to be built and provide that list to the public, what language to use to reflect to the public the challenges to funding all the program projects and whether there is even a need this early in the 40-year program to alert the public. The members came to a consensus and took action.

Action: Upon a motion by Mr. Bahadori and a second by Mr. Ryan, the ITOC changed the language under future challenges to state that as long as the funding deficit is predicted, other supplemental funding sources need to be explored and secured; otherwise, there will be a risk that some *TransNet II* projects would be delayed or not constructed.

3. FUNDING EXCHANGE FOR SPRINTER PROJECT – SUMMARY OF ACTIONS BY THE TRANSPORTATION COMMITTEE AND BOARD OF DIRECTORS (DISCUSSION)

Chair Meyer presented the item. At the October 15, 2008, ITOC meeting, SANDAG staff was directed to provide a summary of their discussion of item 5, “Funding Exchange for SPRINTER Project,” with the Transportation Committee on October 17, 2008, and the Board of Directors on October 24, 2008. Chair Meyer stated that the item was presented at both of the meetings, and excerpts of the meeting minutes for the October 17, 2008, Transportation Committee meeting and the October 24, 2008, Board of Directors meeting were provided for review by the ITOC and for discussion at today’s meeting.

Chair Meyer stated that he still is concerned that the funding swap to the SPRINTER would not be a loan but would be additional *TransNet* funding to the SPRINTER budget.

Mr. Gallegos explained that the action by the Board of Directors was a funding exchange, which is provided for in the Ordinance. He stated that when the funds are allocated to SANDAG, they would replace the *TransNet* funding exchange as the first priority.

Mr. Garcia stated that at the Board meeting the minutes reflect comments by Harry Mathis regarding the potential loss of state funding to the region because of our use of *TransNet* funds to backfill projects.

Mr. Bahadori expressed his concerns that local sales tax measures are supplemental funds, and the counties that have one should not be penalized and lose state funding because the state will consider that the region could fund projects with the sales tax measure and would not need state funds.

Mr. Stoll stated that the bond measure requires the state to appropriate the funds within a ten-year period. He disagreed with the interpretation that if a region uses their own money to backfill projects, the legislature won’t feel the pressure to appropriate funds for that region. Mr. Stoll stated that it is a given formula that allocates funds to each region, and that allocation can’t be

changed. The legislature can decide only how much to allocate and when to provide that allocation, so it is a matter of timing that concerned Mr. Mathis.

Mr. Garcia stated that in the handouts to the ITOC, one article stated that additional bond monies were voted to be distributed, and Mr. Stoll stated that he believes the article was describing actions by the California Transportation Commission to allocated funds.

Jose Nuncio, Senior Engineer/Financial Programming, stated that the guidelines for this year's appropriation and allocation request process have just come out and that SANDAG and North County Transit District (NCTD) have requested the entire amount due to NCTD for the SPRINTER project. This reduces the amount of *TransNet* funds needed from what was originally requested (approximately \$41.2 million) to approximately \$36.6 million.

Mr. Gallegos stated that at the same time we are debating this funding swap, the legislature is looking at the economy and discussing how to meet the state's budget shortfall. The state is considering a stimulus package and the method to move the bond funds forward. SANDAG is pursuing the bond dollars that were anticipated before the timing was delayed by the governor. The legislature is asking what projects can be accelerated to take advantage of a stimulus package to boost the economy and put people back to work.

Mr. Bahadori stated that *TransNet* has been hit for loans for various other projects over the past few months and the ITOC is concerned that *TransNet* is not being used for its original purpose, but is being used as a slush fund for projects with shortfalls.

Ms. Harrison expressed her concerns that the ITOC did not have ample opportunity to review the and research the item prior to it being presented to the Transportation Committee for decision and stated that the ITOC should be given 60 to 90 days' notice for items of this magnitude in order to provide good guidance.

Chair Meyer stated that he agreed with Ms. Harrison's comments, but that this instance was an emergency situation. Due to the cash flow crisis at NCTD, there was no way the action could be delayed.

Mr. Garcia stated his support for the funding swap and commented that the ability to swap funds to meet project deadlines and get projects completed is an essential funding tool.

Mr. Bahadori stated his agreement as long as the swap was within the *TransNet* list of projects, but in this case, the funding really is a loan to the SPRINTER.

Mr. Gallegos stated that the SPRINTER is a *TransNet* project; it was included in both the original and Extension Ordinances. The SPRINTER is, in fact, one of the highest priority projects because it is an unfinished project under the *TransNet* Ordinance. Mr. Gallegos stated that staff is confident that the bond funds would be allocated and returned to *TransNet*.

Mr. Bahadori expressed concerns that the ITOC was not briefed on any alternatives that NCTD could have considered for funding. They were only briefed on this option because it was the cheapest. He commented that NCTD could have borrowed from the commercial paper program. He expressed his concern that every time a project faces a funding shortfall, the only option that staff will look at is taking *TransNet* funds.

Mr. Stoll stated that the Ordinance protects *TransNet* funds by specifying that funds can only be given to *TransNet* Ordinance projects. *TransNet* funds can't be used for any project's funding needs. He stated that funding exchanges are specifically provided for under the Ordinance for situations exactly like the SPRINTER. Mr. Stoll stated that NCTD could have sold commercial paper, but that would have cost the entire region more.

Mr. Bahadori stated that the ITOC is not concerned with the entire region, only with *TransNet*.

Mr. Gallegos reiterated that the SPRINTER is a *TransNet* project.

Chair Meyer stated that it has been the opinion of some that the ITOC just never liked the SPRINTER project, but after meeting with NCTD early in the project and having monthly project updates, he is comfortable with the project itself. He stated that what is at issue here is not the project, but the principle whether the ITOC approves the use of *TransNet* funds for other projects.

Mr. Gallegos stated that the SPRINTER has been a controversial project, but this action is not any different than any other *TransNet* funding swap. He stated that it is never to staff's advantage to bring items to the ITOC with such a short timeline. He stated that in this case, we anticipated bond dollars on a certain schedule and when the state did not meet that schedule, it put the transit agency into a crisis situation where they could not make payments and needed the funding swap to complete the SPRINTER project. Mr. Gallegos stated that there will be times when staff has no choice, but the goal is to give the ITOC as much time as possible.

Action: This item was presented for discussion.

5. PREPARATION FOR FY 2009 *TransNet* FISCAL AND COMPLIANCE AUDITS (DISCUSSION/POSSIBLE ACTION)

Renee Wasmund, Finance Director, presented the item. At the July 16, 2008, meeting, the ITOC discussed an improved audit approach for FY 2008. The auditors have begun the FY 2008 *TransNet* recipient audits for the 18 cities, the County, Metropolitan Transit System (MTS), NCTD, and Caltrans using the audit approach discussed with the ITOC. In addition, at the October 15, 2008, meeting, the ITOC considered and discussed options with respect to engaging an audit firm to fulfill its audit responsibilities related to the *TransNet* funds. At the request of the ITOC, SANDAG's existing audit firm, Caporicci & Larson, presented their process for the financial audit of the *TransNet* program. Ms. Wasmund introduced Gary Caporicci and Kenneth Punn from Caporicci and Larson.

Mr. Caporicci briefed the ITOC on the background of their firm and that the agency specializes in the government sector and transportation agencies.

Mr. Punn described the audit approach, objectives, and schedule process of the firm.

Mr. Caporicci reviewed the requirements for independence of the auditors and the fact that the auditors must not only be independent, but also give the appearance of independence.

Ms Sandoval commented that the ITOC concerns regarding the independence of the auditor are not in the performance of the audit itself, but in perceived conflict with the auditor serving this committee and SANDAG as well.

Mr. Caporicci stated that the agency would sign a separate engagement letter with the ITOC and would report directly to the ITOC, even if only selected for the final 2009 year.

Mr. Garcia asked whether the auditor would use different staff personnel to perform each audit in order to maintain independence, and Mr. Caporicci stated that it was possible, but would not be the most efficient method.

Mr. Punn discussed the efficiencies for their firm to conduct the ITOC audit and stated that they are familiar with the *TransNet*, program and many duplicative actions can be avoided if their firm is used. He stated the cost would be lower because the administrative activities could be reduced, and many other cost savings measures would be realized.

Mr. Bahadori stated that there are benefits in retaining this firm. He stated one concern was that the ITOC had not met anyone or been briefed by the firm and that he appreciated their coming to the meeting. Mr. Bahadori stated that a second concern is that they are the only proposal, but he feels confident in the auditor's experience based on Ms. Sandoval's comments and judgment. Mr. Bahadori stated that their final concern was regarding potential conflict of interest issues, although he is less concerned about that with the financial audit than with the performance audit. He asked the auditors how they could ensure independence when contracted by both SANDAG and the ITOC.

Mr. Caporicci stated that the agency would sign separate engagement letters and would report directly to the ITOC. He stated that the firm would be under with the direction of the ITOC, not SANDAG.

Ms. Sandoval asked whether the auditor's fees had changed due to the new agreed-upon procedures approach, and Mr. Caporicci stated that the new procedures did not affect the fees for this year. He stated that the agency did have to invest more time, but did not pass on costs to SANDAG.

Mr. Bahadori asked the auditors for their opinion on the distinction between working for SANDAG and the ITOC, and Mr. Caporicci stated that they view each as a separate client and a separate audit. He stated that the agency could use separate staff as well, but he expressed concerns regarding the cost and logistics of sending two crews of staff.

Ms. Sandoval stated that the separate engagement letter is the key distinction and that she supported this firm to complete the FY 2009 audit. She suggested that at the conclusion of the FY 2009 audit, one request for proposals could be released calling for two separate audits; one for the SANDAG audit and one for the ITOC audit.

Action: Upon a motion by Mr. Bahadori and a second by Mr. Garcia, the ITOC approved hiring SANDAG's existing audit firm, Caporicci & Larson for the FY 2009 fiscal audit and to discuss the procurement process for retaining an auditing firm for the next audit contract at a future meeting.

6. *TransNet* SMART GROWTH INCENTIVE PROGRAM (DISCUSSION)

Stephan Vance, Senior Regional Planner presented the item. He stated that the *TransNet* Extension Ordinance specifies that an estimated \$280 million will be allocated to the Smart Growth Incentive Program to provide funding for a broad array of transportation-related infrastructure improvements that will assist local agencies in better integrating transportation and land use, such as enhancements to streets and public places, funding of infrastructure needed to support development in smart growth opportunity areas consistent with the Regional Comprehensive Plan (RCP), and community planning efforts related to smart growth and improved land use/transportation coordination. These funds shall be allocated on a regional competitive grant basis. It is intended that these funds be used to match federal, state, local, and private funding to maximize the number of improvements to be implemented. The Regional Transportation Commission shall establish specific project eligibility criteria for this program. Funding for this program is identified in Section 4(D)(3) of the Ordinance under local programs. It allocates 2.1 percent of the funds each year for this purpose. For FY 2009 SANDAG's Finance Department is estimating that this will amount to approximately \$5 million.

Mr. Vance stated that SANDAG staff has been working with an *ad hoc* working group under the direction of the RPC to develop draft project selection criteria and a process for administering the program. At their October meeting, the RPC made a final recommendation supporting the staff recommendation on the program to the SANDAG Board of Directors.

Mr. Vance stated that the concept of providing incentives for smart growth first emerged in the 2003 Regional Transportation Plan (RTP), which called for a \$25-million pilot incentive program. The Regional Comprehensive Plan (RCP), adopted in 2004, established a framework for regional development based on the principles of smart growth (defined as a compact form of development focused around existing urban infrastructure that provides more transportation and housing choices and preserves natural habitat and open space in the region). The RCP proposed an implementation strategy for smart growth based on a collaborative planning process between SANDAG and local agencies, with incentives for collaboration provided through SANDAG's transportation funding decisions. In response to that strategy, the Smart Growth Incentive Program was included in the *TransNet* program to provide direct incentives for smart growth to local agencies.

As a precursor to this program, SANDAG funded a Pilot Smart Growth Incentive Program (PSGIP) in 2005, with \$23.5 million from the federal Transportation Enhancements (TE) program. Utilizing a competitive grant process, it allocated six years' worth of TE funds to 14 projects around the region. That pilot program formed the basis for developing the *TransNet* Smart Growth Incentive Program (TSGIP). The new program design also has been formed by a review of the literature on smart growth and by what we have been able to learn from similar programs conducted by other regional agencies in the state, most notably, the Metropolitan Transportation Commission's Transportation for Livable Communities program in the San Francisco Bay Area and the Community Design Funding program run by the Sacramento Area Council of Governments. We also are taking into account, the feedback we received on the program from the 2006 Independent Transit Planning Review report, the state Attorney General's office in its comments on the RTP, and the settlement agreement between Save Our Forests and Ranchlands and SANDAG over the RTP environmental impact report.

Mr. Vance stated that the *ad hoc* working group assisting SANDAG with the program development includes representatives from the Regional Planning Technical Working Group (TWG) and the Cities/County Transportation Advisory Committee (CTAC). Because the program has a focus on land

use development as much as transportation project development, the TSGIP will be administered under the policy guidance of the RPC.

At the outset of this process, the RPC identified policy objectives for the program:

- funding projects that are “ready-to-go” to put good examples of smart growth development on the ground as catalysts for further development;
- projects should influence land development by improving the public realm and encouraging private, smart growth projects that, in combination, create great places;
- projects should contribute to the reduction of greenhouse gases by encouraging travel by means other than private automobile;
- in particular, the projects should support public transit usage by being within areas served by transit and by improving access to transit;
- projects should support housing development at densities appropriate for its place type; and
- finally, projects should provide good examples of smart growth in a variety of settings in the region.

In developing the program guidelines, staff and the working group have used these objectives along with the specific Ordinance language to guide the work.

Mr. Vance stated that the primary role for the ITOC relative to the TSGIP is to review and comment on the proposed projects with regard to their eligibility under the *TransNet* Ordinance. In each funding cycle, staff will conduct a preliminary eligibility screening of the candidate projects and then bring a list and recommendations with regard to eligibility to the ITOC for review. This eligibility screening will facilitate the project prioritization process by ensuring that the evaluation panel only scores projects that are eligible under the *TransNet* Ordinance.

There are many components of good smart growth development, and the relationship between land use and transportation is a complex one. As a result, it is expected that the types of projects proposed under the program will be quite varied. The program guidelines will suggest the breadth of project types that could be funded under the program. Projects might include pedestrian street crossings; streetscape enhancements such as median landscaping, street trees, lighting, and street furniture; traffic-calming design features such as pedestrian bulb-outs or traffic circles; transit stop amenities; way-finding signage; community gateway features; publicly owned pedestrian plazas and green space; planning activities that lead to plan changes necessary to allow smart growth development or that lead to infrastructure supporting smart growth; bicycle and pedestrian paths and bridges; bicycle parking; and on-street bike lanes. The program should be open to innovative project ideas if they engender public support for smart growth development that will support the region’s public transit infrastructure investments.

Mr. Vance reviewed the TSGIP outline and stated that the 18 cities and the County of San Diego are eligible to apply for these funds. To encourage projects with strong community support, local jurisdictions are encouraged to work with community-based groups and nonprofit organizations in proposing and developing projects. Mr. Vance outlined the project eligibility criteria, eligible project types, project evaluation criteria, project selection process, funding levels and cycles, and program oversight. He stated that the program would be a two-year program, which increases available funding and decreases administrative costs.

Smart Growth Incentive Program project eligibility criteria have been drafted to ensure the projects considered for funding meet the objectives of the program as specified in the *TransNet* Ordinance and by the program objectives identified by the RCP. The eligibility criteria include eligibility under the *TransNet* Ordinance, the projects must be located within an appropriate Smart Growth Opportunity Area, the applicants must be eligible under SANDAG Policy No. 33, Regional Housing Needs Assessment (RHNA) compliance, must be local commitment to allocate the resources necessary to implement and complete the proposed activities and outcomes within the schedule identified in the project application, and project readiness as evidenced by the completion of a project feasibility study.

Feasibility studies would not be required for planning projects. In fact, feasibility studies would be an eligible project category under the planning component of the program.

Mr. Vance stated that the Ordinance defines project eligibility very broadly as transportation-related infrastructure that will help integrate transportation and land use and smart growth community planning efforts that will lead to better land use and transportation coordination. The RPC expressed a clear preference for “bricks-and-mortar” projects, so the draft guidelines propose a program structure where at least 80 percent of the funds would be awarded to capital projects.

SANDAG currently estimates that the funding available for the first year of the program will be approximately \$5 million. To provide a more substantial amount of money in each cycle, the proposed program would combine two years of funding into a biennial cycle. This would make approximately \$10.2 million available for the first funding cycle. In addition, to ensure a minimum number of projects are funded in each cycle, a cap on individual grants of \$2 million for capital projects and \$400,000 for planning projects is proposed.

Ms. Harrison asked whether there was a requirement for matching funds and what availability there might be for matching funds, and Mr. Vance replied that matching funds are required and are a criterion under this program. The agency can use any available source for these funds, such as their own gas tax funds, any local formula shares funding, general or developer funds, community development block grants, and other grants.

Mr. Bahadori commented that it is unusual to allow the funds from one part of a program to be used as matching funds for another part of the program and asked if this was being done with any other projects, and Mr. Vance stated that this is similar to what is being done in the Bicycle Pedestrian Neighborhood Safety Program. The concept is that these local matching funds are discretionary funds, and they can use those funds to support other transportation projects.

Mr. Gallegos stated that the key is to develop flexibility but if they use *TransNet* funds, the jurisdiction still would have to comply with the *TransNet* Ordinance and those requirements. As long as it conforms to both programs, the strategy is to increase that flexibility.

Mr. Garcia asked whether any funds could be used for operational purposes to improve the service itself for public transit.

Mr. Gallegos stated that these funds are one-time dollars, and operations need to be funded by recurring revenue sources, so it would not be a good use of these funds.

Mr. Vance stated that in order to focus the grants in areas where funding would have the greatest impact, the working group has developed project selection criteria designed to identify the areas with existing regional investments in public transit or where additional transit improvements are currently programmed. The criteria also favor areas with planned densities that are significantly above the density thresholds established for each place type definition. These criteria address the multifaceted nature of smart growth development. For capital projects, the recommended criteria include how well the land use and transportation characteristics of the proposed project area would support an investment in support of smart growth including appropriate density, proximity to transit, mix of uses, support for multiple modes of transportation, affordable housing, and community design characteristics.

Capital projects criteria also include: quality of the proposed capital improvement; project readiness; cost effectiveness; and level of matching funds. For planning projects, the evaluation criteria include: the relation of the project to public transit; development potential in the project area; how well the project objectives support smart growth principles; quality of the project scope of work; strength of proposed outcomes (implementation); evidence of local support; and matching funds.

While the goal has been to make the project selection criteria as objective as possible, a number of the criteria only can be evaluated based on sound, independent, professional judgment. For this portion of the evaluation, the working group is recommending that SANDAG form a panel that includes academics in the fields of planning and urban design, one member each from the TWG and CTAC from jurisdictions not submitting projects, one member of the San Diego Council of Design Professionals, and two SANDAG staff. This independent review panel would score and rank the projects and propose a slate of projects for funding. That list of projects would be reviewed by the TWG before sending it to the RPC. The RPC's responsibility would be to make the final recommendation to the SANDAG Board, which would approve the projects to be funded.

SANDAG staff expects to have an active oversight role for each project awarded funds. The obligations of both the grant recipient and SANDAG would be clearly defined through a grant agreement, and timely completion of the projects funded would be encouraged through a "use it or lose it" policy. This policy is based on the premise that capital projects should be under construction within two years of the grant award and completed within another 18 months. Planning projects should be underway within one year and completed within two years. The "use it or lose it" policy and details regarding the oversight requirements are shown in Attachment 2 of the report item to the report. It describes the process for dealing with project schedule changes and the circumstances under which an extension to the grant deadline is warranted. These projects also will be audited under the ITOC audit procedures as they are part of the *TransNet* program.

Following input from the ITOC, staff will take a recommendation to the SANDAG Board of Directors to approve the TSGIP eligibility and selection criteria and other components of the program described above and to authorize SANDAG to issue a call for projects for the first TSGIP funding cycle. It is anticipated that the call for projects will be issued the beginning of December, and applications will be due to SANDAG in January. The ITOC would see the proposed projects in February, and final recommendations regarding funding would be ready for Board action in April 2009.

Mr. Garcia stated that the RPC took action to recommend support for the item and asked if the Board of Directors had taken action yet, and Mr. Vance stated that the Board would hear the item at its meeting later this month (November).

Mr. Garcia stated that the role of the ITOC is to review the projects in *TransNet* and asked if the RPC had prioritized the projects on the list, and Mr. Vance replied they had not prioritized the projects.

Mr. Cummins stated that some of the project evaluation criteria were not concrete or clear on how staff will measure some of those criteria. He commented that he interprets the cost-effectiveness criteria using the *TransNet* ballot language, which states that the purpose is to relieve congestion and improve safety with the use of federal matching funds. He asked whether this criterion will measure the cost-effectiveness of each project for relieving congestion and if that was part of the analysis.

Mr. Vance stated that the one of the objectives of the program is that the projects should reduce vehicle miles traveled and greenhouse gases. The challenge is that the impact of land use and transportation coordination for those goals is not direct, and it takes time to realize if the goal is materialized. He stated that if you invest in public infrastructure to attract investors who build high-density development and mixed-use projects, it will produce more customers for public transit to give people more public transportation or alternate choices. The criteria evaluation matrix awards points for projects in high-density areas close to transit with a mix of uses in THE project area. They look at what other transportation facilities are available, such as bike paths, other public transit options, and the design itself. These measures are scored against the evaluation matrix and compared to the grant amount, and the ratio of size of grant to evaluation matrix score will be the cost-effectiveness ratio.

Ms. Harrison requested clarification regarding the composition of the working group and whether it was composed of volunteers or if there is a cost for the evaluation panel.

Mr. Vance stated that the evaluation panel is composed of volunteers, and the program administration will be done by SANDAG staff under our work program. He stated he has been responsible for the program development, and he and one assistant will be responsible for the ongoing administration of the program. The Board of Directors will select the projects, but the list will be reviewed by the evaluation panel, planning staff, the RPC, and the ITOC.

Mr. Gallegos commented that the key is to get the criteria adopted. We need to set the criteria and then call for the list of projects that will meet those criteria. The independent panel then looks at the projects against the criteria. There already has been discussion regarding the criteria with one specific concern regarding the RHNA requirement. He stated that these types of discretionary dollars should reward jurisdictions that are progressing and have met RHNA goals.

Mr. Vance commented that was a key lesson learned during the pilot program. He stated that the criteria will be subject to review after the first cycle of the program, but it is essential to adopt the criteria before calling for projects.

Chair Meyer stated that SANDAG held a series of meetings throughout the region on smart growth. He was impressed by the participation by citizens and the number of suggestions put forth during those meetings. He asked staff if any of those suggestions were utilized for this program.

Mr. Vance stated that those workshops were for development of the smart growth map, and the map is a guideline to use in making decisions for smart growth planning. There are certain targets and thresholds that need to be met within each smart growth area, and staff will ensure that the projects fit within those smart growth targets. If a proposal comes in for a town center, staff will

consider the thresholds, such as population and employment for that smart growth area and the project will be measured against those thresholds.

Mr. Bahadori stated his concern regarding funding pure planning projects. He stated that the program splits between planning grants and capital grants. He stated that the Ordinance specifically says these funds could be used only for transportation-related infrastructure improvements, not for planning purposes. If planning is part of the project and supports the infrastructure improvement, then perhaps it would be eligible for these funds, but he could not support funding a planning project just for planning purposes.

Mr. Gallegos stated that the ordinance also states that the funds are for community planning efforts related to smart growth.

Discussion ensued regarding whether the Ordinance allows for funding for projects that are purely planning in nature versus those that include planning as part of an infrastructure improvement project, whether the project must be built if the planning for it is funded and whether that requirement should be included as one of the criteria, the need for planning for future projects and concepts that are out of the box, the concept that funding for planning now will shorten the time it takes to bring a project forward and to control costs, and the composition of the evaluation panel.

Mr. Stoll stated that staff would present the ITOC's input to the Board as part of the staff presentation.

Action: This item was presented for discussion.

Ms. Sandoval and Mr. Cummins left the meeting.

12. MID-COAST CORRIDOR TRANSIT PROJECT STATUS (INFORMATION)

Leslie Blanda, Manager of Capital Development, presented the item and stated that in January 2005, the Board of Directors included the Mid-Coast Corridor Transit project in the *TransNet* EAP. The Mid-Coast Corridor Transit project will extend San Diego Trolley service from the Old Town Transit Center to University City, serving major activity centers such as the University of California, San Diego (UCSD) and University Town Center (UTC). The Board of Directors directed staff to move forward with the Mid-Coast Corridor Transit project as a high priority. SANDAG staff has secured the services of an experienced transportation consultant with expertise in developing Federal Transit Administration (FTA) New Starts projects. This expertise includes developing FTA New Starts funding applications as well as assisting clients with securing FTA full funding grant agreements. The consultant is well versed in all aspects of project development through the FTA process and has a proven track record of success within the industry.

SANDAG staff additionally secured the services of a consultant experienced in public involvement to assist in preparation and implementation of a public involvement program to support all development phases of the Mid-Coast Corridor Transit project. The services of a firm experienced in environmental law with experience in FTA New Starts projects, as well as other public transit projects will support the Mid-Coast Corridor Transit project through environmental review and entitlements.

Ms. Blanda stated that the Mid-Coast Corridor Locally Preferred Alternative (LPA) is a light rail transit (LRT) alignment that begins at the Old Town Transit Center and travels north in existing railroad right-of-way to Gilman Drive. Three stations are currently proposed in this segment and are located at Tecolote Road, Clairemont Drive, and Balboa Avenue. At Gilman Drive, the alignment continues north within the I-5 right-of-way to the proposed University Lane Station. The alignment crosses to the west side of I-5 and enters the west side of the UCSD campus just north of La Jolla Village Drive. The alignment travels into Pepper Canyon, where the proposed UCSD West Station is located approximately one block from the UCSD Price Center. The alignment continues to the east side of I-5 along Voigt Drive and serves the east side of the UCSD Campus at the proposed UCSD East Station. The alignment continues along either Genesee Avenue or Regents Road and Executive Drive to the proposed Executive Drive Station. The alignment continues south on Genesee Avenue to the proposed terminal station located at UTC.

The current project development phase includes the preparation of an environmental document for the Mid-Coast Corridor Transit project prepared in compliance with the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA). Preliminary engineering is additionally included in the current project development phase. Preparation of the environmental document will include: development and evaluation of alternatives; conducting public scoping for the environmental document; selection of alternatives for detailed analysis in the draft environmental document; preparation of the draft environmental document; preparation of the final environmental document; and approval of the final environmental document. The Board of Directors will approve the final environmental document prepared under CEQA. The FTA will approve the final document prepared under NEPA.

The first step in the environmental review process will be the development and evaluation of alternatives for potential inclusion in the public scoping process and in the draft environmental document. The alternatives include a revised LPA, additional LRT alignment variations, a commuter rail shuttle alternative, a bus rapid transit (BRT) alternative, a no-build alternative and a transportation systems management alternative. These alternatives are currently under development. The LPA previously adopted by the Board of Directors will be re-evaluated. The LPA will be revised to reflect changes in the planned I-5 improvements and other changes, as well as to maximize its cost-effectiveness where achievable.

Prior to public scoping staff will present the alternatives, the findings of the alternatives evaluation and a recommended list of alternatives to be carried forward into public scoping to the SANDAG Board for review and approval. The Board of Directors will have the option of identifying a preferred alternative to be carried through the public scoping process. This step is anticipated to occur in March 2009.

During public scoping, environmental issues and alternatives proposed for detailed environmental analysis will be presented to the public and interested stakeholders for review and comment. Public scoping is anticipated to be conducted in March and April 2009. Subsequent to public scoping staff will evaluate environmental issues and refine alternatives based on input received during the public scoping process. Staff's evaluation will consider practical and legal requirements for alternatives in the environmental document. The Board of Directors then will be asked to approve the alternatives to be carried forward for detailed analysis in the draft environmental document. Board of Directors approval will be requested in June 2009.

The draft environmental document is scheduled to be completed in August 2010. The final environmental document is scheduled to be completed in August 2011.

Preliminary engineering can proceed once the Board of Directors has selected a LPA and FTA has approved SANDAG's application to proceed with preliminary engineering on the LPA. It may be possible for the Board of Directors to select a LPA prior to proceeding with development of the draft environmental document. Should this occur, the preliminary engineering application can be submitted to the FTA in the summer of 2009. The New Starts application, which is a portion of the preliminary engineering application, would be rated by the FTA in the fall of 2009 and the project's New Starts rating would be published in the FY 2011 New Starts report in February 2010.

The Board of Directors included the Mid-Coast LRT project in the *TransNet* EAP. The Mid-Coast LRT project was included in the original *TransNet* Ordinance and remains uncompleted. Under the *TransNet* Extension, the Mid-Coast LRT project shall be given priority for implementation. *TransNet* includes \$670 million in capital funds for the Mid-Coast LRT project and \$110 million in operating funds through the year 2048. Both the capital and operating included in *TransNet* are in 2002 dollars. SANDAG would be seeking FTA New Starts funding for the project. The proportion of local match provided by the *TransNet* capital funds, as well as the benefit to the financial plan resulting from inclusion of the *TransNet* operating funds, will be advantageous in securing a higher New Starts project rating from FTA for the Mid-Coast LRT project. The current cost for the Mid-Coast LPA is estimated to be \$1.2 billion in year-of-expenditure dollars. The estimated cost of the LPA alignment will be updated during the current phase of work to reflect any revisions made as the result of re-evaluating the LPA.

A consultant has been selected to assist SANDAG in developing and implementing the public involvement program for the Mid-Coast Corridor Transit project. Public involvement and outreach activities will commence with public scoping in the spring of 2009. Public involvement and outreach activities will continue through all phases of project development, including the supplemental environmental phase, preliminary engineering, final design, and construction. SANDAG will continue to coordinate with project stakeholders throughout development of the Mid-Coast Corridor Transit project. Coordination with key stakeholders, such as MTS, UCSD, Caltrans, and the City of San Diego is already underway. Periodic regularly scheduled meetings are anticipated with the key stakeholders. The public involvement program, currently under development, will include a variety of methods for coordination with project stakeholders, including the public. In addition, a coordination plan for environmental review is under development.

The schedule assumptions for final design and construction outlined in this report are based on a range of project delivery methods that would deliver the Mid-Coast project for revenue service between December 2015 and June 2018. Before any further information on project delivery is brought to the Transportation Committee, further evaluation is required of the different project delivery methods, including how the procurement strategies may fit into the overall New Starts schedule.

A preliminary project schedule for the previously adopted LPA is shown as Attachment 2 of the report item. The preliminary schedule indicates a range of start and finish dates for the final design and construction phases. This schedule is based on the assumption that a LPA will be selected by the Board of Directors upon completion of the public scoping process. Key dates over the next year that are included in the preliminary project schedule for the Mid-Coast Corridor Transit project are: Board approval of alternatives for public scoping – March 2009; public scoping – March/April 2009;

and Board approval of alternatives for the draft environmental document – June 2009. Environmental approvals are expected in September 2011, with design and construction in 2012. Future development phases include final design, construction, systems testing, and start-up of revenue service.

Mr. Stoll commented that the Transportation Committee has requested bi-monthly briefings on this project.

Ms. Harrison asked whether there were plans to build stations between the Nobel Station and the Balboa Station to better link State Route (SR) 52, and Ms. Blanda replied that the area did not model well for station locations because it is more residential.

Mr. Gallegos stated that this is not a large employment area and does not reflect a large number of boardings that would be found in areas of intensive land use and does not lend it to station locations.

Mr. Garcia stated that there are people traveling from Tierrasanta or other locations in that area to reach the college campus or to shop at the UTC shopping mall, and Mr. Gallegos stated that he would have staff take another look at that area, but the models do not reflect ridership numbers to support stations for that area because it is not a large activity center.

Mr. Bahadori requested clarification on how the Board of Directors can select the project alignment prior to environmental documents being completed, and Mr. Wayne Brechtel, Worden Williams, APC, contractor for the environmental documents replied that for environmental purposes there is no conflict to specify the project that you want to build; this is not a commitment to actually build that project. All the alternatives still have to be reviewed, and any others that meet the project objectives and reduce impacts will have to be considered.

Mr. Bahadori stated that if the analysis shows the BRT would be more efficient than the LRT project, it would not necessarily be built.

Mr. Gallegos stated that the objective is to look at all alternatives and evaluate them equally. The Board of Directors will then make a reasonable choice based on all the information.

Chair Meyer stated that the financial plan relies on both federal funds and *TransNet* funds. He stated that Congress will be working on the federal reauthorizations after the new year and stated that he thought projects would need to be fairly advanced in their schedule to qualify for funding and asked how the status of this project would affect the its qualifications for funding.

Ms. Blanda stated that the goal is to be named in the reauthorization. She stated that if we are named in the reauthorization, we will be eligible for the funding. We can submit the actual New Starts application after we are named in the reauthorization.

Mr. Gallegos stated there is a strict process to get to the execution of the full funding agreement. He stated that once we have the full funding agreement, we will be included in the bill and will go year by year for the appropriations from Congress.

Mr. Bahadori stated that we need to use the lessons learned from the SPRINTER project experience for future light rail projects such as this.

Mr. Gallegos stated that staff will be using the lessons learned from this project and the Green Line project to secure the federal funding.

Chair Meyer requested regular bi-monthly briefings to the ITOC for this project, and after discussion, the consensus was to provide briefings when major milestones are reached.

Mr. Bahadori asked whether there was any local opposition to placing a light rail along this line, and Mr. Gallegos stated that there is some opposition and that staff is studying a bus rapid project as well, and we have hired an excellent consultant team to work toward an objective analysis for this line.

Ms. Harrison asked whether staff had looked at any solar opportunities for this project, and Mr. Gallegos stated that staff will consider any opportunities in the future as they may present themselves to support the implementation of Assembly Bill 32 and other climate change requirements.

Action: This item was presented for information only.

7. OVERVIEW OF DEVELOPMENTS IN THE FINANCIAL MARKETS (INFORMATION)

Susan Brown stated that SANDAG annually reviews the Plan of Finance. The transit operators within the SANDAG region receive various federal, state, and local revenues to support both ongoing operations and capital projects. The Transportation Development Act (TDA) and *TransNet* are two of the major sources of funding for NCTD and MTS. Unfortunately, the San Diego region continues to experience downward trend in sales tax revenues from which these two vital sources of revenues are derived. FY 2008 *TransNet* receipts were 1.4 percent lower than FY 2007. Although receipts for the quarter just ended are not available yet, it is clear that the decline is continuing. Accordingly, a revision is proposed to reduce the FY 2009 revenue estimates for TDA and *TransNet* from the amount approved by the Board of Directors in February 2008.

Marney Cox, Chief Economist, discussed the effect on sales tax revenues due to the economic situation. The SANDAG model was developed to work best in good economic times so staff had to adjust for current conditions. Consumer expenditures nationwide were weak going into the third quarter of calendar year 2008, and early indications suggest expenditures may have fallen more than 2 percent during the third quarter. The downturn in consumer expenditures nationwide has been made worse by the deepening financial crises, as credit availability to finance major purchases is tightening. The automobile market has been hit especially hard; sales of light vehicles have fallen to a 16-year low, down 19 percent over the year. Consumer spending for home furnishings is down because of the housing market weakness. More recently, consumers are spending less for clothes, personal care, and restaurant dining as consumer confidence shrinks. Similar trends are emerging in San Diego.

Sales tax receipts received by the Regional Transportation Commission declined by 1.42 percent during fiscal year 2008. The sector hit hardest by the slowdown has been construction, with sales tax receipts declining 13.7 percent on a year-over-year basis, using the last quarter of fiscal year 2008 and comparing it against the same quarter for the previous year. A second area of weakness locally, as well as nationally is auto sales. Sales tax receipts from new auto sales declined 11.2 percent during the final quarter of fiscal year 2008 compared to the same quarter for the previous year. A noteworthy trend that exemplifies the diversity of our local economy is the increase in sales tax

receipts for restaurants, the region's largest sales tax segment (1.8-percent increase for the second calendar quarter of 2008 compared to the prior year).

There seems to be a growing consensus nationwide that the current economic slowdown will significantly impact the third and fourth quarter of 2008 and all of 2009. In light of these expected trends, SANDAG is projecting a 4-percent decline in sales tax revenues during fiscal year 2009, with much of the weakness occurring during last quarter of 2008 and the first two quarters of 2009. The national and local economies are not expected to fully recover from the downturn until 2011, while the transition to more normal rates of revenue growth may take three years (2013). SANDAG is expecting our sales tax revenue to follow a similar path.

Ms. Brown stated that the TDA is the major subsidy source that supports the region's public transit operators and non-motorized transportation projects. The TDA comes from 1/4 percent of state sales tax assessed in the region. SANDAG, as the Regional Transportation Planning Agency (RTPA), is responsible for the apportionment of TDA funds each year in conformance with legislative priorities. The transit operators and other member agencies submit their annual TDA claims based on these apportionments and in compliance with SANDAG's TDA Administration Policy (Board Policy No. 027).

The Board of Directors approved to apportion \$119.7 million of TDA funds for FY 2009, which was provided by the County of San Diego Auditor and Controller Office in cooperation with SANDAG. The County is statutorily responsible for the apportionment for TDA. SANDAG again has been conferring with the County Auditor's office regarding this latest revision. Based on the latest information available, SANDAG proposes to reduce this to \$113.8 million, which equates to a 4.96-percent decline from the initial apportionment. Attachment 1 of the report item provides a breakdown of the different programs with TDA that are affected.

This half-cent sales tax approved by the voters of San Diego County includes the transit system improvements (16.5 percent) funding from which the transit revenues are derived. Within the transit share, services provided pursuant to Americans with Disabilities Act (ADA) and subsidies for seniors have specific earmarks (2.5 percent and 3.25 percent, respectively). The remaining revenues can be used for operating or miscellaneous capital purposes.

The Board of Directors previously approved a *TransNet* allocation of \$39.3 million for FY 2009. Based on the latest information available, SANDAG proposes to reduce this to \$37.5 million, which equates to a 4.63-percent decline. Attachment 2 of the report item provides the breakdown of the distribution of the program. Also, as an informational item, the table includes the impact to the SANDAG Overall Work Plan, as well as the *TransNet*-Major Corridor program, which funds all of the Board-adopted EAP projects.

Approval of the revised TDA and *TransNet* estimates will provide the transit operators, SANDAG, and FACT, community transit service provider, with sufficient time to revise their budgets for the remainder of the fiscal year. Staff will continue to monitor the receipts, as well as regionwide and nationwide trends and will provide monthly updates to the Board of Directors. Ms. Brown stated that the Transportation Committee approved the revised projections.

Chair Meyer asked Mr. Cox if he felt the estimate of a 4-percent decline in sales tax revenues is reasonable, and Mr. Cox stated that a 4-percent decline was fairly deep, and no other forecast reflected a heavier decline. He stated that if the forecast for job losses increases at the national level, it could negatively affect the decline but the consensus is that 4 percent is reasonable.

Mr. Garcia requested clarification regarding the 6-percent total change from FY 2009 to FY 2010, and Mr. Cox stated that the national and local economies are not expected to fully recover from the downturn until 2011, with much of the weakness occurring during last quarter of 2008 and the first two quarters of 2009. The 6-percent growth will occur during the last two quarters of 2009 and first of 2010, and the transition to more normal rates of revenue growth may take three years. Mr. Cox stated that SANDAG is expecting its sales tax revenue to follow a similar path.

Mr. Ryan asked staff to provide the total *TransNet* receipts, and Ms. Brown stated that the original projection is \$246,013,000, and the new projection is approximately \$11.4 million less.

Chair Meyer asked what time period the revenue projections covered, and Ms. Wasmund stated that we have clean numbers through June 2008, so we do not yet have numbers that reflect the economic impact of the quarter ending September 2008. She stated that those numbers will be provided in December.

Mr. Bahadori stated that no other county has projected more than a 4-percent reduction, but he has not seen the 6-percent return projected in other counties. He commented that future growth is projected from the new lower base. He asked for staff to clarify how this loss of revenue impacts projects when bids are coming in lower, so even though the revenue has dropped, spending has dropped as well.

Mr. Stoll stated that staff reviews the Plan of Finance annually and will evaluate the impact of lower revenues, lower bids, and how projects are impacted based on these estimates.

Mr. Cox stated that the recession of the early 1990s also impacted the original *TransNet* program with lower-than-anticipated rates of growth. The recession did not ruin the integrity of the entire program, but those entities impacted by the annual changes had to adjust their budget expenditures. For that reason, we now do short-term forecasting to assist in determining the impact of these short-term sales tax revenue changes.

Mr. Stoll stated that the 6-percent increase is actually adjusted from the new lower base, so the 2-percent increase in 2010 is actually adjusted from the negative 4-percent base and still reflects a negative number.

Chair Meyer requested clarification on how increased ridership and farebox recovery have impacted the transit agencies' budgets.

Ms. Wasmund stated that MTS has given assurances to SANDAG that for this year they, believe they can meet the deficit through increased fares and reduced fuel costs, but that future years' deficits could affect them negatively, particularly with the potential loss of State Transportation Assistance funds.

Mr. Bahadori suggested that the table of current and projected change to sales tax receipts include a clarification sentence that explains the percentages are compared to the previous year's numbers.

Mr. Garcia requested clarification regarding the projection that the construction industry is stable in San Diego related to employment, but the report also claims that the hardest hit area for sales tax receipts also is the construction industry.

Mr. Cox stated that locally our trend for employment in the construction industry is stable because our region's loss occurred before January 2008. Job losses have leveled off since then, but at the national level, job losses continue each month. Whether that trend continues will depend on the nature and size of the national recession. If the recession is deep, job losses will increase in the region. On the other hand, sales tax receipts in construction appear different than past recessions. The consumption component is declining because home prices are falling, and people are not using home equity to make expenditures. This has caused the sales tax receipts to decline. So although there has been some stabilization in employment in the region, sales tax receipts are declining.

Mr. Garcia asked if the county has a model of its own and how it correlates with the SANDAG model, and Mr. Cox stated that the county does not have its own model, but is working with SANDAG and the SANDAG model within each jurisdiction. Staff is meeting with each jurisdiction to run the SANDAG model because each jurisdiction receives sales tax revenues and funding in different formula, thus, the impact of the recession is different in each jurisdiction.

Ms. Wasmund provided an update on the SANDAG debt program. She reviewed the remarketing rates for the bonds and stated that the rates that we are getting are tied to the liquidity providers. Dexia is remarketing at a higher rate than the other liquidity providers, but they are still at or below the rate we receive under the swap.

Ms. Wasmund stated that the variable rate program performance, when compared to the Securities Industries and Financial Market Association performance, which is an industrywide guide, is marketing lower than the industry, which is an indicator that we are performing well.

Ms. Wasmund reviewed the variable rate program performance when compared to a fixed rate and stated that we continue to trade lower and better than the industry average. Ms. Wasmund stated that staff will continue to evaluate the Barclays bond performance and the Dexia trading performance. She stated that we are still evaluating options for the commercial paper program and the \$300 million of variable rate bonds. She stated that Dexia's performance is still a concern, but the cost to leave Dexia and enter a new contract may be prohibitive.

Mr. Garcia asked whether the proposed federal bailout of the financial market would help Dexia, and Ms. Wasmund stated that the funds have not hit the market yet because the banks are holding them through the end of the year to close the year strong.

Mr. Stoll commented that Dexia is located in Europe and would be more affected by any international financial bailout or assistance.

Action: This item was presented for information only.

8. QUARTERLY REPORT ON *TransNet* MAJOR CORRIDOR PROJECTS (INFORMATION)

Richard Chavez, Principal Engineer presented the item. The SANDAG *TransNet* project office monitors the major corridor projects. Project expenditures are tracked against Board-approved budgets, and critical-path project schedules are compared against baseline schedules. The project office assesses trends that affect the cost and schedules of the major corridor projects and recommends solutions. The project office operates and maintains the *TransNet* Dashboard reporting system that provides cost, schedule, and trend information for major corridor projects. The Dashboard can be accessed at www.KeepSanDiegoMoving.com.

Mr. Chavez reviewed the list of major corridor projects currently being monitored and stated that not all the projects are included in the Dashboard at this time, but work is underway to add them in the near future.

Mr. Chavez stated that the open-to-traffic/open-for-service dates remain on schedule for the majority of the major congestion relief projects and summarized the project schedule challenges and risks.

Mr. Chavez stated that the Super Loop transit project has been delayed. MTS and SANDAG Board concern over the design of the transit stops has resulted in the need to redesign bus shelters and conduct additional community outreach. The revised schedule estimates construction beginning in February 2009, with service beginning in April 2010.

The Interstate (I-) 15 BRT stations at El Cajon Boulevard and University Avenue have been delayed. Caltrans safety concern over the original in-line station design concept has resulted in the need to investigate new design options. Community meetings have been held, and four new design options have been selected for further analysis. These design options were presented to the Transportation Committee at its last meeting and will be presented today to the ITOC. Once a design option is selected, a revised schedule for the right-of-way, design, and construction phases can be established.

Some of the specific work elements have been delayed beyond the baseline schedule dates, including the environmental documents for SR 76; however, these delays to the environmental documents are not expected to impact the open-to-traffic date of 2013 for the Middle Segment and 2014 for the East Segment.

The environmental documents for the I-805 Managed Lanes – South Segment and the South Bay BRT are experiencing delays. Caltrans and SANDAG are developing an informational update on the I-805 corridor that will be presented to the ITOC and Transportation Committee at an upcoming meeting.

Mr. Chavez reviewed cost control measures and cash flow charts from the Dashboard. These charts indicate that the actual expenditures are tracking closely against budgeted amounts for most projects.

Mr. Chavez reviewed the trends for major corridor projects. The Caltrans construction cost index (CCI) continues to decline as the price for transportation project construction continues to drop as shown in Attachment 2 of the report item. The 12-month index is down 9.3 points to 240.0 for the

second quarter of 2008 compared to the first quarter of 2008, when the index was at 249.3. The 12-month index is down a total of 101.2 points from its all-time high of 341.2 during the second quarter of 2007. Since 2002, the CCI has increased 52 percent, equating to a compounding percent increase rate of 7.25 percent per year. This is well above the compounding 2.6 percent rate increase experienced during the 1980s and 1990s.

The Caltrans asphalt index is down 230.8 points to 486.1 for October 2008 compared to July 2008, when the index was at 716.9. Compared to last year, the index is up 92.7 points compared to October 2007, when the index was at 393.4.

The average number of bidders is a good indication of the level of competition for transportation project construction work. More competition usually means better bid prices. The average number of bidders on Caltrans construction projects over \$5 million is down 1.3 points to 5.7 for the second quarter of 2008 compared to the first quarter of 2008, when the average number of bidders was 7.0. The average number of bidders is up a total of 2.5 points from a recent low of 3.2 bidders experienced during the third quarter of 2006.

Recent bid prices for major corridor project construction are as follows. The low bid for I-15 Managed Lanes construction, South Segment, Unit 2, was submitted by Coffman Specialties, Inc. The bid price was \$60.5 million, 8.4 percent less than the engineer's estimate of \$66.1 million. The low bid for the I-15 moveable barrier transfer machine maintenance facility was submitted by Wier Construction Corporation. The bid price was \$5.46 million, 3.9 percent over the engineer's estimate of \$5.26 million.

Mr. Chavez stated that SANDAG received a grant from Caltrans to study the regional aggregate shortages, and staff will develop a GIS database to incorporate information on zoning for mining uses and where the aggregate resources are in the region. We would then be estimating the aggregate need for the transportation program. He stated that staff will look at the entire program and estimate aggregate needs as a whole to quantify costs and impacts based on current resources and any future imports of resources.

Chair Meyer asked whether EnviroMine was involved in the process, and Mr. Chavez stated that they would be one of the industry partners and part of the oversight group.

Mr. Gallegos stated that the goal is to look at region as a whole and locate the aggregate resources to facilitate the advance purchase of land for mitigation under the environmental program. He stated that it will be beneficial to purchase open space, mine the aggregate resource, reclaim the land, and return that land to open space use.

Mr. Chavez stated that SANDAG will be buying \$850 million of land for the environmental mitigation program. He stated that often construction activity lowers the grade to the water table and that extracted material is often high quality sand or aggregate that can be used on that project or others.

Action: This item was presented for information only.

9. *TransNet* TRIENNIAL PERFORMANCE AUDIT UPDATE (DISCUSSION)

Mr. Bahadori presented the item and provided the status update. He stated that the progress has been very good so far, and the auditors are on track. The interviews are going well, and he has received some very preliminary findings from the auditors. They are focusing now on the reasons and costs for change orders and how to minimize them in the future. He stated that the auditors would like to schedule an exit conference in December, with the final draft of their report completed in January 2009. They would like input from the ITOC on how to bring forward the final report because as soon as the report is placed on the ITOC regular meeting agenda, it becomes a public document subject to records requests and public view. The auditors would like the opportunity to review the final draft with the ITOC members prior to the document being made public. One option is to appoint a subcommittee to review the final draft document prior to review at the ITOC regular meeting. Mr. Bahadori stated that although he reviews the findings and recommendations, he would like the final draft reviewed by at least one other member.

Discussion ensued regarding the venue for review of the final draft report, who should be appointed to the subcommittee if one was chosen, allowing other jurisdictions/agencies the opportunity to review the final draft report in order to discuss the findings and recommendations to ensure that they are agreed upon or at least acknowledged.

The consensus was to appoint a subcommittee to review the preliminary draft prior to the auditors' presenting the final draft to the full committee, and the Chair appointed Mr. Ryan, Mr. Bahadori, and Ms. Harrison.

Mr. Bahadori stated that he will work with the auditors to set up a meeting with the subcommittee.

Action: This item was presented for discussion.

10. MID-CITY RAPID BUS PROJECT STATUS (INFORMATION)

Miriam Kirshner, Senior Regional Planner, presented the item. The Mid-City Rapid Bus project includes the design and implementation of a 10-mile rapid bus service between San Diego State University (SDSU) and downtown San Diego along El Cajon and Park Boulevards. The line will provide North Park, City Heights, and College area residents, students, and workers with a limited-stop, high-speed service in one of the key transit corridors in the region. The Mid-City Rapid Bus project will implement a number of transit priority treatments (for example, signal priority treatments and signal queue jumps) designed to improve transit operations in a mixed-flow traffic setting. The Mid-City Rapid Bus Project is included in the *TransNet* Extension Ordinance and Expenditure Plan approved by the voters in 2004, and is on the EAP project list. Funding also is expected from the federal Very Small Starts program. Ms. Kirshner reviewed the actions taken and work completed in phase one and two of the project and the expected federal funds to be received.

Ms. Kirshner reviewed the transit station elements and preliminary engineering design. She stated that improvements have been made to speed the process for boarding of limited mobility passengers. Also, ticket stations will be implemented so passengers can pre-purchase tickets as well to speed up the boarding process. Transit signal priorities also will be deployed for the bus at signal lights so the bus can hold the green light for several seconds.

Discussion ensued regarding the locations of bulb outs, bus pocket lanes, and dedicated transit ways along the four- and six-lane portions of El Cajon Blvd and how these measures will affect traffic.

Ms. Kirshner stated that a draft mitigated negative declaration (MND) was prepared for the project and was circulated for a 30-day, public-review period. The draft MND was available for review at public libraries, on the SANDAG Web site, and in hard copy and disk. The document was distributed to interested parties, to the State Clearinghouse, and to the County Recorder. The MND analyzes potential project impacts related to air quality, cultural resources, hazardous materials, noise, aesthetics, geology and soils, hydrology and water quality, transportation, and utilities. There are mitigation measures for noise, air quality, cultural resources, and hazardous materials.

Ms. Kirshner stated that a number of comments on the draft MND were received. A number of reviewers raised questions about the parking and traffic impacts of the proposed pop-out stations and bus storage pockets. There also were questions about estimated transit travel time and dwell time at the stations. The comments are incorporated into the final MND with responses and with changes to the MND where appropriate. After mitigation, there are no remaining significant environmental impacts. The project's impacts to on-street parking are considered not significant environmentally; however, staff would continue to refine the station designs to further reduce parking impacts throughout the final design process.

Ms. Kirshner stated that the Transportation Committee adopted the final MND, and now staff will proceed to prepare final design plans for the project.

Ms. Kirshner reviewed the activities that will occur during the final design process. Modifications will be made to the station design drawings to reflect changed conditions and community input. In addition, staff will address the issue brought up by the Transportation Committee regarding combining rapid bus and local bus stops. The basic shelter concept has undergone community review at previous workshops and the September 11, 2008, community workshop. Staff anticipates revising the design based on community input and consistency with the Mid-Range Transit Plan (currently underway) that will develop regional guidelines on BRT project attributes (including stations) to ensure consistency across projects. Staff also will collaborate with the MTS to develop a branding design for the articulated buses that will be purchased as part of the Mid-City Rapid Bus project.

Collaboration with MTS on the operating plan that will be funded jointly by *TransNet* and existing MTS resources on Route 15 also will begin. Operating cost estimates will include frequency enhancements to the existing Route 15 service, maintenance of shelters, fare vending equipment, and on-vehicle signal priority equipment. Staff will collaborate with the City of San Diego on issues, including station design, traffic control, and monitoring and maintenance of signal priority equipment. This will lead to an agreement on operating costs and responsibilities, including maintenance of travel lanes, drainage facilities, signal timing and phasing, and off-vehicle signal priority equipment. Staff will collaborate with community organizations on maintenance of new landscaping. The stations will provide new street trees. The current plan is to install the landscaping and irrigation, then turn over maintenance responsibilities to existing maintenance districts. Staff will conduct value engineering and revise cost estimates.

Ms. Kirshner stated that the final design process will include a critical evaluation of cost-effectiveness and possible design modifications to add value to the project. Cost estimates will be revised throughout the process. Staff will maintain a tight control on project costs to ensure that SANDAG is in compliance with the requirements of the federal Very Small Starts program.

Ms. Harrison requested clarification regarding the project cost increase, and Ms. Kirshner stated that the cost did not increase, but the number increase was due to bringing the estimated dollars to current dollars for the project.

Chair Meyer asked how much of the funding was identified for vehicle purchase and how many vehicles would be purchased, and Ms. Kirshner stated that 15 vehicles would be purchased, and the funding identified is \$13.5 million.

Ms. Harrison requested clarification from staff regarding the need for 15 vehicles for the route and how that number was justified for this route. She commented that once the buses were on the ground, they would most likely be used for other bus routes.

Ms. Kirshner reviewed the bus schedule for the route and stated that to meet this demand, 12 would be in active service, and 3 would be spares. Staff discussed with MTS dedicating these buses for this route, and MTS feels that would be operationally difficult; however, these buses are the only ones that will work for this route because of the signal prioritization software. Ms. Kirshner stated that we will be negotiating a memorandum of understanding with MTS that will detail the use of these buses.

Mr. Garcia requested clarification regarding the distance for merging from the middle transit lanes to the right hand turn lane along Park Avenue, and Ms. Kirshner stated that there would be a signal phase at the north end of Park Avenue to facilitate the right lane change.

Ms. Harrison asked whether this route replaces Bus Route 15 entirely, and Ms. Kirshner confirmed that Bus Route 15 would be replaced by this route.

Action: This item was presented for information only.

11. UPDATE ON PLANNING FOR I-15 BRT AT EL CAJON BOULEVARD AND UNIVERSITY AVENUE (INFORMATION)

Barrow Emerson, Senior Regional Planner, presented the item. Over the last year, SANDAG, Caltrans, MTS, and City of San Diego staff have worked with a community working group selected by Councilmember Toni Atkins to develop and evaluate station concepts at El Cajon Boulevard and University Avenue for the planned I-15 BRT service. An earlier design was deemed infeasible due to operational issues. The result of this joint work effort has been the identification of four alternatives that are both geometrically viable from a construction standpoint and are supported by the community working group. There is no preferred alternative at this point. The next step will be to carry these station alternatives into the next phase of project development (preliminary engineering and environmental analysis) that is expected to result in a recommended preferred station design by 2010.

Mr. Emerson stated that alternative one is the median station with grade-separated crossover access and center platform. This alternative is similar to the earlier preferred median station design with a center-loading platform; the safety concerns about the earlier bus crossover feature (needed to allow for buses to load from right-hand doors given the center-loading passenger platform) would be resolved through a grade-separated crossover ramp design. Access to local bus services on the bridge decks would be achieved via stairwells and elevators. Dedicated median bus lanes from I-8 to SR 94 would maximize bus speeds through the project corridor.

Mr. Emerson stated that the second alternative is the median station with side platforms. This alternative is a variation of the previous alternative, but has side passenger platforms that avoid the need for the bus crossover. Because of right-of-way constraints in the median, the locations of the side platforms would be staggered. This alternative also would have stairwell and elevator access to the bridge decks above, along with dedicated median bus lanes to maximize bus operating speeds.

Mr. Emerson stated that the third alternative is the shoulder lane station. This alternative would locate stations along the freeway shoulder lanes directly underneath the bridge decks, with stairwell and elevator access up to the bridge decks. Freeway transit lanes located in the existing shoulder lanes between I-8 and SR 94 would create low-speed bypasses when the main lanes are congested. This alternative also would allow the creation of BRT stations at Adams Avenue, which is served by MTS Route 11.

Mr. Emerson stated that the alternative four is ramp stations. This alternative is a variation of the existing freeway ramp stops, but would create larger stations to accommodate the expected I-15 BRT demand through stations located on the freeway on-ramps. Signal priority treatments and freeway shoulder lanes as congestion bypasses would help improve travel speeds. Like the previous alternative, BRT stations at Adams Avenue could be created with this alternative.

Mr. Emerson stated that the next step is to develop preliminary engineering design, determine environmental impacts, and establish capital and operating costs for each alternative with the intent of clearing alternatives environmentally and selecting a preferred alternative. Work on this next phase will begin this month and is scheduled for completion in 2010.

Mr. Emerson stated that each of the project partners has specific areas of interest and in the next stage of analysis, these will be investigated to help determine a preferred alternative. Mr. Emerson reviewed the list of stakeholders and discussed their areas of interest and stated that staff will continue to provide the ITOC with periodic updates on the Mid-City BRT station planning.

Mr. Stoll stated that at the Transportation Committee meeting, the Chair of the Mid-City Working Group, Steve Russell, stated that he is mobilizing the community should there be a need for additional funding to work together to find those funding sources.

Action: This item was presented for information only.

13. FUTURE MEETING SCHEDULE (INFORMATION)

The next meeting of the ITOC is scheduled for January 14, 2009, at 9:30 a.m. The December 10, 2008, meeting is cancelled. The members discussed agenda items and length of agendas for future meetings to ensure that the workload is manageable.

14. ADJOURNMENT

Chair Meyer adjourned the meeting at 2:35 p.m.

DRAFT