EXECUTIVE COMMITTEE

March 13, 2009

AGENDA ITEM NO.: 1

Action Requested: APPROVE

EXECUTIVE COMMITTEE DISCUSSION AND ACTIONS
FEBRUARY 13, 2009

Chair Lori Holt Pfeiler (North County Inland) called the Executive Committee meeting to order at 9:02 a.m. The attendance sheet for the meeting is attached.

1. APPROVAL OF MINUTES

Upon a motion by First Vice Chair Jerome Stocks (North County Coastal) and a second by Second Vice Chair Jack Dale (East County), the minutes of the January 9, 2009, Executive Committee meeting were unanimously approved.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBERS COMMENTS

There were no public comments.

CONSENT (3)

3. LEGISLATIVE STATUS REPORT (INFORMATION)

Periodic status reports on legislative activities are provided to the Executive Committee during the year. This status report focuses on recent federal economic recovery legislation being considered by Congress and includes updates on other pending federal and state transportation issues.

Action: This item was presented for information only.

REPORTS (4 through 6)

4. FY 2009 BUDGET AMENDMENT: REGIONAL MULTIMODAL AIRPORT PLANNING (APPROVE)

Linda Culp, Senior Planner, reported that Senate Bill (SB) 10 defines the role of SANDAG and the San Diego County Regional Airport Authority (Airport Authority) on regional aviation and multimodal transportation planning. The first phase of the work for which SANDAG is the lead is a regional air-rail network study that would identify ways to better connect regional airports with excess capacity via high-speed rail, and identify ways to increase airport capacity at congested airports by shifting short-haul air traffic to moderate or high-speed rail. There are three tasks to complete: (1) a feasibility study of alignments and stations for the high-speed rail corridor from Los Angeles to San Diego via the Inland...
Empire; (2) a feasibility study of extending high-speed train service from San Diego to the international border; and (3) a study of the feasibility of high-speed commuter rail service along the same high-speed rail alignment. This work would constitute Phase 1 of the Airport Multimodal Accessibility Plan (AMAP). The California High-Speed Rail Authority (CHSRA) is funding Task 1, and SANDAG is funding Tasks 2 and 3.

Action: Upon a motion by First Vice Chair Stocks and second by Second Vice Chair Dale, the Executive Committee voted to amend the FY 2009 Budget and Overall Work Program (OWP) to include $320,000 in federal funds for OWP work element 30073 for the San Diego Regional Air-Rail Network Study.

5. FY 2010 BUDGET (INCLUDING OVERALL WORK PROGRAM) (DISCUSSION)

Tim Watson, Budget Program Manager, reported that SANDAG staff has been working on development of the FY 2010 Budget using a zero-based approach. In this approach, we formed cross-functional teams for each area of emphasis, and then developed a list of projects that advanced these emphasis areas. Preliminary we have balanced our revenues and expenses. We took this different budget approach due to the current challenging funding environment in order to prioritize our most urgent needs. Our local sales tax revenue includes Transportation Development Act (TDA) and TransNet, and these two revenue sources comprise about half our recurring revenues. We are expecting TransNet to grow by 2 percent in FY 2010. By state statute, the County of San Diego provides the TDA sales tax projections. The County has forecasted a 1 percent decline in TDA revenues in FY 2010. Our staffs are continuing to discuss the differences in TDA and TransNet forecasts in an effort to align these revenue projections.

As in the past, staff developed a work program with recurring expenses not to exceed recurring revenues; therefore, the OWP is at the same funding level as FY 2009. The current balance in the Contingency Reserve is $4.8 million. However, there is $555,000 of Contingency Reserve funds programmed in FY 2010 to carry out actions previously approved by the Board. That will reduce the Contingency Reserve balance to $4.2 million, or 7.4 percent of the proposed OWP budget, exceeding the 5 percent requirement set forth in Board Policy No. 030.

Mr. Watson said that in keeping with the prioritized OWP and in recognition of the constrained funding environment, SANDAG will continue a conservative staffing strategy in FY 2010. We will optimize the use of existing staff and make use of talent across the agency with stronger interdepartmental collaboration. There are no changes to existing salary ranges, and no funding is included for merit, cost-of-living, or benefits program increases. Over the past year, the management team has reviewed all vacant positions and has approved filling only those positions that are critical to SANDAG core functions or strategic priorities. Several vacant positions will not be filled.

Mr. Watson said that on March 13 the Executive Committee will be asked to accept the Draft FY 2010 Budget, authorize distribution of this document to the funding agencies for review, and recommend that the Board of Directors approve the Draft FY 2010 Budget at its March 27 meeting. There will be additional reviews in April and May with final approval expected at the May 22, 2009, Board meeting.
Supervisor Dianne Jacob (County of San Diego) wanted to make sure that the differences between the TDA figures provided by the County Auditor and those TransNet revenues projected by staff are taken into consideration.

Chair Pfeiler asked Marney Cox, Chief Economist, about how we will reconcile these two numbers. Mr. Cox said that they are not completely reconciled. At the Metropolitan Transit System (MTS) Executive Committee meeting yesterday, he shared three points that demonstrated how our 2 percent growth forecast is an accurate estimate. The first point is that San Diego’s economy is stronger than the national economy. In terms of job losses, we are being impacted, but only at about half the level of the nation. All programs in the initial federal economic stimulus measure are in place, and they are fairly extensive. Money supply will grow as fast as the Federal Reserve will allow. The national economy grew 2 percent during the last four months of 2008. Another point is the size of the economic stimulus versus the economy overall. He provided various figures that indicated there is a 2.4 percent growth rate in the overall economy. There is a lot of effort in the most recent federal economic stimulus package to turn the economy around. He felt that in FY 2010 there will be an increase rather than a decline in TransNet revenues. He explained that there are differences between local sales in the unincorporated parts of the County and the urban parts. For example, a lot of discount stores have increased sales; however, these kinds of businesses are not typically located in the unincorporated communities.

Supervisor Jacob wanted to be sure this difference was brought to the Board’s attention. She suggested that we budget on the lower number and hope you reach the higher one.

Gary Gallegos, Executive Director, said that we will use the County’s projection for the TDA revenues, and SANDAG projections for the TransNet revenues. We are proposing to use both numbers to develop the draft FY 2010 budget and will continue to monitor them on a regular basis. We can make adjustments month-to-month as we go along.

Supervisor Jacob said that the County typically forecasts a 6 percent property tax revenue increase each year, and that number has been decreased, so it is now at 2 percent. In preparation of the FY 2010 Budget, she hoped SANDAG is not over committing funds it does not have. Mr. Gallegos said that we have already seen a sales tax downturn over the last couple of years. Mr. Cox is forecasting that in the last two quarters of this fiscal year and the first two quarters of this calendar year we will continue to see declines. Then we will hit bottom and will see some economic growth from the federal economic stimulus package.

Supervisor Jacob agreed with this as long as you monitor the situation closely.

Mr. Gallegos stated that on the transit side, our transit operators will build their budgets on these revenue estimates. If we use the more negative number that could lead to cutting services and jobs unnecessarily; however, if we are too optimistic, we may keep service now but have to cut twice as much service later on. We will track revenue trends closely.

Supervisor Jacob asked if the Board will receive monthly reports. Mr. Gallegos replied affirmatively.

Supervisor Jacob thanked Mr. Gallegos for testifying before Congress that federal economic stimulus money should go to local governments.
Councilmember Matt Hall (North County Coastal) suggested that the cities and the County work together to get as accurate information as we can as soon as we can. Sometimes the information from the County lags.

Supervisor Jacob agreed to talk to the County Auditor to see what we can do; however, the County gets its numbers from the state.

Chair Pfeiler asked Mr. Cox what other numbers you use. Mr. Cox replied that there is a direct correlation between sales tax numbers and changes in employment. SANDAG also receives employment data that are used to identify economic trends.

Chair Pfeiler asked if we receive employment numbers early. Mr. Cox replied affirmatively. He also said that we have a service that tracks sales tax information on a quarterly basis. We try to supplement that data with other sources of information. We have been reporting on the financial status to the Board on a monthly basis.

Mr. Gallegos noted that there are big revenue impacts to our transit operations.

Mr. Cox said that at yesterday's MTS Executive Committee meeting, Paul Jablonski, MTS Executive Director, mentioned that a 1 percent reduction in revenue will result in staff cutbacks. If we cut staff and then have to hire them back we could incur additional re-training costs.

Second Vice Chair Dale asked for clarification related to the Modeling and Research and Internal and External Communications work elements on page 4 of the agenda report. Mr. Watson responded that some of those efforts are for the Criminal Justice Research Division efforts, most of which have dedicated grant funds. The Internal and External Communication elements typically use flexible funding.

Second Vice Chair Dale stated that with all the questions about future funding, should these elements remain a priority? Can we use those dollars somewhere else? Mr. Gallegos suggested that during these lean times you need to spend more efforts to communicate internally and externally. This is how we advocated for federal economic stimulus dollars. We have been working with the cities and County on developing an economic stimulus package for the region as a whole. It is important to communicate with cities and the County, and with state and federal governments.

Second Vice Chair Dale said he was referring more to the section on records management and records security. Julie Wiley, General Counsel, said that on page 27 are objective paragraphs for each area of emphasis. Several of these relate to the Automated Regional Justice Information System (ARJIS) and have dedicated funding. Other communications areas are statutory mandates in federal and state law. Some money is flexible but others are dedicated or are prior commitments.

Mayor Mary Sessom (East County) asked about those programs, such as goods movement, where we expect matching funds from another source. Mr. Gallegos said that we were successful in getting $100 million in Proposition 1B (Prop. 1B) bond funding for local goods movement projects, but those bond funds are for construction, and they have to be matched by the Port of San Diego. We have been working with the Port on that local match. The way the bond dollars work is that they are the last dollar into a project. We have
been partners with Caltrans and the Port in our goods movement efforts. If the Port is not able to bring the matching funds, then we will explore transferring the money to other eligible goods movement projects, possibly in the LOSSAN rail corridor. For coastal rail projects, TransNet would be the likely source of matching funds.

Councilmember Hall suggested that we should focus on how we communicate our story. We really need to take a proactive stance on some of the positive things we are doing. We are ahead of the curve, and we need to tell our story.

Supervisor Jacob said that one of the great examples of our external communication efforts is how Mr. Gallegos has been so aggressive with bringing all the cities and the County together on developing projects for the economic stimulus package. We are way ahead of a lot of regions and that is a great message. That takes leadership and it’s a good story.

Councilmember Hall mentioned the proposal to keep the Prop. 1B road projects going. We are being proactive, and that’s an unbelievable story.

Mayor Ron Morrison (South County) mentioned that we tried going to Sacramento to explain that proposal to legislators, but they didn’t understand the concept.

Chair Pfeifer agreed that we need to get the story to the public.

Chair Pfeiler asked if there were any “a-ha” moments during this new budget development process. Mr. Watson said that staff is working more closely together and projects are coming together in a more cross-functional way. Mr. Gallegos said that one item we have recognized is to consistently update the communications piece so we are more proactive in telling our story.

First Vice Chair Stocks agreed that we need to have constant and regular communications.

Councilmember Hall said that we face the same thing on a local basis. We need to provide the public with the facts.

**Action:** This item was presented for information only.

3. **LEGISLATIVE STATUS REPORT (INFORMATION)--Continued**

Chair Pfeiler referred back to Agenda Item No. 3 and asked staff for any updates.

Victoria Stackwick, Associate Legislative Analyst, said that on the federal economic stimulus package, the conference report was released at 7 p.m. last night. She referred to a handout for this item. Ms. Stackwick reported that San Diego can compete for high-speed rail funds in this package. Another exciting piece includes $1.5 million in grants to state and local governments and transit agencies. There is a requirement for an equitable geographic distribution of the funds. Within 90 days the Secretary of Transportation will publish criteria and announce awards no later than one year from enactment. We are waiting to see when the President signs the legislation and the bill is enacted. This package totals approximately $789.5 billion.
Supervisor Jacob asked how much of this total is for infrastructure projects. Mr. Gallegos responded that there is about $40-$50 billion for transportation infrastructure. Supervisor Jacob noted that that figure was very low considering the size of the overall economic recovery package.

Ms. Stackwick said that one of the concerns was the spend-out rates—in other words, how quickly the Federal Highway Administration (FHWA) and the Federal Transportation Administration (FTA) can get the money out the door and spent.

Supervisor Jacob asked Ms. Stackwick to find out the total infrastructure amounts, beyond just transportation. Ms. Stackwick agreed to provide her staff those figures. Mr. Gallegos said that a ballpark figure for San Diego through existing federal transportation formulas is $200-$400 million. Ms. Stackwick added that we will need to better refine those numbers once the final figures are apportioned.

Mr. Gallegos noted that we also can compete for Amtrak dollars. However, the bottom line is that the total infrastructure funding will be substantially less than what we said we needed.

Ms. Stackwick said that the first 50 percent of funds for highway projects need to be obligated within 120 days.

Second Vice Chair Dale asked if this money was only for new construction and maintenance, but not for operations. He said that one of the great issues is that while we can build transit we have no money to operate it. Can we transfer funds so we can give a boost of money to keep transit going? Ms. Stackwick replied that the economic stimulus transit funding is all for capital purposes.

Kim Kawada, Policy and Legislative Affairs Program Manager, said that some of the federal transit formula funds can be used for preventative maintenance activities.

Mr. Gallegos agreed that we still have a major issue on how to fund transit operations. There is a distinct possibility that the State Transit Assistance (STA) program will be cut. We are running out of operating dollars for transit.

Councilmember Hall asked if there is any benefit to working with other councils of governments (COGs) to try and get a large share of money for rail maintenance and rehabilitation. Mr. Gallegos replied that the short answer is yes. That is the strength of LOSSAN in that it includes all the rail corridor agencies from San Diego to San Luis Obispo. That is being coordinated throughout the state through the Caltrans Rail Division. There are some plans as to what is needed in the LOSSAN rail corridor. Building infrastructure in other locations along the line can help improve travel time from Los Angeles to San Diego.

Mayor Morrison said that some areas on the rail line are falling apart. Can this money be used to bring our older lines up to current standards? Mr. Gallegos answered that we have been working with MTS on other money that would come through for that purpose. The highest priority for MTS is Blue Line Trolley Rehabilitation. We see these federal economic stimulus dollars as a source to match our TransNet sales tax and Prop. 1B funding to advance the Blue Line rehabilitation project.
On the state side, Genevieve Morelos, Senior Legislative Analyst, reported that we have been hearing that the “Big Five” have reached agreement on the state budget. The Assembly will meet soon to vote on it. There are $15.8 billion in spending cuts, $14 billion in new taxes, and $14 billion in borrowing. The new taxes include a 1 percent increase in the state sales tax, income tax surcharges, a gas tax hike, and an increase in Vehicle License Fees (VLF). There also would be increased private-public partnership opportunities, California Environmental Quality Act (CEQA) waivers, and design-build provisions. Propositions 42 and 1A funding would remain whole. The STA program would be zeroed out, though the STA program itself would remain in place.

First Vice Chair Stocks said that STA being zeroed out will have a big impact on our transit operators. Out of a $70 million North County Transit District (NCTD) budget, $10 million came from STA. This is a serious situation. We have a “green” Sacramento that wants us to reduce vehicle miles of travel and greenhouse gas emissions, and they are zeroing out mass transit funding from the budget.

Mr. Gallegos said he had a chance to talk with Senator Ducheny, who chairs the Senate Budget Committee, about what the Legislature is going to do for transit. He said that what has happened is we have “black-boxed” almost the entire budget in Sacramento. There are very few flexible funding sources. One of the unprotected sources of funding is transit. The Legislature is going after the pieces that are unprotected in order to fund other priorities.

Supervisor Jacob stated that she was in Sacramento yesterday. There are five people trying to put together this deal, and none of the other legislators know what is going on, let alone local government. They don’t have the votes for approval.

6. REVIEW OF FEBRUARY 27, 2009, DRAFT BOARD AGENDA (APPROVE)

Diane Eidam, Deputy Executive Director, indicated that the first three items on the draft agenda are standard. There are five items listed on the Consent Calendar. Staff suggests moving the first item on the Consent Calendar to the Reports section of the agenda. She reviewed the remaining suggested agenda items. She noted that there also is a proposed closed session regarding a claim; however, it is not on one of our projects.

Action: Upon a motion by First Vice Chair Stocks, and a second by Second Vice Chair Dale, the Executive Committee voted to approve the agenda for the February 27, 2009, Board of Directors meeting, as amended.

7. UPCOMING MEETINGS

The next meeting of the Executive Committee is scheduled for Friday, March 13, 2009, at 9 a.m.

8. ADJOURNMENT

Chair Pfeiler adjourned the meeting at 9:57 a.m.

Attachment: Attendance Sheet
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<td>Ron Morrison</td>
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