



**BOARD OF DIRECTORS  
NOVEMBER 21, 2008**

**AGENDA ITEM NO. 08-11-1  
ACTION REQUESTED - APPROVE**

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**BOARD OF DIRECTORS DISCUSSION AND ACTIONS  
OCTOBER 24, 2008**

Chair Mary Sessom (Lemon Grove) called the meeting of the SANDAG Board of Directors to order at 9:07 a.m. The attendance sheet for the meeting is attached.

1. APPROVAL OF MINUTES (APPROVE)

Marilyn Dailey, San Diego County Water Authority, asked to make a correction to page 12 of the September 26 Board meeting minutes. She had noted that the County Water Authority has a member on the Borders Committee but that member was omitted from the list of Borders Committee members. She talked with staff following that meeting, and they agreed to correct the list of Borders Committee members. This information was not clear in those minutes.

Action: Upon a motion by Mayor Jim Wood (Oceanside), and a second by Councilmember Phil Monroe (Coronado), the SANDAG Board of Directors approved the minutes from the September 12, 2008, Policy and the September 26, 2008, Business meetings, as amended.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS (INFORMATION)

Chair Sessom welcomed San Marcos Councilmember Chris Orlando, representing North County Transit District (NCTD).

Thomas Dempsey, a member of the public, stated that while he lives in Oceanside, he is in the Carlsbad School District. He expressed concern about street access for vehicles dropping off and picking up students through an emergency slider gate on Miramonte Street in Carlsbad. He also mentioned traffic congestion surrounding Calavera Hills schools. He notified both the Carlsbad City Council and the Calavera Hills School officials about traffic congestion safety problems. He stated that Miramonte Street should be a circulation element roadway. He asked if Oceanside should insist that the developer in Carlsbad install an emergency slider gate that would control future travel of condominium residents in Carlsbad.

Joy Sunyata, a member of the public, lives in East Village and is a citizen activist. She expressed concern about a transit and pedestrian safety issue at a construction site on Market Street between 9th and 10th Avenues related to the Strata project. She e-mailed Strata about her concerns related to pedestrian safety and has not received a response. She talked to people waiting at the bus stop in this area. Pedestrians have to go into the street to see if the bus is coming. She asked who she ought to talk to about this concern.

Chair Sessom asked SANDAG staff to assist Ms. Sunyata.

Ms. Sunyata asked where the best place is for her to express her concerns in the future. Chair Sessom replied that it depends upon the project.

Chuck Lungerhausen, a member of the public, expressed his concern about the return we will be getting from *TransNet* due to the economic situation, especially when you are only getting one-sixth of a cent for public transportation. He hoped the economy will turn around soon.

Chair Sessom noted that we will be addressing the economic situation in Agenda Item No. 10.

Clive Richard, a member of the public, reaffirmed the concerns expressed by Mr. Lungerhausen.

Deputy Mayor Crystal Crawford (Del Mar) provided a status report on the Quality of Life Ad Hoc Steering Committee. This committee has reviewed the timeline and major milestones for developing a possible November 2010 Quality of Life funding measure. We have provided direction about initial efforts, including the need for survey research and public outreach and education. An important component is to involve key stakeholder groups interested in collaborating with us on possible approaches to a regional Quality of Life strategy. We have set an initial public workshop for interested parties on Monday, November 24, 2008, from 9 to 11 a.m. in the SANDAG Board Room. We have about 40 entities that will be invited to this initial workshop. They include business, environment, transportation, and public sector representatives from around the region. We will continue to report on our efforts at future Board meetings.

Councilmember Monroe brought everyone's attention to a memo distributed related to the Energy Working Group. He said that this is an important group in charge of planning energy for the future. Coronado Councilmember Carrie Downey asked him to encourage Board members and other elected officials to join this working group.

Bill Figge, Deputy District Director, Planning Division, Caltrans District 11, announced that bids for the Interstate 15 Managed Lanes North project were opened last week. The Engineer's Estimate was \$53 million, and the low bid came in at \$46.7 million.

Action: This item was presented for information only.

### 3. ACTIONS FROM POLICY ADVISORY COMMITTEES (APPROVE)

This item summarizes the actions taken by the Regional Planning Committee on October 3, the Executive Committee on October 10, and the Transportation and Public Safety Committees on October 17, 2008.

Action: Upon a motion by Deputy Mayor Crawford and second by Supervisor Greg Cox (County of San Diego), the SANDAG Board of Directors approved the actions taken by the Policy Advisory Committees at the meetings noted above. Yes – 17 (weighted vote, 100%). No – 0 (weighted vote, 0%). Abstain – 0 (weighted vote, 0%). Absent: La Mesa and National City.

## CONSENT ITEMS (4 through 9)

4. AMENDMENTS TO THE CITY OF SAN DIEGO NONDISPOSAL FACILITY ELEMENT (RECOMMEND)

The Regional Planning Committee recommended that the SANDAG Board of Directors, which serves as the Countywide Integrated Waste Management Local Task Force, recommend that the San Diego City Council approve the amendments to the City of San Diego Nondisposal Facility Element.

5. 2008-2012 COORDINATED PLAN (APPROVE)

The Transportation Committee recommended that the SANDAG Board of Directors adopt Resolution No. 2009-06 approving the 2008-2012 Coordinated Plan.

6. ANNUAL MEETING CALENDAR (APPROVE)

The SANDAG Board of Directors is asked to approve the meeting calendars for the Board and the Policy Advisory Committees for the upcoming year.

7. DISTRIBUTION OF FUNDS FROM CALIFORNIA COASTAL COMMISSION BEACH SAND MITIGATION FUND (APPROVE)

The Regional Planning Committee recommended that the SANDAG Board of Directors approve the allocation of funds from the Beach Sand Mitigation Fund, and direct SANDAG staff to submit the proposal to the Executive Director of the California Coastal Commission for review and approval.

8. REPORT SUMMARIZING DELEGATED ACTIONS TAKEN BY EXECUTIVE DIRECTOR (INFORMATION)

In accordance with SANDAG Board Policy Nos. 003 (Investment Policy), 017 (Delegation of Authority), and 024 (Procurement and Contracting-Construction), this report summarizes certain delegated actions taken by the Executive Director since the last Board meeting.

9. REPORTS ON MEETINGS AND EVENTS ATTENDED ON BEHALF OF SANDAG (INFORMATION)

Board members provide brief reports orally or in writing on external meetings and events attended on behalf of SANDAG since the last Board of Directors meeting.

Chair Sessom noted that there was a request to speak on Agenda Item No. 4.

Clive Richard, a member of the public, said that staff answered his question.

Deputy Mayor Crawford mentioned that related to Agenda Item No. 9, she will report back to the Board in the form of a written report at a future meeting with a request for possible SANDAG participation in follow-up actions from the recent October 8-9, 2008, California Biodiversity Council meeting.

Action: Upon a motion by Councilmember Matt Hall (Carlsbad), and a second by Second Vice Chair Jerome Stocks (Encinitas), the SANDAG Board approved Consent Items Nos. 4 through 9, including Resolution No. 2009-06. Yes - 17. No - 0. Abstain - 0. Absent – La Mesa and National City.

## **REPORTS (10 through 16)**

### **10. FINANCIAL MARKET STATUS (INFORMATION)**

Ms. Renée Wasmund, Finance Director, noted that our financial advisor, Keith Curry (Public Financial Management) is here to answer any questions.

Ms. Wasmund said that she wanted to discuss two topics: an update on all of the recent financial events, and recent information on sales tax trends. She reviewed the SANDAG debt structure that was put into place over the last year and a half. This was done to accelerate the implementation of *TransNet*-funded projects. She refreshed the Board's memory of all of the financial companies involved in these transactions. The \$100 million Commercial Paper program is used as a short-term financing vehicle. It is available to all of the jurisdictions and the transit agencies for borrowing purposes. We currently have \$34 million in Commercial Paper outstanding. This fund is managed by Citigroup and backed by a credit facility, Dexia. We also put into place \$600 million of interest rate exchange agreements (swaps). The three counterparties with these agreements are Goldman Sachs, Merrill Lynch, and Bank of America. Then we have the \$600 million variable rate debt that was issued at the end of last March. The counterparties for this are Goldman Sachs and Barclays (which recently bought the municipal side of Lehman Brothers, the original counterparty). This debt is backed by a credit facility with JP Morgan. Then we have De La Rosa (which recently replaced UBS, because it got out of the municipal market) and JP Morgan, and that is backed by a Dexia credit facility.

The objective of this structure was to realize low rates by using the variable rate market, but at the same time hedge our exposure by using interest rate agreements. The strategy has been working as planned, except for the last several weeks when nothing has been working as planned. The volatility in the market over the past several weeks has been unprecedented. These troubled times began a year ago last March when the impact and magnitude of the subprime market came to light. Ms. Wasmund referred to a handout that provided a timeline highlighting the critical events that led up to today. She pointed out several significant events, including the fire sale of Bear Sterns to JP Morgan last March, Bank of America buying Merrill Lynch, Lehman Brothers filing for bankruptcy (with its municipal unit being purchased by Barclays), and for the first time ever the net asset value of a large money market fund dropped below a dollar. The federal government seized control of AIG, with an initial \$85 billion bailout and an additional \$35 billion loan. Goldman Sachs and Morgan Stanley filed to become bank holding companies, ending the traditional investment banking firm structure. The \$700 billion government bailout plan has had several stops and starts with the final passage failing to allay market fears. The Dow Jones dropped below 9,000, which has not occurred since 2003. Washington Mutual was sold to JP Morgan Chase, Citigroup and Wells Fargo were fighting over Wachovia, and the crisis has spread to Europe with European governments fashioning their own bailouts.

The municipal market has seized up and uncertainties have undermined consumer confidence. Money market and municipal bonds funds have experienced record out-flows.

This affects SANDAG as these are the buyers of our variable rate demand bonds and our Commercial Paper. When people start to pull funds out, fund managers have to come up with the cash. When that happens, the managers put the bonds back to the issuer, SANDAG. This causes the fund managers to be extremely cautious so they attempt to maintain a very liquid position. To further exacerbate the problem, banks are hoarding cash and not lending to one another. This is unprecedented. She displayed a graph illustrating the lack of confidence in the market and the flight to quality. Another graph showed how our program is working by design. The rate we pay under the bonds resets every week. When the market dislocation occurred in September, the market was screaming for liquidity and got flooded with variable rate paper, driving the rates up, and resulting in an inability to sell the variable rate paper. This happened particularly where the liquidity provider was experiencing financial difficulties. Two of our series of bonds, JP Morgan and De La Rosa, are backed by Dexia as the liquidity facility, and our Commercial Paper program is backed by Dexia. Dexia has been downgraded. Although it has received the backing of European governments, many investors do not want to own Dexia-backed paper. Over the last few weeks we have experienced a situation where bond holders don't want to hold this risk so they are asking JP Morgan and De La Rosa to buy the bonds back. They are obligated to buy the bonds, and in normal situations they turn around and sell them back in the market. However, marketing Dexia bonds has been a challenge over the past several weeks. This means that Dexia has to own the bonds until they can be remarketed. We pay Dexia the interest rate specified in the agreement and, in most cases, it's designed to be higher than the market. It is in our best interest to get these bonds remarketed. She reported that this week all SANDAG bonds being held by the bank have been remarketed at a competitive rate.

Ms. Wasmund said that likewise our Commercial Paper rolls every 30, 60, and 90 days. We've had one maturity during this time period. Citigroup has not been able to roll it out longer than seven days because it is backed by Dexia. Even when we do roll it, it has been at a higher rate.

Ms. Wasmund assured the Board that our initial strategy remains sound. We've used our strong credit rating to help us establish a historically synthetic low rate of 3.68 percent. We've remained flexible throughout so we avoided the insurance and auction rate securities meltdown. We've negotiated these liquidity facilities at rates far below what others were able to negotiate. The decisions made by this Board over the past year have saved us a significant amount of money, and allowed us to put more funds toward the implementation of projects. She emphasized that the current events are not a result from bad decisions on SANDAG's part, but from the market situation.

Ms. Wasmund reviewed what we have done and what we are still working on. In August when we received word that UBS was going out of the variable market, we moved quickly to replace it with De La Rosa through a competitive process. When we learned that Barclays was buying the Lehman Brothers municipal unit, we began evaluating our options with regard to replacing Barclays. Right now Barclays is trading equal to its counterparts and has been able to remarket all of our bonds, so we will continue to monitor that situation closely. Our priority at this point is to figure out what to do about Dexia. It is the liquidity provider on half of our variable rate bonds and on our \$100 million Commercial Paper. We

are working on our strategy every day. We have recently seen some positive signs. There are a few options we are exploring. First, we discussed with Dexia the possibility of switching to a daily mode. The market was willing to hold Dexia paper for one day, but not seven days. However, Dexia was not willing to make that change. Secondly, we are actively canvassing the interest of the banking community to provide liquidity so we can replace Dexia. With credit being so tight, it is not an easy task. However, SANDAG's Triple A credit rating is opening doors that otherwise might not be opened. When the banks hear it is SANDAG in the market we get a more positive response. We are pulling together information for the banking industry so that banks can go to their credit committees. The third option we evaluated is to issue a one-year bond anticipation note. Under this option, a short-term, fixed-rate note would be issued using SANDAG's excellent credit rating, which would mean we would not need liquidity backing. The variable rate bonds would be paid off and then after a year we would reissue the variable rate bonds. This will buy us a year's time. There are upfront costs associated with this option and risks associated with the swap. We have to determine if the benefits outweigh the costs. The fourth option is to do nothing. Recent events show that Dexia is trading better, all of our bonds have been remarketed, and the rates are coming back down. We might be in a situation to keep these options on a parallel track and still monitor what is going on with Dexia.

Ms. Wasmund said that all of this uncertainty and lack of confidence has spilled over into consumer spending habits, which has translated into a decline in sales taxes. We have been working very closely with Metropolitan Transit System (MTS) and NCTD on recent trends and near-term projections. *TransNet* sales tax receipts for FY 2008 were 1.4 percent lower than FY 2007, and the quarter ending in June 2008 was 4.5 percent lower than the same quarter in the prior year. With the continued financial crisis and credit availability tightening for major purchases, indications are that retail sales will continue to be weak in the quarter just ending. There is a growing consensus that the economic slowdown will impact the current quarter and into calendar year 2009.

Ms. Wasmund stated that we are projecting a 4 percent decline in sales tax receipts for FY 2009, and it is not expected to fully recover until 2011. The impact to MTS for FY 2009 will be an approximate combined reduction in Transportation Development Act (TDA) and *TransNet* of \$5.1 million, and for NCTD it is about \$2.1 million. For the *TransNet* Major Corridor program it is a decrease of \$4.7 million, and for the SANDAG annual work program it is about a \$450,000 decline. This will not have any impact on our ability to service the debt, but it will have a longer impact on our capital plans.

Ms. Wasmund said that we are assessing the impact to SANDAG in a number of ways. A year ago we began a process to evaluate any open positions. As a result, we have reduced our staffing by 5 percent. We will continue to critically review positions as they become vacant. We also are strategizing on other ways to streamline and realize savings not only in the current year, but going forward. We are working on our *TransNet* Plan of Finance that details how we are going to pay for our capital projects in the Early Action Program, and we plan to report back in February-March 2009 on the impacts of the reduced revenue on our long-term plans. We will bring more details on the sales tax estimates to the November 7 Transportation Committee and November 21 Board meetings. On a monthly basis we will bring a report on the impacts from the market changes, our strategies, and any changes to the sales tax estimates.

Councilmember Monroe asked if we have received any feedback from MTS and NCTD on how they will be able to handle this reduced revenue source. He said it was nice to hear about the low bid for the I-15 Managed Lanes project. Fuel prices have come down and that's a big number for MTS.

MTS Chair Harry Mathis responded that we don't have a good handle yet on the impact of reduced sales tax revenues. The information provided in Ms. Wasmund's report is new.

Richard Hannash, NCTD Financial Service Manager, echoed MTS Chair Mathis' comment. He said that we would prefer revenues to be higher than expected. He acknowledged that lower fuel prices will partially offset reduced sales tax revenue. The NCTD Board will be reviewing its options.

MTS Chair Mathis said that revenue figures have risen due to increased ridership. This will help mitigate the decline in revenues from sales taxes. Fuel prices tend to have a lesser impact in the overall picture because so few of our MTS buses (23 percent) are diesel. The rest of the fleet uses compressed natural gas (CNG).

Gary Gallegos, Executive Director, said that given the market volatility, we have to go back and look at those revenue forecasts. It is important to report back monthly until we see more stability in the market.

Deputy Mayor Crawford expressed appreciation for this report. She said that the City of Del Mar has been looking at financing options for its projects. This information is consistent with what Del Mar's financial advisors have been reporting. Several months ago we were looking at Commercial Paper as an option, and now we are looking at bank financing. She will appreciate receiving the ongoing monthly reports. She asked about the strategies mentioned. Recently when the state issued bonds, they were oversubscribed and the state paid a generous rate. She asked what rate SANDAG would pay if it issued its own paper for one-year bonds, and what the estimated costs of issuance would be.

Ms. Wasmund responded that we are still analyzing those costs. The rate on fixed-rate notes has been 2.5 percent, but it will change every day. We also have to evaluate how this matches up with our swap as we could end up upside down. There are costs of issuance, and a cost to get out of the Dexia agreement. We have three scenarios on this fixed-rate note to evaluate. We will be evaluating all options with the Board before any decisions are made.

Keith Curry, Public Financial Management, added that bank financing is a good option in today's market. Today, the municipal market is having its fifth consecutive day of a rally. Yields are falling and prices are going higher on bonds. This is the best week for municipal bonds in recorded history. This is a hopeful sign of a positive trend. It also shows recognition of the value of municipal bonds by investors, particularly relative to other investment options. The question is how SANDAG's strategy is working compared to what we could have done. He said that SANDAG's strategy continues to be very effective in reducing the overall cost of funds and avoiding pitfalls.

Deputy Mayor Crawford noted that the LIBOR (London Interbank Offered Rate) appears to be stabilizing. She said that the federal government is scheduled to make an interest rate adjustment on October 28. She asked if that is still anticipated and what is the latest on LIBOR.

Mr. Curry said he didn't know the LIBOR rate, but the municipal bond rate has fallen. This was the best week of performance in municipal bonds in terms of rates going down. He thought the market would stabilize.

Mayor Jim Desmond (San Marcos) said this was a great report. Staff is doing a great job protecting our money. He asked if there is a time when the bond issuers will come back to SANDAG for money.

Ms. Wasmund replied that we will always have our money, but the way the variable rate structure is set, the bond can be put back with a seven-day notice. That's why you have a liquidity backer.

Mr. Curry said that Dexia provides liquidity. It is obligated to hold the bonds on SANDAG's behalf. To the extent it holds all of the bonds and it is impossible for the bonds to be remarketed, an amortization would kick in and SANDAG would be required to pay off the bonds at a higher rate. However, there are a lot of things that would have to happen before that would occur. First of all, as a Triple A issuer SANDAG's bonds are the first bonds anyone would want to own; second, at a sufficient clearing rate, anybody's bonds can be placed; and third, SANDAG could replace the liquidity provider with another. All of those things make the possibility that SANDAG would begin an early amortization of its debt highly remote.

Mayor Art Madrid (La Mesa) asked staff to keep the Board apprised of anything that appears to get out of hand. He suggested that Board members be contacted via a conference call if needed.

Mr. Gallegos replied that staff stays in constant contact with the Board leadership; however, we will be sure to contact the Board if anything happens that requires immediate Board action.

Supervisor Dianne Jacob (County of San Diego) expressed her appreciation for the information. She liked the idea of monthly reports and suggested that in the interim staff call Board members on an emergency basis. She asked what will be included in the monthly reports.

Mr. Gallegos answered that it's our plan to update you on the numbers. The good news is that we are sitting on a fair amount of cash. However, we recognize that on the other side of the equation, we assumed the *TransNet* dollars would leverage state and federal dollars. Most major projects have more than one funding source. When we finish looking at the Plan of Finance, we will determine where we stand on the program as a whole. There's an item on this agenda where we have to do a fund transfer for a period of time until the state catches up with selling its bonds. There may be some funding shifts as a result. We will provide information on project impacts as well.

Supervisor Jacob said she would like to see how the financial situation affects current and future projects.

Mr. Gallegos stated that we should always be cautious, but we are in an environment where we are getting favorable construction bids. We have to be diligent and aggressive on moving the project side to get good value for our dollars.

MTS Chair Mathis noted another variable that impacts projections is how the decrease in fuel prices will impact transit ridership.

Councilmember Hall thanked staff for the report and the timeline handout. He asked what the SANDAG variable rate program performance means to SANDAG in dollars and cents. Mr. Curry responded that SANDAG's variable rate structure is anticipated to save 100-200 basis points in annual interest costs over the 30 years that the debt is outstanding.

Councilmember Hall asked for clarification on the 5 percent decrease in staffing mentioned in the presentation. Ms. Wasmund replied that we implemented a process to quickly review vacant positions. As a result, our staffing levels are 5 percent less than that budgeted.

Councilmember Jack Dale (Santee) said that we should stay with the sound investment principles. It's always going to be about cash flow: how much cash are we going to need and when are we going to need it. We would want that information in the monthly reports.

Mr. Gallegos stated that in the short term there is no cash problem with any projects currently under construction. We will be in a better place in the future to assess the impacts to the overall Plan of Finance. We are aiming to have that information ready by February 2009.

Chair Sessom noted that there was one request to speak on this item.

Clive Richard, a member of the public, commented that he learned a lot that he didn't know before.

Action: This item was presented for information only.

## 12. FUNDING EXCHANGE FOR SPRINTER PROJECT (APPROVE)

Councilmember Dale stated that NCTD was expecting to get Proposition 1B funds from the state. Unfortunately, of the \$50 million due, NCTD has only received \$8.6 million, leaving the SPRINTER project short by about \$41.4 million. To balance this timing shortfall we recommend exchanging *TransNet* funds with the future Proposition 1B money from the state. The Transportation Committee discussed this item pretty thoroughly. The Independent Taxpayers Oversight Committee (ITOC) had a split vote with concerns about the uncertainty of when the Proposition 1B funds would be appropriated, and potential costs to the *TransNet* program as a result. In the final analysis, the Transportation Committee decided it was best to proceed with this fund exchange. The potential cost of this exchange is small compared to the alternative of securing financing through the SANDAG Commercial Paper program. Approving this fund exchange does not represent a budget increase to the project. The Transportation Committee unanimously approved the staff recommendation because the SPRINTER is a *TransNet* project from both the prior and existing measures, and completing prior *TransNet* projects is the Board's highest priority.

José Nuncio, Senior Engineer/Financial Programming, reported that in 2006 the SANDAG Board approved a budget increase of \$98.6 million for the SPRINTER and added it to the *TransNet* program of projects. He showed a breakdown of the mixture of funds for this budget increase. The largest component was Proposition 1B funds. The risk associated with this funding was shared with the Board at that time. Of the \$50 million, \$8.6 million has been made available to NCTD. NCTD has had to use other agency funds to pay the SPRINTER bills. The State Legislature has not appropriated the funds as quickly as NCTD needs them. The \$98.6 million project package has been revised. The main change is to replace Proposition 1B funds with *TransNet* funds (\$41.4 million). As Proposition 1B money is received, *TransNet* funds will be repaid. This exchange does not cause an adverse impact to *TransNet* projects. A slower approach by the Legislature to appropriate Proposition 1B funds can be accommodated without detrimental affects to other *TransNet* project schedules. The California Transit Association (CTA) is working through its legislative committee to propose an appropriation plan for annual expenditures. If approved, this helps address the uncertainty we are experiencing with the funding stream. *TransNet* funds are one of the most important tools for the region to keep projects moving.

Mr. Nuncio reminded the Board that there was a similar fund exchange on the State Route (SR) 52 project. In order to help NCTD pay its bills, this transfer is recommended. This item was reviewed by the ITOC at its September meeting, and it did not reach a consensus. He read the ITOC's motion that recommended approval of the staff recommendation with the following various conditions: (1) staff will provide additional assurances regarding the timeliness for the receipt of Proposition 1B funds; (2) that the first priority for distribution of any Proposition 1B funds would be for repayment of the \$41.4 million loan; (3) NCTD would not be authorized to borrow any other funds until the \$41.4 million loan is repaid in full; and (4) staff will express to the Transportation Committee and the Board the ITOC's concerns that with the downturn in the economy and lower sales tax numbers the use of *TransNet* funds to backfill projects not receiving funding from other sources will cause problems in the future. The ITOC motion failed on a 3-3 tie vote. After further discussion, the consensus was to direct staff to report to the Transportation Committee and express the ITOC's concerns.

Mr. Nuncio responded to those concerns. The legislative language governing Proposition 1B specifies that appropriations for certain of its elements need to occur by a certain date. Although this specific program does not have a legislative deadline to appropriate, the general description of the proposition does say that the state intends to conclude the projects within a ten-year time frame. California Transportation Commission (CTC) staff believes that it is the Legislature's intent to appropriate the Proposition 1B funds within a reasonable time. Further, there has been no indication that Proposition 1B funds would be at any greater risk than other infrastructure bond funds as they all received the same voter mandate. Ultimately, the action from Transportation Committee was to unanimously approve the staff recommendation.

Second Vice Chair Stocks commented that in many ways this item was introduced by the previous discussion. This is a modification of our Plan of Finance. We are now going to be using more *TransNet* funds as a direct result of the State Legislature not issuing bonds. The state bonds will get issued and when they do those *TransNet* monies will be repaid and applied to other projects.

Mayor Madrid indicated his support the motion. He agreed that this topic was discussed at length by the Transportation Committee. He expressed concern about not heeding the ITOC's concerns, although he felt that Mr. Nuncio did an excellent job of responding to those concerns. The previous item's discussion validates his feeling to proceed with caution.

Councilmember Monroe recognized the importance of the passage of the *TransNet* Extension. If it hadn't passed, we would have a totally different agenda today. He expressed support for the recommended action.

Mayor Jim Wood (Oceanside) stated his concern about NCTD recouping losses from the SPRINTER project's architect.

Ray Patchett, NCTD Interim Executive Director, stated that they are reviewing the entire project with an eye toward recovering costs.

Councilmember Ed Gallo (Escondido) noted that three of the ITOC committee members agreed with this approach. This is not a budget increase and it doesn't delay projects. This is a cash flow issue.

MTS Chair Mathis supported the staff recommendation. He expressed concern about how our use of *TransNet* monies to backfill state bond monies might negatively affect the Legislature's appropriation of funds to the San Diego region.

Mayor Desmond expressed his support for the motion.

Councilmember Orlando said that this is a cash management tool. He reiterated the positive actions of this transfer. When NCTD developed its budget, it made numerous cuts to try to address the problems and anticipate actions in the year ahead. However, no one anticipated the financial market situation. The cost of not doing this will put an additional burden on NCTD's budget. It is a simple timing matter.

Deputy Mayor Crawford asked about SANDAG's policy on these fund transfers and recouping costs or interest. Ms. Wasmund replied that historically when we have done these kinds of loans, there has been no cost of funds or interest repayment because the money is within the same funding program.

Action: Upon a motion by Second Vice Chair Stocks and second by Councilmember Monroe, the SANDAG Board of Directors approved a revised funding plan to allow North County Transit District to begin to draw *TransNet* funds in anticipation of an amendment to the Regional Transportation Improvement Program reflecting the revised funding plan (scheduled for the November 7, 2008, Transportation Committee meeting). Yes – 19 (weighted vote, 100%). No – 0 (weighted vote, 0%). Abstain – 0 (weighted vote, 0%). Absent - None.

## 11. SMART GROWTH VISUAL SIMULATIONS (INFORMATION)

Lemon Grove Councilmember and Regional Planning Committee Chair Jerry Jones stated that several months ago the SANDAG Board accepted the technical update of the Smart Growth Concept Map. This is an important tool for identifying where we want to focus smart growth as part of the Regional Comprehensive Plan (RCP). The RCP identifies seven different place types. As part of the Smart Growth Tool Kit, staff has been working with two consultant teams and our own planning staff to produce visual simulations and smart growth photos. This project helps us imagine how we can transform our local communities and meet our regional goals. He introduced Carolina Gregor, Senior Planner, to provide a report.

Ms. Gregor provided background context and noted that the goal is to assist local jurisdictions in building smart growth in smart growth opportunity areas. The Smart Growth Tool Box contains both planning and financial tools. Today's presentation will focus on the planning tools. As part of this process, we put out a call for applications for simulations in areas on the Smart Growth Concept Map. We put together 2-D simulations for eight areas and 3-D simulations for three areas. We hired Urban Advantage, Inc., to conduct the 2-D visual simulations and worked with the planners in the various jurisdictions. She then presented various simulations. She stated that they have been posted online and are available for jurisdictions to use. She noted that these types of public infrastructure improvements could be paid with Smart Growth Incentive Program (SGIP) monies.

Supervisor Greg Cox (County of San Diego) asked about the elevated trolley station shown in the simulation near the Chula Vista Bayfront/E Street Trolley Station. Ms. Gregor stated that this doesn't mean the future grade separation will be above ground. It could be either underground, at grade, or above ground, and was shown for illustrative purposes only. This grade separation is a long-term project contained in the *TransNet* Extension.

Ms. Gregor said that Stantec was the consultant hired for the 3-D simulations. These simulations looked at a four- to six-block area. A high-density scanner was used to scan in existing points using GIS technology. She showed a 3-D simulation for the Grossmont Shopping Center in La Mesa, and stated that simulations are underway for the Grantville Trolley Station in San Diego and the Chula Vista H Street corridor. She mentioned that we are working closely with city staffs on these projects.

Ms. Gregor also showed a sample of photos contained in the Smart Growth Photo Library. She said that staff has asked planning directors to provide photos of their Smart Growth areas.

Chair Sessom asked for Board comments.

Commissioner Laurie Black (San Diego Unified Port District) stated that one of those simulations was a project she worked on for five years. She said that this is the way to grow our region over the next 50-75 years. Once you work on a smart growth project you will become an advocate for smart growth. She offered to be a speaker advocate for smart growth.

Council President Pro Tem Jim Madaffer (City of San Diego) congratulated SANDAG staff for putting this together as it is a tool that all of us can use. The public is afraid of fear and

change. The reality with affordable housing is that our region is going to grow. In the City of San Diego, there will be 350,000 new people. The price of housing will continue to stay high in the region because local jurisdictions are not making land use decisions that need to be made. When you have visual simulations that show infill development along transportation corridors it's not about building freeways. Densification along the urban nodes in particular is consistent with the RCP. This will give jurisdictions the ability to show their constituents how their communities can look in the future.

Councilmember Lesa Heebner (Solana Beach) said she is a supporter of smart growth and appreciates this visualization technology. Smart growth and smart planning are the wave of the future. This will help us to evaluate projects in our cities.

Action: This item was presented for information only.

### 13. STATE ROUTE 76 CORRIDOR UPDATE AND BUDGET ADJUSTMENT (APPROVE)

Councilmember Dale stated that the Transportation Committee recommended the SANDAG Board approve the redistribution of funds among the State Route (SR) 76 projects in order to fully fund the construction phase of the SR 76 Middle project. This will allow the SR 76 Middle project to proceed as scheduled. This is an important step in our commitment to complete SR 76, one of our original *TransNet* projects. He introduced Allan Kosup, Caltrans Corridor Manager, to provide a report.

Ms. Kosup stated that the purpose of this item is to provide an update of the SR 76 corridor and recommend a Corridor budget adjustment. The SR 76 Middle project is from Melrose Drive in Oceanside to Mission Street in Fallbrook. There are four endangered species as well as cultural resources in the corridor. The scope of project would widen/realign 11 miles of existing highway, and revise a two-lane highway to a four-lane highway. The project is planned to have net environmental benefits. He provided examples of environmental mitigation enhancement and protection measures.

Mr. Kosup reviewed the projected schedules for both the SR 76 Middle and East projects. He noted that we achieved two major milestones this month: a finding of no jeopardy on endangered species, and agreement with the Environmental Protection Agency (EPA) on the selected alignment. This means we will be able to finalize the environmental document for the SR 76 Middle project this November and begin construction in early 2010. We're hoping to use design sequencing to make up time.

In 2009 we will begin working on the SR 76 East Project environmental document and refining the project costs. The 2004 planning level estimate for the Middle project was \$158 million. However, we have done a lot additional design. The 2008 project estimate is \$244 million. We also conducted a value analysis to reduce costs. We will take what we learned on the Middle project and use it on the East project. We have not yet agreed with the environmental agencies on the alignment for the SR 76 East segment. However, we are working on potential new revenue sources, including casino expansion mitigation fees, developer contributions, and the County of San Diego Transportation Impact Fee program. The staff recommendation is to adjust the Middle project budget to temporarily redistribute funds from the East segment to the Middle project in order to finalize the environmental document for the SR 76 Middle. In the meantime, staff will continue to work on revenues

and estimates for the SR 76 East project. Staff will bring back a report with alternatives of scope.

Councilmember Monroe said that in honor of Oceanside Councilmember Jack Feller, he would move the staff recommendation.

Action: Upon a motion by Councilmember Monroe and second by Mayor Wood, the SANDAG Board of Directors approved the redistribution of funds between SR 76 corridor projects to fully fund the construction phase of SR 76 Middle. Yes – 17 (weighted vote, 100%). No – 0 (weighted vote, 0%). Abstain – 0 (weighted vote, 0%). Absent – La Mesa and Solana Beach.

14. PROPOSED FY 2009 BUDGET AND OVERALL WORK PROGRAM AMENDMENT FOR INTERSTATE 5 SOUTH MULTIMODAL CORRIDOR STUDY (APPROVE)

Council President Pro Tem Madaffer stated that the FY 2009 SANDAG Budget includes the Interstate 5 (I-5) South Multimodal Corridor Study. The draft scope of work has been prepared and initiation of the study was pending while funding was secured. The City of Chula Vista has received funding for this study to examine multimodal improvements along the I-5 corridor between the Main Street Interchange and SR 54. This study will propose capital improvements, including preliminary engineering and environmental analysis, and a conceptual phasing plan for financing and construction, followed by future work on specific regional transportation projects. Caltrans, Chula Vista, and SANDAG will work collectively on the study to ensure coordination of the various transportation modes in the project study area. Commencement of the study is conditional upon Chula Vista's adoption of a Memorandum of Understanding (MOU). He introduced Rachel Kennedy, Senior Planner, to provide a report.

Mayor Cheryl Cox (Chula Vista) stated that this project will implement many improvements, and she appreciated SANDAG's support. She supported approval of the recommended action.

Action: Upon a motion by Council President Pro Tem Madaffer and second by Councilmember Hall, the SANDAG Board of Directors authorized the Executive Director to enter into a Memorandum of Understanding between SANDAG and the City of Chula Vista, and approved an amendment to the FY 2009 Budget and Overall Work Program for the Interstate 5 South Multimodal Corridor Study. Yes – 17 (weighted vote, 100%). No – 0 (weighted vote, 0%). Abstain – 0 (weighted vote, 0%). Absent – La Mesa and National City.

15. ANNUAL UPDATE ON THE ACTIVITIES OF THE CRIMINAL JUSTICE RESEARCH DIVISION AND CLEARINGHOUSE (INFORMATION)

Mayor Mark Lewis (El Cajon), Public Safety Committee Chair, said that for more than 30 years the Criminal Justice Research Division has filled the niche of providing timely, relevant, regional information to local stakeholders. In addition to producing easy-to-read Bulletins and CJ Faxes that tie local numbers to national statistics, Division staff also works with most of the member agencies on other projects to evaluate the success of their crime prevention efforts. He introduced Sandy Keaton, Senior Research Analyst, to provide a presentation regarding recent accomplishments that have strengthened our ability to keep our communities safe.

Ms. Keaton reviewed the mission statement to promote public safety and justice by informing citizens, practitioners, and policy makers through objective monitoring, accountability, and assessment. SANDAG is in a unique position to monitor and provide information to our partners. At the cornerstone are our published reports. This is the only source of regional crime statistics in the county. We publish useful information, conduct research that matters to the region, and help to address gang issues. She reported that Methamphetamine (Meth) use has decreased more than other drugs. We are helping to track the effectiveness of Meth use reduction efforts.

Action: This item was presented for information only.

16. CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL CONCERNING INITIATION OF LITIGATION: Pursuant to Government Code Section 54956.9(c) – One Potential Case

Chair Sessom convened the meeting into a closed session at 11:09 a.m. She reconvened the meeting into open session at 11:13 a.m.

John Kirk, Deputy General Counsel, reported that the Board met in closed session and there was no action to report.

17. UPCOMING MEETINGS

Council President Pro Tem Madaffer noted that the Nominating Committee would be meeting immediately following this Board meeting.

Chair Sessom stated that the next meeting of the SANDAG Board of Directors is on the third Friday rather than the fourth Friday of November due to a conflict with the Thanksgiving holiday.

The next Business meeting of the Board of Directors is scheduled for Friday, November 21, 2008, at 9 a.m. The next Policy meeting of the Board of Directors is scheduled for Friday, December 5, 2008, at 10 a.m.

18. ADJOURNMENT

The meeting was adjourned at 11:13 a.m.

DGunn/M/DGU

## ATTENDANCE SANDAG BOARD OF DIRECTORS' MEETING OCTOBER 24, 2008

| JURISDICTION/<br>ORGANIZATION                        | NAME                                   | ATTENDING | COMMENTS                          |
|--|--|-----------|-----------------------------------|
| City of Carlsbad                                     | Matt Hall (Member)                     | Yes       |                                   |
| City of Chula Vista                                  | Cheryl Cox (Member)                    | Yes       |                                   |
| City of Coronado                                     | Phil Monroe (Member)                   | Yes       |                                   |
| City of Del Mar                                      | Crystal Crawford (Member)              | Yes       |                                   |
| City of El Cajon                                     | Mark Lewis (Member)                    | Yes       |                                   |
| City of Encinitas                                    | Jerome Stocks, 2nd Vice Chair (Member) | Yes       |                                   |
| City of Escondido                                    | Ed Gallo (1st Alternate)               | Yes       |                                   |
| City of Imperial Beach                               | Jim Janney (Member)                    | Yes       |                                   |
| City of La Mesa                                      | Art Madrid (Member)                    | Yes       |                                   |
| City of Lemon Grove                                  | Mary Sessom, Chair (Member)            | Yes       |                                   |
| City of National City                                | Ron Morrison (Member)                  | Yes       |                                   |
| City of Oceanside                                    | James Wood (Member)                    | Yes       |                                   |
| City of Poway  | Mickey Cafagna (Member)                | Yes       |                                   |
| City of San Diego - A                                | Jerry Sanders (Member A)               | Yes       | Jim Madaffer<br>(10:30-11:03 am.) |
| City of San Diego - B                                | Tony Young (1st Alt.)                  | Yes       |                                   |
| City of San Marcos                                   | Jim Desmond (Member)                   | Yes       |                                   |
| City of Santee                                       | Jack Dale (Member)                     | Yes       |                                   |
| City of Solana Beach                                 | Lesia Heebner (Member)                 | Yes       |                                   |
| City of Vista  | Judy Ritter (Member)                   | Yes       |                                   |
| County of San Diego - A                              | Greg Cox (Member A)                    | Yes       |                                   |
| County of San Diego - B                              | Dianne Jacob (Member B)                | Yes       |                                   |
| Caltrans   | Bill Figge (Alternate)                 | Yes       |                                   |
| MTS  | Harry Mathis (Member)                  | Yes       |                                   |
| NCTD   | Chris Orlando (2nd Alternate)          | Yes       |                                   |
| Imperial County                                      | Victor Carrillo (Member)               | No        |                                   |
| US Dept. of Defense                                  | CAPT Robert Fahey (Alternate)          | Yes       |                                   |
| SD Unified Port District                             | Laurie Black (Member)                  | Yes       |                                   |
| SD County Water Authority                            | Marilyn Dailey (Member)                | Yes       |                                   |
| Baja California/Mexico                               | Remedios Gómez-Arnau (Member)          | Yes       |                                   |
| Southern California Tribal<br>Chairmen's Association | Robert H. Smith (Member)               | No        |                                   |