Thursday, January 29

8:30 a.m.  BUFFET BREAKFAST
           (Bordeaux)

8:45 – 9:30 a.m.  WELCOME
                   (Bordeaux)

Hon. Lori Holt Pfeiler, Mayor of Escondido & SANDAG Chair
Special Welcome by Bo Mazzetti, Chairman, Rincon Band of Luiseño Indians

9:30 – 10:45 a.m.  THE ECONOMY:
                   NAVIGATING OUR WAY TO A BETTER FUTURE
                   (Bordeaux)

Michael Coleman, Fiscal Policy Advisor, League of California Cities
Marney Cox, Chief Economist, SANDAG

The intense economic downturn being felt at the local, state, and national levels will present many challenges and opportunities during the coming year. In a joint presentation, Coleman and Cox will outline some of the causes of the downturn and what makes it unique, describe the current national economy and what is expected in the near future, then evaluate the impacts on the state government’s budget and how that creates local issues and effects.

Coleman brings statewide knowledge and perspective, while Cox will provide local expertise. What can be expected from a federal stimulus package? How will challenges surrounding the state of California’s budget resonate in San Diego County? What can regional and local jurisdictions expect, and how can they best position themselves to avoid major mistakes and take advantage of opportunities that may arise?
Thursday, January 29 - continued

10:45 a.m. - 12 p.m.  **MAKING THE RIGHT TURN**  
(Bordeaux)

**Will Kempton,**  *Director, CALTRANS*  
**Gary L. Gallegos,**  *Executive Director, SANDAG*

Big public works projects are once again being touted as the way to get our state and nation on the road to economic recovery. Our Caltrans Director and SANDAG Executive Director will discuss how, over the years, transportation projects have helped lift our state and what opportunities lie ahead to improve our infrastructure while bolstering the economy.

12:15 – 1:15 p.m.  **LUNCH**  
(Fireside Patio)

1:30 – 2:30 p.m.  **BREAKOUT SESSIONS - FIRST ROUND**

The purpose and goal of the breakout sessions is to provide opportunities for discussion and brainstorming. In these sessions we will compile ideas for specific topics concerning our region that SANDAG can consider and address in the coming year(s). Here are some general guidelines to help make this time productive:

Breakout facilitators will begin by providing background information regarding the session topic. Following the brief presentation, a question and answer session and discussion will ensue. A SANDAG staff member will take notes. The facilitator will use the notes and communicate the group’s ideas during the feedback session later today.

Here are recommended times for your one hour session:
- Speaker provides background: 10 minutes
- Brainstorming, discussion and recording: 40 minutes
- Wrap-up - your group recorder reviews notes and confirms they represent the ideas generated by the group: 10 minutes

**TARGETING GREENHOUSE GAS REDUCTION**  
(Palomar A)

**Facilitator:** Scott Anders, Director, Energy Policy Initiatives Center  
**Staff:** Bob Leiter

The California Air Resources Board (CARB), through the adoption of the Scoping Plan to implement AB 32 (the Global Warming Solutions Act of 2006), has established a preliminary statewide target for reducing greenhouse gas emissions from regional and local transportation-related sources.
This statewide target of five million metric tons of CO$_2$ emissions is intended to come from better coordination of transportation and land use policies aimed at the use of passenger vehicles.

Senate Bill 375 was passed in September 2008 to address more specifically the connection between regional transportation planning and long-range land use planning. Under this law, it is now required that the regions of the state, including the San Diego region through SANDAG, identify strategies to meet 2020 and 2035 regional emissions reduction targets to be set by CARB no later than September 2010. Due to the federal deadline for SANDAG’s next Regional Transportation Plan adoption in Fall 2011, SANDAG will be working with CARB to define its regional targets in advance of CARB’s deadline. Board members will discuss and consider the appropriate balance among greenhouse gas reduction strategies in the areas of transportation system improvements, Transportation Demand Management strategies, and land use policies to meet the regional targets.

**THE FUTURE TRANSPORTATION BILL**
(Palomar B)

**Facilitator:** Peter A. Peyser, Jr., Principal, Blank Rome Government Relations  
**Staff:** Kim Kawada

On September 30, 2009, the current federal surface transportation authorization, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) will expire. This legislation will provide $286 billion in federal funding over its five year life for public transit, highways, highway safety, local street and roads, and bicycle and pedestrian projects and programs across the nation. Discussions have begun at the federal and state levels about the next authorization, and the 111th Congress is expected to hold initial hearings in 2009. This breakout session will focus on key SANDAG priorities for the next federal transportation bill. Board members will be asked to consider and identify the kinds of federal policies and programs that will help achieve our regional objectives.

Key discussion topics include the appropriate level of funding for the federal program; addressing goods movement needs in the new bill; striking the right balance between maintaining our existing infrastructure systems with the need for new mobility and congestion-relief improvements; and the importance of improving transportation in our major metropolitan areas, in order to achieve our national and regional economic goals.
FISCAL IMPLICATIONS FOR LOCAL GOVERNMENT
(Del Mar)

Facilitators: Michael Coleman, League of California Cities & Marney Cox, SANDAG
Staff: Renee Wasmund

The economic downturn and high-level government efforts to combat it are certain to have major impacts locally in the coming year. While the state of California copes with budget constrictions, the federal government is moving to create a massive economic stimulus package. This breakout session will focus on what elected officials at the local and regional level can do in 2009 to identify concrete, practical decisions that can be made to minimize the impacts of the downturn, while at the same time maximizing any opportunities that may arise.

2:45 – 3:45 p.m.

BREAKOUT SESSIONS - SECOND ROUND

TARGETING GREENHOUSE GAS REDUCTION
(Palomar A)

Facilitator: Scott Anders, Director, Energy Policy Initiatives Center
Staff: Bob Leiter

THE FUTURE TRANSPORTATION BILL
(Palomar B)

Facilitator: Peter A. Peyser, Jr., Principal, Blank Rome Government Relations
Staff: Kim Kawada

FISCAL IMPLICATIONS FOR LOCAL GOVERNMENT
(Del Mar)

Facilitators: Michael Coleman, League of California Cities & Marney Cox, SANDAG
Staff: Renee Wasmund

4 – 4:15 p.m.

PUBLIC COMMENTS/COMMUNICATIONS
(Bordeaux)

4:15 – 5:15 p.m.

BREAKOUT SESSION FEEDBACK AND NEXT STEPS
(Bordeaux)
Thursday, January 29 - continued

6 p.m.  DINNER
(Cabana Cafe)

WHEN THE ECONOMY GIVES YOU LEMONS...
Keynote Speaker
Jeb Bakke, Senior Vice President, CB Richard Ellis

During bad economic times, there also can be great opportunities. A local commercial real estate broker and former “Honorary Mayor of Rancho Bernardo” will share his perspective on what’s happened in San Diego during previous downturns and how strong companies and individuals have survived and thrived.

Friday, January 30

8 a.m.  BUFFET BREAKFAST
(Bordeaux)

8:30 – 9:30 a.m.  BOARD ORIENTATION
(Palomar)

As a new member of SANDAG, learn what your roles and responsibilities are and how you can get the most out of the agency for your jurisdiction and the region. Existing members also are encouraged to attend to share their valued experiences and insight. You’re welcome to bring your breakfast with you!

9:30 – 11 a.m.  SAN DIEGO TRANSPORTATION INFRASTRUCTURE OPPORTUNITIES
(Bordeaux)

John Chalker, Chair, California Transportation Commission (CTC)
James Earp, Commissioner, CTC

Garnering and protecting transportation funds requires skill and expertise. A few of our distinguished CTC members will provide their insights and perspective on the work they have done to advance vital transportation projects and their hopes for the future.

11 – 11:15 a.m.  PUBLIC COMMENTS/COMMUNICATIONS
(Bordeaux)

11:15 a.m. – 12 p.m.  2009 STRATEGIES AND GOALS
(Bordeaux)

11:30 a.m.  BOXED LUNCH
(Bordeaux)

1 p.m.  RETREAT CONCLUDES
SANDAG Director of Communications – Colleen Windsor – will serve as our retreat emcee.
THE ECONOMY: NAVIGATING OUR WAY TO A BETTER FUTURE

BREAKOUT SESSION: FISCAL IMPLICATIONS FOR LOCAL GOVERNMENT

Michael Coleman, Fiscal Policy Advisor, League of California Cities

Michael Coleman is a widely recognized expert on California local government finance. He is the creator of CaliforniaCityFinance.Com, the California Local Government Finance Almanac, an online resource of data, analyses and articles on California municipal finance and budgeting.

He has been the League of California Cities' principal fiscal policy advisor for over twelve years, and is a popular guest presenter at conferences and graduate schools. Michael previously worked for the cities of San Mateo, Milpitas, Daly City and Sacramento. He received his BA in Policy Analysis from UC Davis, his MPA from the University of Southern California, and is a graduate of the Coro Fellows program.

Research briefs, data files, presentations, and articles by Michael are found online in the “California Local Government Finance Almanac” at CaliforniaCityFinance.com.
THE ECONOMY: NAVIGATING OUR WAY TO A BETTER FUTURE

BREAKOUT SESSION: FISCAL IMPLICATIONS FOR LOCAL GOVERNMENT

Marney Cox, Chief Economist, SANDAG

Mr. Cox specializes in regional economies and works with a team of professionals to produce SANDAG’s Regional Growth Forecasts. These forecasts are adopted by each jurisdiction in the San Diego region and used widely for planning purposes. Additional responsibilities include maintaining the San Diego Region’s Economic Development Strategy, performing financial and risk analysis for transportation and other public infrastructure projects, and evaluating the fiscal consequences of alternative regional growth management polices. Mr. Cox joined SANDAG in 1979 as a Research Analyst responsible for the agencies econometric and statistical growth allocation models. Other positions he has held include Municipal Finance Specialist and Senior Regional Planner before being promoted to his current position in 1986. Mr. Cox is a Board member of the San Diego Regional Economic Development Corporation and the East County Economic Development Council, where he currently serves as Board Chairman. Mr. Cox holds both graduate and undergraduate degrees in economics from San Diego State University, with an emphasis in public finance, urban economics, and econometrics.
MAKING THE RIGHT TURN

Will Kempton, Director, CALTRANS

Will Kempton was appointed as the Director of the California Department of Transportation (CALTRANS) by Governor Schwarzenegger in November 2004. He is responsible for managing the State’s Transportation System stretching from Mexico to Oregon and from the Pacific Ocean to Nevada and Arizona. He oversees an annual operating budget of more than $13.8 billion and about 23,000 employees.

He began his career in transportation with Caltrans in 1973. He held several management positions where he developed a broad understanding of transportation programs and policies at all levels of government. In 1985 he became the Executive Director of Santa Clara County Traffic Authority in San Jose, California. He translated his knowledge of transportation programs into the production arena as the Executive Director and led a successful effort to complete a voter-approved sales tax program to fund congestion management in the Silicon Valley. The sales tax program he managed is widely viewed as one of the most successful ever undertaken in the State, resulting in the delivery of highway improvements worth nearly one billion in less than 10 years.

In 1992 Kempton became a lead partner of Smith, Kempton & Watts, a consulting firm handling major transportation infrastructure project involving hundreds of millions of dollars for both public and private sector clients throughout the State of California. As a consultant he was well known for his innovative and consensus-building solutions to financial, community, environmental and transportation planning issues.

In January 2003, he joined the City of Folsom as Assistant City Manager, Community Services. He was responsible for overseeing the operations of the City’s Community Development, Neighborhood Services, Parks and Recreation, Utilities, and Public Works departments. Prior to his appointment as the Director, he served as a City Parks and Recreation Commissioner for eight years.

Kempton has a three-part philosophy of efficiency, partnership and customer service tailored to create an excellent and responsive government organization.
MAKING THE RIGHT TURN

Gary L. Gallegos, Executive Director, SANDAG

Gary Gallegos is the Executive Director of the San Diego Association of Governments (SANDAG). He is a nationally recognized expert in the areas of transportation, land use, regional public policy making, and binational planning and diplomacy.

SANDAG is the research, planning, and transportation agency for the region. Agency policymakers are elected officials from each of the area’s 18 cities and the county. SANDAG also plans, engineers, and builds regional public transit.

Mr. Gallegos leads a staff of nearly 200 professionals who collaborate to develop public policy initiatives for elected officials on numerous issues encompassing population growth, transportation, environmental management, economic development, municipal finance, binational coordination, and public safety.

Under his direction, the agency has crafted an innovative $42 billion Regional Transportation Plan to address transportation needs. Mr. Gallegos also served as the catalyst for SANDAG to create and implement, through its member governments, the first-ever Regional Comprehensive Plan — a regional planning blueprint balancing population, housing, and employment growth with habitat preservation, agriculture, open space, and infrastructure needs.

In January of 2003, Mr. Gallegos ushered SANDAG into a new, expanded role. State Senate Bill 1703 consolidated the responsibilities of SANDAG with many of the functions of the Metropolitan Transit Development Board and the North County Transit Development Board, allowing SANDAG to assume regional transit planning, funding allocation, project development, and eventually construction.

In 2004, Mr. Gallegos led the charge to extend TransNet, a regional half-cent sales tax for transportation; 67 percent of county voters approved the extension. Administered by SANDAG, the original 20-year TransNet program generated $3.3 billion to fund highway, transit, and local road projects. The 40-year TransNet extension will raise another $14 billion for similar improvements. Gallegos also led the effort to create the TransNet Early Action Projects program, which focuses on jump-starting construction of the top priority transportation infrastructure projects and programs identified in the Regional Transportation Plan.

Most recently, Mr. Gallegos has worked with partner agencies toward securing the federal and state approvals necessary to create a third international border crossing in San Diego County - Otay Mesa East - and a short connecting highway. SANDAG will administer a toll that will generate funds to pay for the facility.

In addition, Mr. Gallegos is the Chief Executive Officer of SourcePoint, the nonprofit public benefit corporation chartered by SANDAG.

Prior to joining SANDAG in 2001, Mr. Gallegos held the position of District Director for Caltrans District 11, covering San Diego and Imperial Counties. Mr. Gallegos holds a bachelor’s degree in civil engineering from the University of New Mexico. He is a registered civil engineer.
BREAKOUT SESSION:
TARGETING GREENHOUSE GAS REDUCTION

Scott Anders, Director, Energy Policy Initiatives Center

Mr. Anders joined USD School of Law in October 2005 as EPIC’s inaugural director. In this position, he executes EPIC’s work plan and research agenda, and manages the day- to- day activities of the Center. Prior to joining the Energy Policy Initiatives Center (EPIC), Mr. Anders was director for policy and planning at the San Diego Regional Energy Office (SDREO). In this capacity he managed regulatory and legislative issue research and analysis, directed communications with regulatory agencies, including writing position papers and comments before California’s regulatory agencies, directed technical and policy support for the SANDAG’s Energy Working Group, and directed solar energy activities, including technical and policy research.

Mr. Anders has authored or co-authored a number of papers and reports related to energy policy. Most recently he was a lead author on the report entitled, Potential for Renewable Energy in the San Diego Region. Mr. Anders also contributed to the San Diego Regional Energy Infrastructure Study, a technical and policy survey of the regional energy market in San Diego, and Energy 2030: The San Diego Regional Energy Strategy, which serves as the region’s roadmap for energy planning.

Prior to joining SDREO in 1999, Mr. Anders was a policy researcher for the Washington D.C. think tank Center for a Sustainable Economy, now part of Redefining Progress, where he researched market-based mechanisms as a policy tool for the energy sector. Mr. Anders was a Peace Corps Volunteer in Mali, West Africa. Scott Anders holds a B.A. in international politics from Muhlenberg College (Allentown, PA) and an M.A. in public policy, with a concentration in environmental policy, from the University of Maryland’s School of Public Policy.
BREAKOUT SESSION: THE FUTURE TRANSPORTATION BILL

Peter A. Peyser, Jr., Principal, Blank Rome Government Relations

Peter A. Peyser, Jr. is acknowledged for his extensive experience and substantive knowledge in a variety of subject areas. His experience on Capitol Hill, in city government and as a government affairs professional has involved him in issues ranging from transportation to healthcare to telecommunications to economic development and beyond. He has extensive expertise on and relationships with public and private sector leaders in cities in all regions of the country. He serves clients in areas such as:

- appropriations
- transportation
- economic development
- healthcare
- state and local governments
- telecommunications

Mr. Peyser’s experience on these matters goes back to his earliest days as a congressional staff member in 1977. He continued his career as a member of the staff of the mayor of New York and entered private practice as a government affairs professional in 1982.

Mr. Peyser has long-standing relationships with top House and Senate leaders and key congressional committees. He has special expertise in developing coalitions including public and private sector members to advance legislative goals. He is the former Assistant Director for the City of New York Washington Office. He is the former Administrative Assistant to Representative Geraldine A. Ferraro (D-NY), who served on the House Committee on Public Works and Transportation. He was former Legislative Assistant to Representatives Peter H. Kostmayer (D-PA), who served on the House Committee on Energy and Commerce, and for James J. Delaney (D-NY), who served as Chairman of the House Committee on Rules.

COMMUNITY SERVICE & AFFILIATIONS

Peter Peyser is a Fellow in the Royal Society for the Encouragement of Arts, Manufactures, and Commerce in the United Kingdom.
WHEN THE ECONOMY GIVES YOU LEMONS...

Jeb Bakke, Senior Vice President, CB Richard Ellis

Jeb Bakke’s 25-year commercial real estate career as an office and land specialist encompasses over 2,000 lease and sale transactions totaling approximately 12 million square feet with combined consideration in excess of $1.3 billion.

Jeb focuses his expertise on Central San Diego and the I-15 Corridor but he has facilitated transactions in nearly all 50 states, Canada, Mexico and Puerto Rico. He has also been involved in several significant ground-up developments and large land sales that have helped shape San Diego County commercial real estate expansion over the past two-and-a-half decades.

Jeb has provided essential consultation on numerous developments from the purchase of the land to site layout to design specifications to pricing and marketing strategies for the final product. He is also an expert in complex tenant-oriented transactions where he has guided every detail from space programming to construction management and lease term negotiations. Jeb has worked extensively with Fortune 500 companies, municipalities, government contractors and public entities such as Sempra Energy and the Poway Unified School District.

Elected “Honorary Mayor” of Rancho Bernardo in 1996, Jeb understands the intrinsic relationship between business, government, commercial real estate, and the San Diego County economy.
Mr. Chalker is co-founder and Managing Director of LM Capital Group, LLC an investment advisory firm with $4.0 billion in assets under management for institutional clients, including public sector and corporate pension funds. The firm’s flagship product is based on the Opportunistic Core Fixed Income strategy, which is based on a macro economic, global approach towards fixed income investing. He previously served with Merrill Lynch & Co. from 1980 to 1995.

Mr. Chalker is very active in the business community. He was recently reappointed by Governor Schwarzenegger to the California Transportation Commission; the Commission is responsible for the programming and allocating of state funds for the construction of all highway, passenger rail and transit improvements throughout California. He is founder and Chairman of the Alliance in Support of Airport Progress in the 21st Century (ASAP21), a broad based advocacy group committed to insuring ample air transportation capacity for the San Diego region. He is a board member of the San Diego Regional Chamber of Commerce, first elected to the Chamber’s Board of Directors in 1995.

His other current civic involvements include the San Diego World Trade Center (which recently awarded him its “Essence of World Trade Award”), Holiday Bowl Board of Directors, Midway Museum Foundation Board, and the City of San Diego Public Facilities Financing Authority. During 1983-1985, he served as a Director of the Mexican and American Foundation and Chaired the Junior Chamber of Commerce. He was also a member of the Technical Advisory Committee of the California Debt Advisory Commission in 1988. In 1992, he was appointed to the State of California, Contractors State License Board (CSLB) and served from 1992 to 2000, including Chairman 1996-1997; this board licenses and regulates over 250,000 contractors.

Mr. Chalker received his B.S. Degree in 1972 from the United States Naval Academy, Annapolis, Md. and was then commissioned a Naval Officer. He served as a carrier based, jet attack pilot flying the A-7E Corsair II from 1972-1979.
SAN DIEGO TRANSPORTATION INFRASTRUCTURE OPPORTUNITIES

James Earp, Commissioner, California Transportation Commission

James Earp was appointed to the California Transportation Commission in 2007. Since 1998, Earp has served as executive director of the California Alliance for Jobs. In 2006, Earp launched an initiative campaign to increase protection for Proposition 42 funding and he also served as chair of the Yes on 1A-1E Campaign. From 1976 to 1998, he was public relations director for the International Union of Operating Engineers Local 3, a heavy construction union.
Targeting GHG Reductions
Break Out

Scott J. Anders
Energy Policy Initiatives Center
University of San Diego School of Law

San Diego Association of Governments

January 29, 2009
CA GHG Emissions (Avg. 2002-2004)

- Transportation: 38%
- Electricity: 23%
- Industry: 20%
- Commercial and Residential: 9%
- Agriculture: 6%
- High GWP: 3%
- Recycling and Waste: 1%
San Diego GHG Inventory

ON-ROAD TRANSPORTATION 46%
ELECTRICITY 25%
NATURAL GAS END USES 9%
CIVIL AVIATION 5%
INDUSTRIAL PROCESSES AND PRODUCTS 5%
OFF-ROAD EQUIPMENT AND VEHICLES 4%
OTHER FUELS/OTHER 4%
AGRICULTURE/FORESTRY/LAND USE 2%
WASTE 2%
RAIL WATER-BORNE NAVIGATION 0.4%

GHG Emissions for San Diego County (2006)

www.sandiego.edu/epic
Climate Change Related Legislation in California

**AB 32 – Global Warming Solutions Act of 2006**
- Goal: 1990 levels by 2020 (~30% reduction)

**Executive Order S-3-05 in 2005**
- Goal: 80% below 1990 levels by 2050

**SB 375**
- Regional reductions from land use and transportation

www.sandiego.edu/epic
AB 32 Scoping Plan

CARB Developed Plan

Outlines State’s Strategy to Achieve 2020 GHG Targets

Comprehensive Set of Proposed Actions

www.sandiego.edu/epic
## AB 32 Scoping Plan

<table>
<thead>
<tr>
<th>Recommended Reduction Measure</th>
<th>GHG Reductions (MMCO2E)</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cap and Trade and Complementary Measures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA Light Duty Vehicle GHG Standards</td>
<td>31.7</td>
<td>18%</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>26.3</td>
<td>15%</td>
</tr>
<tr>
<td>Renewable Portfolio Standard (33%)</td>
<td>21.3</td>
<td>12%</td>
</tr>
<tr>
<td>Low-Carbon Fuel Standard</td>
<td>15</td>
<td>9%</td>
</tr>
<tr>
<td>Regional Transportation-Related GHG Targets</td>
<td>5</td>
<td>3%</td>
</tr>
<tr>
<td>Vehicle Efficiency Measures</td>
<td>4.5</td>
<td>3%</td>
</tr>
<tr>
<td>Goods Movement</td>
<td>3.7</td>
<td>2%</td>
</tr>
<tr>
<td>CA Solar Initiative</td>
<td>2.1</td>
<td>1%</td>
</tr>
<tr>
<td>Medium/Heavy Duty Vehicle Efficiency</td>
<td>1.4</td>
<td>1%</td>
</tr>
<tr>
<td>High Speed Rail</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Industrial Measures</td>
<td>0.3</td>
<td>0%</td>
</tr>
<tr>
<td>Additional Reductions Needed</td>
<td>34.4</td>
<td>20%</td>
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<tr>
<td><strong>Uncapped Sources/Sectors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Global Warming Potential Gas Measures</td>
<td>20.2</td>
<td>12%</td>
</tr>
<tr>
<td>Sustainable Forests</td>
<td>5</td>
<td>3%</td>
</tr>
<tr>
<td>Industrial Measures</td>
<td>1.1</td>
<td>1%</td>
</tr>
<tr>
<td>Recycling and Waste</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>174</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Hypothetical GHG Emissions Reduction Targets
San Diego County

- 2006 Levels
- 2020 BAU Projections
- AB 32 Target
- Executive Order S-3-05 Target (2050)
Five Key Provisions:

• Creates regional targets for transportation-related greenhouse gas emissions
• Requires regional planning agencies to create Sustainable Communities Strategy
• Connects regional housing allocation planning with Regional Transportation Plan (RTP)
• Requires regional transportation funding decisions be consistent with RTP
• Streamlines and creates new CEQA exemptions for certain projects

www.sandiego.edu/epic
State Response to On-Road Emissions

On-Road Transportation

- Fuel Consumption
  - Pavley Standard AB 1493
- Fuel Type
  - Low-Carbon Fuel Standard
- Vehicle Miles Traveled
  - SB 375

www.sandiego.edu/epic
SanDAG Board of Directors Retreat  
29 January 2009

The Economy: Navigating Our Way to a Better Future

Michael Coleman  
Fiscal Policy Advisor  
League of California Cities  
coleman@cal.net  
tel: 530.758.3952  
www.CaliforniaCityFinance.com
The Cluster Bomb ...

Chronic State Budget Problem
structural imbalance

Stock/Investment Plunge
pension portfolios

Credit Crunch

Housing Market / Mortgage Crisis

California City Revenues

Source: CaliforniaCityFinance.com computations from data from California State Controller (revenues). Does not include data from the following cities that failed to report: Beaumont, Gustine City, Loyalton, San Diego, Taft, and Tulelake.
San Diego County Revenues

Adopted Budget by Category of Revenue

Sales Tax Effects in Concert with a Deflating Housing Bubble

San Diego Area Taxable Sales vs Housing Price

Source: San Diego County Adopted Operational Plan FY2008-09/2009-10

SOURCE: Calif Assn of Realtors, Board of Equalization
California Taxable Sales

Property Tax Effects Lag a Deflating Housing Bubble

San Diego Area AV vs Housing Price

SOURCE: Calif Assn of Realtors, Board of Equalization
Components of Property Tax Collections

- Residential: 62%
- Commercial: 25%
- Personal Property: 8%
- Vacant/Ag: 5%

New Construction: 3%
Resale: 2%
Retained: Δ2%

Property Taxes by Age of Purchase

- Before 2000: 43%
- 2000-2003: 21%
- 2004-Now: 36%

Source: Beacon Economics
Assessed Valuation of Property

Recovery Happens but we've still got a ways to go

<table>
<thead>
<tr>
<th>Recovery to come</th>
<th>Recovery Begins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable sales</td>
<td>-17% 2009 Q3</td>
</tr>
<tr>
<td>Unemployment</td>
<td>to almost 10% 2010 Q1</td>
</tr>
<tr>
<td>Home value</td>
<td>-35% 2011 Q3</td>
</tr>
</tbody>
</table>
Local Government’s Fall-Out Shelter: Proposition 1A of 2004

Constitutionally, the state:
- May not reduce the local sales tax rate or alter its method of allocation.
- May not decrease the VLF from the 0.65% rate without providing replacement funding to cities and counties.
- May not shift property taxes from cities counties or special districts. Except:
  - Legislature may reallocate among cities, counties and special districts with a 2/3 vote of both houses of the legislature.
  - May borrow up to 8% of local prop tax revenues (currently about $2+ billion) under certain conditions.
Will We See More Property Tax Shifts?

➢ Governor must declare “severe fiscal hardship”
➢ 2/3 vote of each house of Legislature.
➢ Legislature must pass a law providing for full repayment plus interest within 3 years.

State Cash Flow Woes
Will Available Cash Be Insufficient to Make Regular Payments?

Double Whammy
✔ Weakening revenues
✔ Limited access to credit markets

Source: Legislative Analyst’s Office
State Cash Flow Woes
Projected end-of-month cash cushions for FY08-09 have gone way down.

Source: Legislative Analyst's Office

State Cash Flow Woes
Will Available Cash Be Insufficient to Make Regular Payments?

- Controller's February 1 delay in General Fund Disbursements
  - $1.9 Billion: Personal Income Tax Refunds
  - $964m: Various Social Services – mostly county operated
  - $515m: State Operations
- Bond Allocations Frozen – Prop1B, 1C, 1D, 1E, 84
  - Pooled Money Investment Board: cash, credit
- Governor's Proposed Deferral
State Cash Flow Woes

Payment Deferrals Proposed by the Governor
Transportation
✔ Defer $700m Highway Users Tax (gas tax) to counties & cities for street/roads beginning Feb’09 to Oct’09.
✔ Defer $135m Prop 42 transportation $ from June’09 to Oct’09.
Payments to Counties
✔ Defer $1.8b various social services to counties beginning Feb’09 to Sept’09.
✔ Defer $92m mental health advances to counties from July’09 to Sept’09.
K-14 Education
✔ Defer $2.7b to schools from July-Aug’09 to Oct’09.
Medi-Cal
✔ Defer $874m Medi-Cal payments from March’09 to April’09.
Developmental Services
✔ Defer $400m for regional centers from July/Aug’09 to Sept’09.
Payments to Health Plans for State Retiree Health Benefits
✔ Defer $194m state retiree health benefit $ from March/April’09 to May’09.
Mandates
✔ Defer $142m local mandate reimbursements from Aug’09 to Oct’09.

Governor’s Budget Proposals

<table>
<thead>
<tr>
<th>Revenue Increases</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase sales tax by 1.5 cents for three years</td>
<td>$2,350</td>
<td>$6,758</td>
</tr>
<tr>
<td>Expand sales tax to some services</td>
<td>272</td>
<td>1,111</td>
</tr>
<tr>
<td>Impose oil severance tax</td>
<td>348</td>
<td>836</td>
</tr>
<tr>
<td>Raise alcohol tax by a nickel a drink</td>
<td>244</td>
<td>585</td>
</tr>
<tr>
<td>Reduce dependent credit</td>
<td>101</td>
<td>101</td>
</tr>
<tr>
<td>Redirect tribal payments for transportation</td>
<td>34</td>
<td>3</td>
</tr>
<tr>
<td>Reduce Proposition 98 spending</td>
<td>$4,978</td>
<td>$2,834</td>
</tr>
<tr>
<td>Reduce higher education spending (unallocated)</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>Various health and social services reductions</td>
<td>462</td>
<td>3,312</td>
</tr>
<tr>
<td>Various criminal justice savings</td>
<td>199</td>
<td>1,101</td>
</tr>
<tr>
<td>Furlough state workers and reduce other costs*</td>
<td>415</td>
<td>1,006</td>
</tr>
<tr>
<td>Eliminate state funding to transit agencies</td>
<td>153</td>
<td>306</td>
</tr>
<tr>
<td>Eliminate funding for Williamson Act</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Provide no growth in university funding</td>
<td>—</td>
<td>428</td>
</tr>
<tr>
<td>Limit Cal Grant program</td>
<td>—</td>
<td>88</td>
</tr>
<tr>
<td>Reduce regional center spending</td>
<td>—</td>
<td>334</td>
</tr>
<tr>
<td>Redirect Proposition 10 funds</td>
<td>—</td>
<td>275</td>
</tr>
<tr>
<td>Redirect Proposition 63 funds</td>
<td>—</td>
<td>227</td>
</tr>
<tr>
<td>Suspend 2009-10 health and social services COLAs</td>
<td>—</td>
<td>131</td>
</tr>
<tr>
<td>Reduce Receivers’s budget by 10 percent</td>
<td>—</td>
<td>161</td>
</tr>
<tr>
<td>Reduce judiciary funding</td>
<td>—</td>
<td>163</td>
</tr>
<tr>
<td>Lay off state employees</td>
<td>—</td>
<td>150</td>
</tr>
<tr>
<td>Reduce costs for state employee and retiree health care</td>
<td>—</td>
<td>132</td>
</tr>
<tr>
<td>Defer mandate reimbursements</td>
<td>—</td>
<td>91</td>
</tr>
<tr>
<td>Total Expenditure Savings</td>
<td>$6,312</td>
<td>$11,146</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Budgetary Borrowing</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>New lottery bonds</td>
<td>—</td>
<td>$5,901</td>
</tr>
<tr>
<td>Issue revenue anticipation warrants</td>
<td>$4,673</td>
<td>—</td>
</tr>
<tr>
<td>Loans from special funds</td>
<td>384</td>
<td>294</td>
</tr>
<tr>
<td>Total New Borrowing</td>
<td>$15,697</td>
<td>$27,005</td>
</tr>
</tbody>
</table>

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Governor’s Proposed Budget
impacting cities (FY09‐10 $)

- Allocate remaining Prop 1B Streets & Roads $
- Broaden sales tax to certain services
  - ~$178/yr for Bradley Burns ($54m in FY08‐09)
  - ~$89m/yr for Prop 172 ($27m in FY08‐09) – most to counties
  - ~$207m for add‐on sales taxes ($63m in FY08‐09)
  - ~$10m for Prop 42 ($3m in FY08‐09)
  - Also boosts for county public transp. and health & welfare.
- Temporarily increase state sales tax rate by 1.5%
  - $135m for Prop 42

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League of California Cities
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San Diego’s

2009 Economic Outlook

Marney Cox
Chief Economist
SANDAG
US W&S Employment Declining (Y-O-Y Change)

Total Nonfarm Payrolls: All Employees (PAYEMS)

Shaded areas indicate US recessions as determined by the NBER.
2009 Federal Reserve Bank of St. Louis: research.stlouisfed.org
US Unemployment Rate Rising

Civilian Unemployment Rate (UNRATE)

Shaded areas indicate US recessions as determined by the NBER.
2009 Federal Reserve Bank of St. Louis: research.stlouisfed.org
US - Retail Sales Declining
(Y-O-Y Percent Change, by Month, SA)

Retail and Food Services Sales (RSAFS)
Source: U.S. Department of Commerce: Census Bureau

Shaded areas indicate US recessions as determined by the NBER.
2009 Federal Reserve Bank of St. Louis: research.stlouisfed.org
US Total Federal Public Debt Has Doubled
(Annual Change Y-O-Y, M$)

Federal Government Debt: Total Public Debt (GFDEBTN)
Source: U.S. Department of the Treasury, Financial Management Service

Shaded areas indicate US recessions as determined by the NBER.
2009 Federal Reserve Bank of St. Louis: research.stlouisfed.org
US Borrowing from Federal Reserve
(Change Y-O-Y for monthly borrowings, B$)

Total Borrowings of Depository Institutions from the Federal Reserve (BORROW)
Source: Board of Governors of the Federal Reserve System

Shaded areas indicate US recessions as determined by the NBER.
2009 Federal Reserve Bank of St. Louis: research.stlouisfed.org
US Banks - A Balance Sheet Problem

Change in Banks Market Capital In Billions $

- Market Value as of 2Q07
- Market Value as of 01/20/09

- Morgan Stanley: $49B (2009), $16B (2Q07)
- RBS: $120B (2009), $5B (2Q07)
- Deutsche Bank: $76B (2009), $10B (2Q07)
- Credit Agricole: $67B (2009), $17B (2Q07)
- Societe Generale: $80B (2009), $26B (2Q07)
- Barclays: $91B (2009), $7B (2Q07)
- BNP Paribas: $108B (2009), $33B (2Q07)
- Unicredit: $90B (2009), $26B (2Q07)
- UBS: $116B (2009), $35B (2Q07)

- Citigroup: $255B (2009)
- Goldman Sachs: $100B (2009), $35B (2009)
- Santander: $116B (2009), $64B (2Q07)
- JP Morgan: $165B (2009), $85B (2Q07)
- HSBC: $215B (2009), $97B (2Q07)

Source: Bloomberg, Jan 20th 2009
SD 2008 Review

- Decline in W & S Jobs
- Rising Unemployment Rate
- Declining Home Prices
- Lower Inflation
- Declining Retail Sales
- Government-Challenged at all Levels
SD W & S Employment
Change Y-O-Y by Quarter

![Bar chart showing employment change from 1991 to 2008. The chart indicates fluctuations in employment numbers, with notable peaks and troughs over the years.](chart-url)
SD Outlook-2009 Jobs Talley Sheet

**Pluses**
- Defense
- Construction
- Health Services

**Minuses**
- Retail Services
- High-Tech Clusters
- Financial Services
- Agriculture
SD Construction Employment
Stabilizing Trend, Change Y-O-Y by Month
SD Financial Activities Employment
Stabilizing Trend, Change Y-O-Y by Month
SD Less Venture Capital Funds
(Less Fuel for High Tech Jobs, millions of dollars)
SD Housing-Reverse Wealth Effect

(Part of the “Great Consumer Contraction”, millions of dollars)
SD Outlook - Decline in Taxable Retail Sales
(Y-O-Y Percent Change, Fiscal Year)

90 91 92 93 94 95 96 97 98 99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09
SD Outlook - 2009 Slow Job Growth

Annual Change Total Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Change</th>
<th>Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>-30000</td>
<td></td>
</tr>
<tr>
<td>92</td>
<td>-20000</td>
<td></td>
</tr>
<tr>
<td>94</td>
<td>-10000</td>
<td></td>
</tr>
<tr>
<td>96</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>98</td>
<td>10000</td>
<td></td>
</tr>
<tr>
<td>00</td>
<td>20000</td>
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</tr>
<tr>
<td>02</td>
<td>30000</td>
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<td>04</td>
<td>40000</td>
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<tr>
<td>06</td>
<td>50000</td>
<td></td>
</tr>
<tr>
<td>08</td>
<td>60000</td>
<td></td>
</tr>
</tbody>
</table>
SD New Home Sales Declining

Total Sales
New Construction
Condo Conversions

2000: 10,804
2001: 10,375
2002: 9,462
2003: 11,321
2004: 13,257
2005: 15,570
2006: 12,078
2007: 10,920
Q1-2 2008: 2,337

2000: 429
2001: 306
2002: 686
2003: 2,337
2004: 3,492
2005: 4,780
2006: 5,654
2007: 2,186
Q1-2 2008: 1,809

2000: 9,400
2001: 9,156
2002: 12,007
2003: 10,920
2004: 12,078
2005: 13,184
2006: 9,400
2007: 4,149
Q1-2 2008: 1,434

2000: 6,335
2001: 4,000
2002: 2,000
2003: 3,746
2004: 3,492
2005: 5,654
2006: 3,746
2007: 4,149
Q1-2 2008: 1,434

Market Pointe Realty Advisors
SD Inventory Shrinking & Months of Supply Increasing
Select Quarters

- **Unsold Inventory**
- **Future Phases**

<table>
<thead>
<tr>
<th>Year</th>
<th>Unsold Inventory</th>
<th>Future Phases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/2</td>
<td>6,871</td>
<td>9,623</td>
</tr>
<tr>
<td>2007/2</td>
<td>5,602</td>
<td>8,149</td>
</tr>
<tr>
<td>2008/2</td>
<td>3,536</td>
<td>6,106</td>
</tr>
</tbody>
</table>

Mo. Of Supply Off/Unsold
Mo. Of Supply Future Phases
SD New Home Pricing Trends
Single Family Townhomes/ Condominium
SD Outlook - Large Decline in Inflation
(Rate of Change in CPI-U)

[Graph showing the rate of change in CPI-U from 1991 to 2009 for San Diego, California, and the United States. The graph indicates a significant decline in inflation rates from around 4% in the early 1990s to near 0% in the early 2000s.]
US Cost of Construction Falling

Change in Producer Prices by Construction Segments, (2003 = 100)

- Highway and street construction: 47%
- Other heavy construction: 41%
- Nonresidential buildings: 31%
- Single-unit residential: 28%
- Consumer price index: 14%

Dec. 2008
US Construction Costs Falling

Change in Producer Prices by Major Construction Inputs, (2003 = 100)

- #2 diesel fuel: 75%
- Copper and brass mill shapes: 80%
- Steel mill products: 70%
- Concrete products: 39%
- Gypsum products: 26%
- Consumer price index: 14%

Dec. 2008
SD Outlook - Population Growth will Slow

Annual Change in Population 1971-2009

Graph showing the annual change in population from 1971 to 2009 with a marked decrease in growth.
2009 SD Outlook Summary

“Very Slow Growth-No Local Recession”

- Slow Job Growth
- U-Rate Up
- Lower Home Prices
- Reverse Wealth Effect
- Declining Retail Sales
- Less VC Investment
- Less Inflation
- Significant Risk
San Diego’s 2009 Economic Outlook

Marney Cox
Chief Economist
SANDAG