EXECUTIVE COMMITTEE AGENDA

Friday, July 10, 2009
9 to 10 a.m.
SANDAG, 7th Floor Conference Room
401 B Street
San Diego

AGENDA HIGHLIGHTS

• ANNUAL REVIEW OF SANDAG INVESTMENT AND INTEREST RATE SWAP POLICIES

• MARINE LIFE PROTECTION ACT INITIATIVE COMMENT LETTER

• STATE LEGISLATIVE STATUS REPORT

PLEASE TURN OFF CELL PHONES DURING THE MEETING

MISSION STATEMENT

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus, makes strategic plans, obtains and allocates resources, plans, engineers, and builds public transit, and provides information on a broad range of topics pertinent to the region’s quality of life.
Welcome to SANDAG. Members of the public may speak to the Executive Committee on any item at the time the Committee is considering the item. Please complete a Speaker’s Slip, which is located in the rear of the room, and then present the slip to Committee staff. Also, members of the public are invited to address the Committee on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Speakers are limited to three minutes. The Executive Committee may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org under meetings on SANDAG’s Web site. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form also available on the Web site. E-mail comments should be received no later than noon, two working days prior to the Executive Committee meeting.

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**EXECUTIVE COMMITTEE**  
Friday, July 10, 2009

<table>
<thead>
<tr>
<th>ITEM #</th>
<th>RECOMMENDATION</th>
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<tr>
<td>+1.</td>
<td>APPROVAL OF JUNE 12, 2009, MEETING MINUTES</td>
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<tr>
<td>2.</td>
<td>APPROVE</td>
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<td>+2.</td>
<td>PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS</td>
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</table>

Members of the public will have the opportunity to address the Executive Committee on any issue within the jurisdiction of the Committee that is not on this agenda. Speakers are limited to three minutes each and shall reserve time by completing a “Request to Speak” form and giving it to the Clerk prior to speaking. Committee members also may provide information and announcements under this agenda item.

**CHAIR’S REPORT (3)**

| +3. | PERFORMANCE EVALUATION OF EXECUTIVE DIRECTOR |

Pursuant to the employment agreement with the Executive Director, the Board of Directors shall annually review his performance. If the Executive Director’s performance is determined to be satisfactory, the Board of Directors shall adjust his base salary in accordance with the employment agreement provisions. The Executive Committee recommends that the Board of Directors approve: (1) the Executive Director’s performance evaluation for the period July 2008 to June 2009; and (2) performance objectives for the upcoming evaluation period July 2009 to June 2010.

**REPORTS (4 through 8)**

| +4. | ANNUAL REVIEW AND PROPOSED AMENDMENTS TO BOARD POLICY NO. 003: INVESTMENT POLICY, AND ANNUAL REVIEW OF BOARD POLICY NO. 032: SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION INTEREST RATE SWAP POLICY (Lauren Warrem) |

The required annual review of Board Policy Nos. 003: Investment Policy, and 032: San Diego County Regional Transportation Commission Interest Rate Swap Policy, has been conducted by the Director of Finance and the SANDAG investment advisor, Public Financial Management (PFM). There are two recommended changes to Policy No. 003, and no recommended changes to Policy No. 032. The Executive Committee is asked to recommend that the Board of Directors approve the proposed changes to SANDAG Board Policy No. 003, as shown in Attachment 2.
The Marine Life Protection Act Initiative has been working on designating Marine Protection Areas (MPA) within the Southern California region, which includes San Diego County. Certain MPA designations have the potential to affect the ability of local coastal jurisdictions to carry out shoreline management and other activities along the coastline. Staff has drafted a letter outlining concerns consistent with the SANDAG Shoreline Preservation Strategy and Regional Comprehensive Plan. The Executive Committee is asked to recommend that Board of Directors approve the submittal of the Marine Life Protection Act comment letter in substantially the same form as attached.

State law requires SANDAG to submit in each even-numbered year a report on the progress of the agency consolidation under Senate Bill 1703 and Assembly Bill 361. The 2008 progress reports highlights major accomplishments and identifies future challenges and opportunities. The Executive Committee is asked to accept the 2008 Progress Report on Consolidation for distribution to the Governor and Legislature, in substantially the same form as attached.

Periodic status reports on legislative activities are provided to the Executive Committee during the year. This report provides a summary of the key elements of the state budget as well as an update on the status of SANDAG-proposed amendments to Senate Bill 575. The Executive Committee is asked to discuss possible amendments to Senate Bill 575.

The August 14, 2009, meeting of the Executive Committee has been cancelled. The next meeting of the Executive Committee is scheduled for September 11, 2009, at 9 a.m.

ADJOURNMENT
EXECUTIVE COMMITTEE DISCUSSION AND ACTIONS
JUNE 12, 2009

Chair Lori Holt Pfeiler (North County Inland) called the Executive Committee meeting to order at 9:01 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 Mayor Jerry Sanders (City of San Diego), the minutes of the May 8, 2009, Executive Committee meeting were unanimously approved.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBERS COMMENTS

Gary Gallegos, Executive Director, noted the new parking policy scheduled for implementation on July 1, 2009: parking validation shall only be provided for the period of time you are conducting business at SANDAG and shall be limited to a maximum of two hours. However, parking for Board/Policy Advisory Committee members will be validated for the time required for them to attend Board/Policy Advisory Committee meetings.

In response to questions by Committee members, Mr. Gallegos said that we will monitor this new policy and if it doesn’t work, we will come back to the Committee.

Imperial Beach Mayor Jim Janney (South County) expressed a concern about what appeared to be a reduction in the number of disabled parking spaces in the Wells Fargo parking garage. Mr. Gallegos said he would look into the matter.

3. REPORTS (3 through 6)

PROPOSED AMENDMENT TO SANDAG POLICY NO. 031: TransNet ORDINANCE AND EXPENDITURE PLAN RULES (RECOMMEND)

SANDAG Board Policy No. 031 provides administrative guidance for implementing the TransNet Ordinance, including guidance for conducting the annual fiscal audits for TransNet recipients. The proposed amendment to Board Policy No. 031 would provide additional clarification of various practices associated with the annual TransNet fiscal audits and the Regional Transportation Congestion Improvement Program. The Independent Taxpayer Oversight Committee (ITOC), which has the overall responsibility to conduct the annual fiscal audits, is scheduled to review the proposal at its June 10, 2009, meeting. The Executive
Committee is asked to recommend that the Board of Directors approve the proposed changes to excerpts of SANDAG Board Policy No. 031, as attached to the report, pending adoption of proposed Commission Ordinance 09-01.

Lauren Warrem, Acting Director of Finance, provided the staff report.

Action: Upon a motion by First Vice Chair Stocks, and a second by Supervisor Dianne Jacob (County of San Diego), the Executive Committee voted to recommend that the Board of Directors approve the proposed changes to excerpts of SANDAG Board Policy No. 031, as shown in Attachment 1, pending adoption of proposed Commission Ordinance 09-01.

4. ANNUAL REVIEW OF COMMITTEES AND WORKING GROUPS (APPROVE)

As required by Board Policy, an annual review of all of existing lower-level SANDAG committees and working groups has been conducted to determine whether they should continue and/or if any of their responsibilities need to be modified. The Executive Committee is asked to approve the continuation of the committees and working groups as described in the agenda item.

Victoria Stackwick, Associate Legislative Analyst, provided the staff report.

Action: Upon a motion by Second Vice Chair Jack Dale (East County), and a second by Mayor Jerry Sanders (City of San Diego), the Executive Committee approved the continuation of the committees and working groups as described in the agenda report.

5. LEGISLATIVE STATUS REPORT (INFORMATION)

A. Federal Legislative Status Report – Victoria Stackwick, Associate Legislative Analyst, provided an update on FY 2010 federal budget proposals, American Recovery and Reinvestment Act funding, the next federal surface transportation authorization, and federal funding for transit operations.

B. State Legislative Status Report – Genevieve Morelos, Senior Legislative Analyst, provided a summary of the May 19, 2009, statewide special election results and the key elements of the Governor’s May Revision as well as an update on the status of SANDAG-proposed amendments to Senate Bill 575.

Action: This item was presented for information only.

6. REVIEW OF JUNE 26, 2009, DRAFT BOARD AGENDA (APPROVE)

Renée Wasmund, Chief Deputy Executive Director, reviewed the draft agenda for the June 26, 2009, Board of Directors meeting.

Action: Upon a motion by Second Vice Chair Dale, and a second by Supervisor Jacob, the Executive Committee voted to approve the agenda for the June 26, 2009, Board of Directors meeting, as revised.
7. UPCOMING MEETINGS

The next Executive Committee meeting is scheduled for Friday, July 10, 2009.

8. ADJOURNMENT

Chair Pfeiler adjourned the meeting at 9:54 a.m.

Attachment: Attendance Sheet
## CONFIRMED ATTENDANCE
### SANDAG EXECUTIVE COMMITTEE MEETING
#### JUNE 12, 2009

<table>
<thead>
<tr>
<th>GEOGRAPHICAL AREA</th>
<th>JURISDICTION</th>
<th>NAME</th>
<th>MEMBER/ALTERNATE</th>
<th>ATTENDING</th>
<th>IN</th>
<th>OUT</th>
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ANNUAL REVIEW AND PROPOSED AMENDMENTS TO BOARD POLICY NO. 003: INVESTMENT POLICY, AND ANNUAL REVIEW OF BOARD POLICY NO. 032: SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION INTEREST RATE SWAP POLICY

Introduction

As required by Board Policy Nos. 003 and 032, an annual review has been conducted of the policies by the Director of Finance and the SANDAG investment advisor, Public Financial Management (PFM). No changes are recommended for Board Policy No. 032; however, there are two recommended amendments to Board Policy No. 003, which are discussed below.

Discussion

SANDAG Board Policy No. 032: San Diego County Regional Transportation Commission Interest Rate Swap Policy

As stated in Section 1 of Board Policy No. 032 (Attachment 1), the policy is to be reviewed and updated at least annually and presented to the Board of Directors for approval. Day-to-day responsibility for management of interest rate swaps falls within the responsibilities of the Director of Finance. The Director of Finance, in consultation with the SANDAG investment advisor, PFM, reviewed Board Policy No. 032 and does not recommend any changes at this time.

SANDAG Board Policy No. 003: Investment Policy

The Director of Finance, in consultation with PFM, is proposing two revisions to SANDAG Board Policy No. 003. The proposed revisions are shown in Attachment 2, and are discussed below.

To address credit downgrades subsequent to the purchase of an investment, a revision to Section 8.1 is proposed. The policy does not currently describe the procedures to be followed if there is a credit rating downgrade to any of the securities in the investment portfolio. The lack of any specific requirements could create confusion as to how to handle a credit downgrade if one were to occur. As each situation is unique, it is recommended that the policy be modified to provide a process for the security to be reviewed without mandating any specific outcome. Consequently, language is proposed to be added to the end of Section 8.1.
The current policy restricts the maximum maturity of an investment to five years from the purchase date to maturity date. Occasionally, circumstances may arise where it may be to SANDAG’s benefit to purchase securities with maturities beyond five years, such as endowment funds. This flexibility is provided for by Government Code Section 53601. As such, a revision to Section 9.2 is proposed.

Following Executive Committee review, the SANDAG Board of Directors is scheduled to take action on the proposed amendments to Board Policy No. 003 at its July 24, 2009, meeting.

LAUREN WARREM
Director of Finance (Acting)

Attachments: 1. Board Policy No. 032: San Diego County Regional Transportation Commission Interest Rate Swap Policy
   2. Board Policy No. 003: Investment Policy

Key Staff Contact: Lisa Kondrat-Dauphin, (619)699-1942, lko@sandag.org
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
INTEREST RATE SWAP POLICY

The purpose of the Interest Rate Swap Policy of the San Diego County Regional Transportation Commission (SANDAG) is to establish guidelines for the use and management of interest rate swaps and options. The “Interest Rate Swap Policy” or the “Policy” is intended to provide general procedural direction regarding the use, procurement and execution of interest rate swaps. The Policy is intended to relate to various interest rate hedging techniques, including the contractual exchange of different fixed and variable rate payment streams through interest rate swap agreements and is not intended to relate to other derivative products that SANDAG may consider.

SANDAG is authorized under California Government Code Section 5922 to enter into interest rate swaps to manage the amount and duration of rate, spread, or risk when used in combination with the issuance of bonds or notes.

1. Scope and Authority

This Interest Rate Swap Policy shall govern SANDAG’s use and management of all interest rate swaps and options. While adherence to this Policy is required in applicable circumstances, SANDAG recognizes that changes in the capital markets, SANDAG’s programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate provided specific authorization from the Board of Directors is obtained.

The Interest Rate Swap Policy shall be reviewed and updated at least annually and presented to the Board of Directors for approval. Day-to-day responsibility for management of interest rate swaps shall fall within the responsibilities of the Director of Finance.

SANDAG shall be authorized to enter into interest rate swap transactions only with qualified swap counterparties. The Director of Finance, in consultation with SANDAG’s bond counsel and financial advisor, shall have authority to select the counterparties, so long as the criteria set forth in the Interest Rate Swap Policy are met.

2. Approach and Objectives

Interest rate swaps and options are appropriate interest rate management tools that can help SANDAG meet important financial objectives. Properly used, these instruments can increase SANDAG’s financial flexibility, hedge exposure to interest rate risk, provide opportunities for interest rate savings or enhanced investment yields, and help SANDAG manage its balance sheet through better matching of assets and liabilities. Swaps should be integrated into SANDAG’s overall debt program and should not be used for speculation or leverage.
Swaps are appropriate to use when they achieve a specific objective consistent with SANDAG’s overall financial strategies. They may be used, for example, to lock in a current market fixed rate or create additional variable rate exposure. They may also be used to produce interest rate savings, to limit or hedge variable rate exposure, to alter the pattern of debt service payments or for asset/liability matching purposes. Swaps may be used to cap, limit or hedge variable rate payments. Options granting the right to commence or cancel an underlying swap may be used to the extent the swap itself is consistent with these guidelines or SANDAG determines there are other advantages to be derived in purchasing or granting the option; however, SANDAG must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and SANDAG’s objectives. SANDAG, together with SANDAG’s financial advisor and bond counsel, shall periodically review SANDAG’s swap guidelines and recommend appropriate changes.

3. Conditions for Use of Interest Rate Swaps and Options

3.1 Rationale

SANDAG may use interest rate swaps and options if it is reasonably determined that the proposed transaction is expected to:

3.1.1 Optimize capital structure, including schedule of debt service payments and/or fixed vs. variable rate allocations.

3.1.2 Achieve appropriate asset/liability match.

3.1.3 Reduce risk, including:

3.1.3.1 Interest rate risk;

3.1.3.2 Tax risk; or

3.1.3.3 Liquidity renewal risk.

3.1.4 Provide greater financial flexibility.

3.1.5 Generate interest rate savings.

3.1.6 Enhance investment yields.

3.1.7 Manage exposure to changing markets in advance of anticipated bond issuances (through the use of anticipatory hedging instruments).

3.2 Benefit Expectation

Financial transactions, using fixed rate swaps or other derivative products, should result in debt service savings of at least 2% when compared to the projected debt service SANDAG would consider for traditional bonds or notes. This threshold will serve as a guideline and will not apply should the transaction, in SANDAG’s sole judgment, meet any of the other objectives outlined herein. The debt service savings target reflects the greater complexity and higher risk of derivative financial instruments. Such comparative savings analyses shall include, where applicable, the consideration of the probability (based on historical interest rate indices, where
applicable, or other accepted analytic techniques) of the realization of savings for both the derivative and traditional structures.

For example, assuming a refunding of $100 million of existing bonds, if a traditional fixed rate advance refunding that does not use derivative products would have a present value savings threshold of $5.0 million, which is 5.0% of the refunded par, then a refunding structure utilizing a derivative product would have to achieve a threshold of $7.0 million in present value savings, or 7.0% of the refunded par. Therefore, the transaction utilizing a swap or other derivative product would have to generate an additional $2.0 million to meet the target. Such analysis should consider structural differences in comparing traditional vs. derivative alternatives, e.g., the non-callable nature of derivative transactions.

For variable rate or other swap transactions that do not result in a fixed interest rate, SANDAG will evaluate any additional value generated through the transaction in assessing the benefits of proceeding, including the ability to meet the objectives outlined herein. These benefits include, for example, managing interest rate or tax risk, optimizing the capital structure or further reducing interest expense.

In determining any benefit in implementing a fixed-to-variable swap, the cost of remarketing, in addition to the cost of credit enhancement or liquidity fees, must be added to the projected variable rate of the bonds or notes. Such a calculation should consider the trading performance of comparable bonds or notes and any trading premium resulting from a specific form of credit enhancement or liquidity and/or any impact related to broader industry trends.

3.3 Maximum Notional Amount

SANDAG will limit the total notional amount of outstanding interest rate swaps based on the proper management of risks, calculation of termination exposure, and development of a contingency plan. The total “net notional amount” of all swaps related to a bond or note issue should not exceed the outstanding or expected to be issued par amount of the related bonds or notes. For purposes of calculating the net notional amount, credit shall be given to any fixed versus variable rate swaps that offset for a specific bond or note transaction.

3.4 Maximum Maturity

SANDAG shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. In connection with the issuance or carrying of bonds or notes, the term of the swap agreement between SANDAG and a qualified swap counterparty shall not extend beyond the final maturity date of the related bonds or notes.

3.5 Liquidity Considerations

SANDAG shall consider the impact of any variable rate bonds or notes issued in combination with an interest rate swap on the availability and cost of liquidity support for other variable rate programs. SANDAG recognizes that there is a limited supply of letter of credit or liquidity facility support for SANDAG’s variable rate bonds or notes, and the usage of liquidity support in connection with an interest
rate swap may result in higher overall financing costs. SANDAG shall consider the benefits of not using liquidity when using a fixed rate bond in conjunction with a swap to variable to create synthetic variable rate debt.

3.6 Call Option Value Considerations

When considering the relative advantage of an interest rate swap to fixed rate bonds, SANDAG will consider the value of the call option on fixed rate bonds, or the cost of including a call or cancellation option in a swap. The value derived from the ability to call bonds at a future date is foregone when using a “non-callable” swap for the remaining term of the bonds. While fixed rate bonds are typically structured with a call provision at a certain time, after which the bonds may be refunded, this opportunity may be lost through the utilization of a long-dated “non-callable” swap, impairing SANDAG’s ability to reap economic savings, unless this option is specifically included under the swap.

4. Interest Rate Swap Features

4.1 Interest Rate Swap Agreement

SANDAG will use terms and conditions as set forth in the International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement. The swap agreement between SANDAG and each swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as SANDAG, in consultation with its bond and general counsel and financial advisor, deems necessary or desirable.

Subject to the provisions contained herein, the terms of SANDAG’s swap agreement shall use the following guidelines:

4.1.1 SANDAG’s downgrade provisions triggering termination shall in no event be worse than those affecting the counterparty.

4.1.2 Governing law for swaps will be New York or California.

4.1.3 The specified indebtedness related to credit events in any swap agreement should be narrowly defined and refer only to indebtedness of SANDAG that could have a materially adverse affect on SANDAG’s ability to perform its obligations under the swap.

4.1.4 Collateral thresholds for the swap provider, and for SANDAG if applicable, should be set on a sliding scale reflective of credit ratings of the swap provider or guarantor. Collateral should be held by an independent third party.

4.1.5 Eligible collateral is outlined in Appendix A.

4.1.6 Termination value should be set by a “market quotation” methodology, unless SANDAG deems an alternative methodology to be appropriate.
4.1.7 SANDAG will consider the use of swap insurance to mitigate possible termination risk and also to mitigate the need for SANDAG to post collateral under the Credit Support Annex.

4.2 Interest Rate Swap Counterparties

4.2.1 Credit Criteria

SANDAG will only do business with highly rated counterparties or counterparties whose obligations are supported by highly rated parties. SANDAG will structure swap agreements to protect itself from credit deterioration of counterparties, including the use of credit support annexes or other forms of credit enhancement to secure counterparty performance. Such protection shall include any terms and conditions in SANDAG's sole discretion are necessary or appropriate or in SANDAG's best interest.

SANDAG will make its best efforts to work with qualified swap counterparties that at the time of execution of a swap transaction have a general credit rating of: (i) at least “Aa3” or “AA-” by one of the nationally recognized rating agencies and not rated lower than “A2” or “A” by any nationally recognized rating agency, or (ii) have a “AAA” subsidiary as rated by at least one nationally recognized credit rating agency. The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services, and Fitch Ratings.

For lower rated (below “AA-“) counterparties, SANDAG will seek credit enhancement in the form of:

4.2.1.1 Contingent credit support or enhancement;
4.2.1.2 Collateral consistent with the policies contained herein;
4.2.1.3 Ratings downgrade triggers; or
4.2.1.4 Guaranty of parent, if any.

In addition, qualified swap counterparties must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market.

4.3 Limitations on Termination Exposure to a Single Counterparty

In order to diversify SANDAG's counterparty credit risk, and to limit SANDAG's credit exposure to any one counterparty, limits will be established for each counterparty based upon both the credit rating of the counterparty as well as the relative level of risk associated with each existing and proposed swap transaction. The guidelines below provide general termination exposure guidelines with respect to whether SANDAG should enter into an additional transaction with an existing counterparty. SANDAG may make exceptions to the guidelines at any time to the extent that the execution of a swap achieves one or more of the goals outlined in these guidelines or provides other benefits to SANDAG. In general, the maximum Net Termination Exposure, as defined below, to any single counterparty should be set so that it does
not exceed a prudent level as measured against the available financial resources of SANDAG.

Such guidelines will also not mandate or otherwise force automatic termination by SANDAG or the counterparty. Maximum Net Termination Exposure is not intended to impose retroactively any terms and conditions on existing transactions. Such provisions will only act as guidelines in making a determination as to whether or not a proposed transaction should be executed given certain levels of existing and projected net termination exposure to a specific counterparty. Additionally, the guidelines below are not intended to require retroactively additional collateral posting for existing transactions. Collateral posting guidelines are described in the “Collateral Requirements” section below. The calculation of net termination exposure per counterparty will take into consideration multiple transactions, some of which may offset the overall exposure to SANDAG.

Under this approach, SANDAG will set limits on individual counterparty exposure based on existing as well as new or proposed transactions. The sum of the current market value and the projected exposure shall constitute the Maximum Net Termination Exposure. For outstanding transactions, current exposure will be based on the market value as of the last quarterly swap valuation report provided by the financial advisor. Projected exposure shall be calculated based on the swap’s potential termination value taking into account possible adverse changes in interest rates as implied by historical or projected measures of potential rate changes applied over the remaining term of the swap.

For purposes of this calculation, SANDAG shall include all existing and projected transactions of an individual counterparty and all transactions will be analyzed in aggregate such that the maximum exposure will be additive.

The exposure thresholds, which will be reviewed periodically by SANDAG to ensure that they remain appropriate, will also be tied to credit ratings of the counterparties and whether or not collateral has been posted as shown in the table below. If a counterparty has more than one rating, the lowest rating will govern for purposes of the calculating the level of exposure.

The following chart provides the Maximum Net Termination Exposure to a swap counterparty given the lowest credit rating.

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If the exposure limit is exceeded by a counterparty, SANDAG shall conduct a review of the exposure limit per counterparty. SANDAG, in consultation with its bond counsel and financial advisor, shall explore remedial strategies to mitigate this exposure.

4.4 Collateral Requirements

As part of any swap agreement, SANDAG may require collateralization or other forms of credit enhancements to secure any or all swap payment obligations. As appropriate, SANDAG may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

4.4.1 Each counterparty to SANDAG may be required to post collateral (subject to applicable thresholds) if the credit rating of the counterparty or parent falls below the “AA” category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the Credit Support Annex of the ISDA Agreement between each counterparty and SANDAG.

4.4.2 Threshold amounts shall be determined by SANDAG on a case-by-case basis. SANDAG will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.

4.4.3 In determining maximum uncollateralized exposure, SANDAG shall also consider and include, as applicable, financial exposure to the same corporate entities that it may have through other forms of financial dealings, such as securities lending agreements and commercial paper investments.

4.4.4 Collateral shall be deposited with a third party trustee, or as mutually agreed upon between SANDAG and the counterparty.

4.4.5 A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty. A complete list of acceptable securities and valuation percentages are included as Attachment A.

4.4.6 The market value of the collateral shall be determined on at least a weekly basis, or more frequently if SANDAG determines it is in SANDAG’s best interest given the specific collateral security.

4.4.7 SANDAG shall determine on a case-by-case basis whether other forms of credit enhancement are more beneficial to SANDAG.

4.5 Swap Insurance

If, after a cost/benefit analysis, it is determined that it would be beneficial to insure the interest rate swap, swap insurance will be pursued.

4.6 Security and Source of Repayment

SANDAG will generally use the same security and source of repayment (pledged revenues) for the interest rate swap as is used for the related bond or note issue.
4.7 Prohibited Interest Rate Swap Features

SANDAG will not use interest rate swaps that are: (i) speculative or create extraordinary leverage or risk, (ii) lack adequate liquidity to terminate without incurring a significant bid/ask spread, (iii) provide insufficient price transparency to allow reasonable valuation, or (iv) are used as investments.

5. Evaluation and Management of Interest Rate Swap Risks

Prior to the execution of any swap transaction, SANDAG’s Director of Finance, financial advisor and bond counsel shall evaluate the proposed transaction and report the findings to SANDAG’s Board. Such a review shall include the identification of the proposed benefit and potential risks. As part of this evaluation, SANDAG shall compute the Maximum Net Termination Exposure to the proposed swap counterparty.

5.1 Evaluation Methodology

SANDAG will review the following areas of potential risk for new and existing interest rate swaps:

<table>
<thead>
<tr>
<th>Type of Risk</th>
<th>Description</th>
<th>Evaluation Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basis Risk</td>
<td>The mismatch between actual variable rate debt service and variable rate indices used to determine swap payments.</td>
<td>SANDAG will review historical trading differentials between the variable rate bonds or notes and the index.</td>
</tr>
<tr>
<td>Tax Risk</td>
<td>The risk created by potential tax events that could affect swap payments.</td>
<td>SANDAG will review the tax events in proposed swap agreements. It will also evaluate the impact of potential changes in tax law on LIBOR indexed swaps.</td>
</tr>
<tr>
<td>Counterparty Risk</td>
<td>The risk that the counterparty fails to make required payments.</td>
<td>SANDAG will monitor exposure levels, ratings thresholds and collateralization requirements.</td>
</tr>
<tr>
<td>Termination Risk</td>
<td>The risk that the transaction is terminated in a market dictating termination payment by SANDAG.</td>
<td>SANDAG will compute its termination exposure for all existing and proposed swaps at market value and under a worst-case scenario. SANDAG will consider use of swap insurance to mitigate this risk.</td>
</tr>
<tr>
<td>Rollover Risk</td>
<td>The mismatch of the maturity of the swap and the maturity of the underlying bonds or notes.</td>
<td>SANDAG will determine its capacity to issue variable rate bonds or notes that may be outstanding after the maturity of the swap.</td>
</tr>
<tr>
<td>Liquidity Risk</td>
<td>The inability to continue or renew a liquidity facility.</td>
<td>SANDAG will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt and will consider the use of variable rate debt that does not require liquidity (e.g., auction rate securities)</td>
</tr>
<tr>
<td>Credit Risk</td>
<td>The occurrence of an event modifying the credit rating of the issuer or its counterparty.</td>
<td>SANDAG will monitor the ratings of its counterparties and insurers.</td>
</tr>
</tbody>
</table>
5.2 Managing Interest Rate Swap Risks

5.2.1 Annual Report to the Board

Staff will evaluate the risks associated with outstanding interest rate swaps at least annually and provide a written evaluation to the Board of Directors. This evaluation will include the following information:

5.2.1.1 A description of all outstanding interest rate swaps, including related bond series, types of swaps, rates paid and received by SANDAG, existing notional amount, average life and remaining term of each swap agreement and the current termination value of outstanding swaps.

5.2.1.2 Separately for each swap, the actual debt service requirements versus the projected debt service on the swap transaction. For any swap used as part of a refunding, the actual cumulative savings versus the projected savings at the time the swap was executed.

5.2.1.3 The credit ratings of each swap counterparty, parent, guarantor and credit enhancer insuring the swap payments, if any.

5.2.1.4 Actual collateral posting by swap counterparty, if any, per swap agreement and in total by swap counterparty.

5.2.1.5 Information concerning any material event involving outstanding swap agreements, including a default by a swap counterparty, counterparty downgrade or termination.

5.2.1.6 An updated contingency plan to replace, or fund a termination payment in the event an outstanding swap is terminated.

5.2.1.7 The status of any liquidity support used in connection with interest rate swaps, including the remaining term and current fee.

SANDAG shall review the Interest Rate Swap Policy with the Board at least annually.

5.2.2 Contingency Plan

SANDAG shall determine the termination exposure of each of its swaps and its total swap termination payment exposure at least annually and prepare a contingency plan to either replace the swaps or fund the termination payments, if any, in the event one or more outstanding swaps are terminated. SANDAG shall assess its ability to obtain replacement swaps and identify revenue sources to fund potential termination payments.

5.3 Terminating Interest Rate Swaps

5.3.1 Optional Termination

SANDAG will structure interest rate swaps to include optional termination at the current market valuation, which would allow SANDAG to terminate a
swap prior to its maturity if it is determined that it is financially advantageous to do so, but will not provide this right to the counterparty.

5.3.2 Mandatory Termination

In the event a swap is terminated as a result of a termination event such as a default or credit downgrade of either counterparty, SANDAG will evaluate whether it is financially advantageous to obtain a replacement swap or, depending on market value, make or receive a termination payment.

In the event SANDAG makes a swap termination payment, SANDAG shall attempt to follow the process identified in its swap contingency plan. SANDAG shall also evaluate the economic costs and benefits of incorporating a provision into the swap agreement that will allow SANDAG to make termination payments over time.

6. Disclosure and Financial Reporting

SANDAG will take steps to ensure that there is full and complete disclosure of all interest rate swaps to the SANDAG Board of Directors, rating agencies and in disclosure documents. With respect to its financial statements, SANDAG will adhere to the guidelines for the financial reporting of interest rate swaps as set forth by the Government Accounting Standards Board.

Adopted: November 2005
## APPENDIX A: ACCEPTABLE COLLATERAL

<table>
<thead>
<tr>
<th>SECURITY</th>
<th>VALUATION PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Cash</td>
<td>100%</td>
</tr>
<tr>
<td>(B) (x) Negotiable debt obligations issued by the U.S. Treasury Department or the Government National Mortgage Association (“Ginnie Mae”), or (y) mortgage backed securities issued by Ginnie Mae (but with respect to either (x) or (y) excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service) and in each case having a remaining maturity of:</td>
<td></td>
</tr>
<tr>
<td>(i) less than one year</td>
<td>99%</td>
</tr>
<tr>
<td>(ii) greater than one year but less than 10 years</td>
<td>98%</td>
</tr>
<tr>
<td>(iii) greater than 10 years</td>
<td>95%</td>
</tr>
<tr>
<td>(C) (x) Negotiable debt obligations issued by the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or the Federal Home Loan Mortgage Association (“Fannie Mae”) or (y) mortgage backed securities issued by Freddie Mac or Fannie Mae but excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service.</td>
<td>95%</td>
</tr>
<tr>
<td>(D) Any other collateral acceptable to SANDAG’s sole discretion.</td>
<td>The valuation percentage shall be determined by the Valuation Agent from time to time and in its reasonable discretion.</td>
</tr>
</tbody>
</table>

For example, if a counterparty is required to post $1.0 million of collateral and wished to use Ginnie Mae’s with five years remaining to maturity, it would be required to post $1,052,632 ([$1.0 million/0.95]) to satisfy the collateral requirement.
APPENDIX B: GLOSSARY OF TERMS

Asset/Liability Matching
Matching the term and amount of assets and liabilities in order to mitigate the impact of changes in interest rates.

Bid/Ask Spread
The difference between the bid price (at which a market maker is willing to buy) and the ask price (at which a market maker is willing to sell).

Call Option
The right to buy an underlying asset (e.g. a municipal bond) after a certain date at a certain price. A call option is frequently embedded in a municipal bond, giving the issuer the right to buy, or redeem, the bonds at a certain price.

Collateral
Assets pledged to secure an obligation. The assets are potentially subject to seizure in event of default.

Downgrade
A negative change in credit ratings.

Forward Starting Swap
Interest rate swap that starts at some time in the future. Used to lock-in current interest rates.

Hedge
A transaction that reduces the interest rate risk of an underlying security.

Interest Rate Exchange Agreement
An agreement detailing the contractual exchange of interest payment streams between counterparties. Often the exchange of a fixed and a floating interest rate between two parties. Also called an interest rate swap.

Interest Rate Swap
An agreement detailing the contractual exchange of interest payment streams between counterparties. Often the exchange of a fixed and a floating interest rate between two parties. Also called an interest rate exchange agreement.

Liquidity Support:
An agreement by a bank to make payment on a variable rate security to assure investors that the security can be sold.

LIBOR
London Interbank Offered Rate. Often used as an index to compute the variable rate paid on an interest rate swap.

Maximum Net Termination Exposure
The aggregate termination payment for all existing and projected swap transactions that would be paid by an individual counterparty. For purposes of this calculation, the aggregate termination payment is equal to: (i) the termination payment based on the market value of all existing swaps, plus (ii) the expected worst-case termination payment of the proposed transaction. The expected worst-case termination payment shall be calculated assuming interest rates, as measured by the appropriate index (typically the Bond Buyer Revenue Bond Index or Bond Market Association), increase (or decrease) by two standard deviations from the sample mean over a period of time corresponding to the term of the swap.

Notional Amount
The amount used to determine the interest payments on a swap.

Termination Payment
A payment made by a counterparty that is required to terminate the swap. The payment is commonly based on the market value of the swap, which is computed using the rate of the initial swap and the rate on a replacement swap.
INVESTMENT POLICY

1. **Introduction**

   The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy, and to organize and formalize investment-related activities.

   The investment policies and practices of the San Diego Association of Governments (SANDAG) are based upon state law and prudent money management. All funds will be invested in accordance with the SANDAG Investment Policy and California Government Code Sections 53600 et seq. The investment of bond proceeds will be further governed by the provisions of relevant bond documents.

2. **Scope**

   It is intended that this policy cover all funds and investment activities, with the exception of bond proceeds, under the direction or care of SANDAG, including funds of the San Diego County Regional Transportation Commission, SourcePoint, the SANDAG chartered nonprofit corporation, and the Automated Regional Justice Information System (ARJIS). Investment of bond proceeds shall be subject to the conditions and restrictions of bond documents and Treasury regulations related to arbitrage restrictions on tax-exempt bonds.

3. **Prudence**

   All persons authorized to make investment decisions on behalf of SANDAG are trustees and therefore fiduciaries subject to the prudent investor standard: “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

   Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. **Objectives**

   The primary objectives, in priority order, of SANDAG investment activities are:
4.1. Safety. Safety of principal is the foremost objective of the investment program. Investments of SANDAG shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

4.2. Liquidity. The investment portfolio of SANDAG will remain sufficiently liquid to enable SANDAG to meet its cash flow requirements.

4.3. Return on Investment. The investment portfolio of SANDAG shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

5. Delegation of Authority

5.1 The Board of Directors delegates the authority to invest or to reinvest funds, or to sell or exchange securities so purchased, to the Executive Director for a one-year period. The Executive Director is charged with the responsibility for carrying out the policies of the Board of Directors and shall assume full responsibility for investment transactions until the delegation of authority is revoked or expires. In accordance with the SANDAG established system for internal control, all financial transactions of SANDAG require the signature of at least two individuals authorized by the Executive Director.

5.2 For the purposes of carrying out this investment policy, any two of the following individuals are hereby authorized to make investment decisions, in strict accordance with this investment policy, on behalf of SANDAG:

- Executive Director
- Deputy Executive Director
- Director of Finance
- Finance Manager
- Manager of Financial Programming and Project Control
- Such other individuals authorized, in writing, by the Executive Director.

5.3 All accounts established for the purpose of investing SANDAG funds shall require the written authorization of the Executive Director.

5.4 No single individual, acting alone, may engage in an investment activity.

5.5 The Executive Director may delegate investment management and decision authority, via written agreement, to one or more professional investment advisors/managers who are duly qualified and registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. All agents engaged in this capacity shall make all investment decisions and transactions in strict accordance with state law and this investment policy.

5.6 The daily management responsibility for the investment program is assigned to the Director of Finance, who shall monitor and review all investments for consistency with this investment policy.
6. **Ethics (Conflict of Interest)**

Officer, employees and agents thereof involved in the investment process shall comply with state law and refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

7. **Selection of Financial Institutions and Broker/Dealers**

7.1 SANDAG shall transact business only with banks, savings and loan associations, and registered investment securities dealers. The purchase by SANDAG of any investment other than those purchased directly from the issuer shall be either from an institution licensed by the State as a broker/dealer, as defined in Section 25004 of the Corporation Code, who is a member of the Financial Industry Regulatory Authority, or a member of a federally regulated securities exchange, a National or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank. The Director of Finance shall investigate all institutions that wish to do business with SANDAG, in order to determine if they are adequately capitalized, make markets in securities appropriate to the needs of SANDAG, and agree to abide by the conditions set forth in the SANDAG Investment Policy.

7.2 The Director of Finance shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of SANDAG to purchase securities only from those authorized institutions and firms. If SANDAG has contracted investment advisors/managers, the Director of Finance may approve and use a list of authorized broker/dealers provided by the investment advisor/manager.

8. **Permitted Investment Instruments**

8.1 The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Government Code §53601 states that when there is a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Credit requirements listed in the investment policy apply at the time of purchase. In the event a security held by SANDAG is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the Director of Finance shall review the security. The course of action to be followed will then be decided by the Director of Finance and either the Executive Director or the Deputy Executive Director on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. Any credit rating changes below the minimum credit ratings specified for purchase will be reported to the Board of Directors with the next Quarterly Investment Report, along with the findings and any actions taken.

8.2 **Treasury Obligations:** Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

8.3 **Federal Agencies and U.S. Government Sponsored Enterprises:** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
8.4 **State of California Obligations:** Registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the states. Such obligations must be rated A-1/P-1, or equivalent or better short-term; or Aa/AA or better long-term by at least one of the nationally recognized statistical-rating organizations.

8.5 **Local Agency Obligations:** Bonds, notes, warrants, or other evidences of indebtedness issued by any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Such obligations must be rated A-1/P-1, or equivalent or better short-term; or Aa/AA or better long-term by one of the nationally recognized statistical-rating organizations.

8.6 **Repurchase Agreements:** Repurchase Agreements used solely as short-term investments not to exceed 90 days.

- **8.6.1** The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to SANDAG’s custodian bank or handled under a properly executed tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 102 percent of the total dollar value of the money invested by SANDAG for the term of the investment. Since the market value of the underlying securities is subject to daily fluctuation, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

- **8.6.2** Market value must be calculated each time there is a substitution of collateral.

- **8.6.3** SANDAG or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

- **8.6.4** SANDAG may enter into Repurchase Agreements with (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking institutions having assets in excess of $1 billion and in the highest short-term rating category, as provided by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation.

- **8.6.5** SANDAG will have properly executed a Securities Industry and Financial Markets Association (SIFMA) agreement with each firm with which it enters into Repurchase Agreements.

8.7 **Bankers’ Acceptances:** Bankers’ Acceptances issued by domestic banks or domestic branches or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest rating category by Moody’s Investors Services or by Standard & Poor’s Corporation. Purchases of Bankers’ Acceptances may not exceed 180 days maturity or 40 percent of SANDAG surplus money. No more than 10 percent
of SANDAG surplus funds may be invested in the Bankers' Acceptances of any one commercial bank.

8.8 **Commercial Paper:** Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

(a) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars ($500,000,000). (iii) Has debt other than commercial paper, if any, that is rated “A” or higher by a nationally recognized statistical-rating organization.

(b) The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. No more than 10 percent of SANDAG surplus funds may be invested in Commercial Paper of any one U.S. corporation.

Purchases of commercial paper may not exceed 25 percent of SANDAG surplus money which may be invested.

8.9 **Medium-Term Notes:** Medium-term notes, defined as all corporate and depository institution securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States. Medium-term notes shall be rated in a rating category of “A” or better by a nationally recognized statistical-rating organization.

Purchase of medium-term corporate notes may not exceed 30 percent of the agency’s surplus money. No more than 10 percent of SANDAG surplus funds may be invested in the Medium-Term Notes of any one corporation.

8.10 **Certificates of Deposit:** The maximum term for certificates of deposit shall be one-year. The combined amount invested in negotiable certificates of deposit and certificates of deposit shall not exceed 30 percent of SANDAG surplus money.

8.10.1 **Negotiable Certificates of Deposit:** Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated “AA” or better by Moody’s or Standard & Poor’s.

8.10.2 **Nonnegotiable Certificates of Deposit:** Nonnegotiable certificates of deposit shall meet the conditions in either paragraph (a) or paragraph (b):
a. Certificates of deposit shall meet the requirements for deposit under Government Code Section 53635 et. seq. To be eligible to receive SANDAG deposits, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. Deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The Director of Finance, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. SANDAG shall have a signed agreement with the depository per Government Code Section 53649.

b. Certificates of deposit placed through a deposit placement service shall meet the requirements of Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance.

8.11 State of California’s Local Agency Investment Fund: State of California’s Local Agency Investment Fund (LAIF) may be invested in for the benefit of local agencies up to $40 million. For ongoing due diligence, the Director of Finance shall maintain on file a copy of LAIF’s current investment policy and its requirements for participation, including limitations on deposits or withdrawals.

8.12 San Diego County Treasurer’s Pooled Investment Fund: Deposits in the County pooled investment fund shall be limited to the dollar maximums of the State LAIF. For ongoing due diligence, the Director of Finance shall maintain on file a copy of the County pool’s current investment policy and its requirements for participation, including limitations on deposits or withdrawals.

8.13 Savings/Money Market Accounts: Savings/Money Market Accounts deposits placed with commercial banks and savings and loans. The amount on deposit shall not exceed the shareholder’s equity in the financial institution. To be eligible to receive SANDAG deposits, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. Deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The Director of Finance, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. SANDAG shall have a signed agreement with the depository per Government Code Section 53649.

8.14 California Asset Management Program: Shares in a portfolio of the California Asset Management Program, so long as the portfolio is rated among the top two rating categories by one of the nationally recognized statistical-rating organizations. For ongoing due diligence, the Director of Finance shall maintain on file a copy of the Program’s current information statement to include its requirements for participation, including limitations on deposits or withdrawals.

8.15 Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.). To be eligible for investment pursuant to this subdivision, these companies shall either: (1) attain
the highest ranking letter or numerical rating provided by not less than two of the three largest nationally-recognized statistical-rating organizations, or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of $500,000,000.

The purchase price of shares shall not include any commission that the companies may charge. The purchase of shares may not exceed 20 percent of SANDAG surplus money. For ongoing due diligence, the Director of Finance shall maintain on file a copy of the money market fund’s current information statement to include its requirements for participation, including limitations on deposits or withdrawals.

8.16 Mortgage and Asset-Backed Obligations: Any mortgage pass-through security collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable-pass-through certificate, or consumer receivable-backed bond of a maximum of 5 years maturity. Such obligations must be rated Aa/AA or higher by two national rating agencies and the issuer of such obligations must be rated Aa/AA or higher by two of the national rating agencies as well. Purchases of securities authorized by this section may not exceed 20 percent of SANDAG surplus funds that may be invested pursuant to this section.

8.17 Ineligible Investments: Security types which are thereby prohibited include, but are not restricted to:

(a) Reverse repurchase agreements.

(b) “Complex” derivative securities such as range notes, dual index notes, inverse floating-rate notes, leveraged or deleveraged floating-rate notes, or any other complex variable-rate or structured note.

(c) Interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

(d) Securities lending.

In the event that SANDAG possesses ineligible investments purchased prior to the adoption of this policy, SANDAG may hold these investments to their maturity dates. The limitation in this section shall not apply to SANDAG investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940.

9. Maximum Maturity

9.1 Investment maturities shall be based upon a review of cash flow forecasts. Maturities will be scheduled so as to permit SANDAG to meet all projected obligations.

9.2 The maximum maturity will be no more than five years from purchase date to maturity date. Where the investment policy does not specify a maximum remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement, that at the time of the investment has a term remaining to maturity in excess of five years, unless the Board has granted express authority to make
that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment. The Board authorizes the investment of endowment funds in securities exceeding five (5) years, as long as the investment has been approved by the Director of Finance and either the Executive Director and Deputy Executive Director, and the maturity of such investments does not exceed the expected use of funds.

10. **Performance Standards**

The investment performance of the SANDAG portfolio shall be evaluated and compared to appropriate indices in order to assess the success of the investment program. The comparable benchmarks should be consistent with the SANDAG portfolio in terms of maturity and composition, which includes credit quality and security type.

11. **Reporting Requirements**

11.1 The Director of Finance shall submit to the Board annually a statement of investment policy, which the Board shall consider at a public meeting.

11.2 A monthly report of all investment transactions shall be submitted to the Board Members.

11.3 Quarterly investment reports shall be submitted to the Board Members. The reports should include information in accordance with Section 56346(b) of the California Government Code.

12. **Safekeeping and Custody**

12.1 All security transactions, including collateral for repurchase agreements, entered into by SANDAG shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third party custodian and evidenced by safekeeping receipts.

12.2 The only exception to the foregoing shall be securities purchases made with: (i) local government investment pools; and, (ii) money market mutual funds, since the purchased securities are not deliverable.
Introduction

The Marine Life Protection Act (MLPA) was designed to assemble a network of Marine Protected Areas (MPAs) throughout California’s 1,100-mile coast. The MLPA Initiative efforts in Southern California began in summer 2008 and have the potential to impact the SANDAG Regional Shoreline Management Program by limiting restoration and maintenance activities that are likely to occur within proposed MPAs.

Discussion

Background on the MLPA Initiative

The MLPA was signed into law in 1999 and directs the state to reevaluate and redesign California’s system of MPAs to increase coherence and effectiveness in protecting the state's marine life and habitats, marine ecosystems, and marine natural heritage, as well as to improve recreational, educational, and study opportunities provided by marine ecosystems subject to minimal human disturbance. The MLPA also requires that the best readily available science be used in the redesign process, as well as the advice and assistance of scientists, resource managers, experts, stakeholders, and members of the public.

The south coast study region (Point Conception in Santa Barbara County to the California/Mexico border in San Diego County, including offshore islands) is the third MLPA study region to undergo the regional MPA planning and design process. This regional process started in summer 2008 and is scheduled to continue through 2009.

In each study region the process of designating MPAs is overseen by several groups. The Regional Stakeholder Group (Stakeholder Group) is an appointed group that develops MPA proposals that are reviewed and evaluated by a Science Advisory Team, the California Department of Fish and Game, MLPA Initiative staff, the public, and a policy-level Blue Ribbon Task Force (Task Force). The MPA proposals then are refined by the Stakeholder Group and presented to the Task Force, which makes a recommendation to the California Fish and Game Commission.

Draft versions of MPA proposals for the south coast study region currently are being prepared. The proposal preparation process includes three rounds. Round 1 was completed in spring 2009,
Round 2 was just completed in June 2009, and Round 3 will take place in August 2009. Each round of the proposal preparation process yields a set of maps that include potential MPA designations. In Round 2, four map variations were created and are included with the letter as Attachment 1 (map variations are titled: Lapis 1 and 2, Opal, and Topaz, and represent the proposals made by the four workgroups in the Regional Stakeholders Group). The MPA designations as well as the SANDAG Regional Shoreline Management Program borrow sites and receiver sites are included in the maps to demonstrate where the two programs' efforts currently overlap. The goal of the Stakeholder Group is to get input on the Round 2 maps, revise, and provide a consolidated set of maps to the Task Force for its consideration.

The MPA designations are broken into three main categories: state marine reserve (SMR), state marine park (SMP), and state marine conservation area (SMCA). A SMR does not allow any type of extraction activity and is the most restrictive designation. An SMP does not allow any commercial extraction and may limit some recreational extraction. And, an SMCA may limit recreational and/or commercial extraction activities. The impacts of these designations are limited by the authority of the California Fish and Game Commission, which extends seaward of the mean high tide line or mouth of a coastal river out to federal waters (those past the 3-nautical-mile state water boundary line). Anything outside this boundary is not subject to the MLPA.

**SANDAG Involvement**

SANDAG staff, members of the Shoreline Preservation Working Group (SPWG), and staff from the coastal cities have been following MLPA Initiative efforts since fall 2008. SANDAG and coastal city staffs have been listening online to meetings that take place outside the region and, along with members of the SPWG, attended one meeting held in San Diego, speaking on regional issues during public comment. SANDAG staff has engaged MLPA Initiative staff, members of the Stakeholder Group, and other State of California staff working to provide information and data that would assist in the State’s efforts, and create a broader understanding of regional goals.

SANDAG has sent several letters signed by the Executive Director and one letter signed by elected officials of most of the coastal cities outlining the region’s concerns over the potential MPA proposals and impacts to the SANDAG Regional Shoreline Management Program. Specifically, expansion of existing and creation of new MPAs in the region have the potential to limit the types of restoration and maintenance activities called for in the Shoreline Preservation Strategy (adopted by SANDAG in 1993) and the recently adopted San Diego Coastal Regional Sediment Management Plan.

Concern primarily is focused around the designation of SMRs because they are the most restrictive. This, and potentially other designations, may limit the locations where SANDAG would be able to take beach compatible material from the ocean floor and place it on regional beaches. This would be detrimental to the SANDAG Shoreline Management Program, which utilized this method of extraction and placement as part of the Regional Beach Sand Project (RBSP) completed in 2001 and plans to utilize this method for the second RBSP planned for construction in 2011/2012.

Additionally, there is concern over restoration and maintenance activities that take place in the region’s lagoons.
Next Steps

The SPWG receives regular updates on the MLPA Initiative, and despite the efforts of the SPWG and SANDAG staff to inform the State’s Regional Stakeholder Group and Blue Ribbon Task Force of our concerns on the MLPA proposals, significant issues remain. A draft letter reflecting the SPWG comments and suggestions is included as Attachment 1.

The letter assumes consideration by the Board of Directors at its July 24, 2009, meeting, which will be after several public open houses soliciting input on the MLPA proposals have occurred throughout the south coast study region. SANDAG staff and members of the SPWG attended the public meetings to ensure that regional issues were conveyed in person. SANDAG staff will continue to follow the MLPA Initiative and keep the region informed; however, it is important that those cities impacted by the proposed placement of MPAs also get involved in the process to ensure their individual interests are considered.

BOB LEITER
Director of Land Use and Transportation Planning

Attachment: 1. MLPA Initiative Comment Letter

Key Staff Contact: Rob Rundle, (619) 699-6949, rru@sandag.org
July 24, 2009

Mr. Ken Wiseman
Executive Director
MLPA Initiative
c/o California Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Wiseman:

SUBJECT: Marine Life Protection Act Initiative Designations in the San Diego Region

This letter is to express the San Diego region’s concern over the designation of Marine Protected Areas (MPA). Expansion of existing, and creation of new MPAs in the region have the potential to limit the types of restoration and maintenance activities allowed to occur in the future, specifically dredging and placement of beach compatible sand. SANDAG has led shoreline management efforts in the San Diego region for many years. Based on these long-term planning efforts, beach nourishment is the preferred method to protect and restore our valuable coastline.

There are numerous benefits associated with a sandy beach, for example, biological benefits, particularly when compared to a cobble beach, bluff and infrastructure stabilization and protection, public safety, protection of cultural resources, and recreation (i.e., fishing, bathing, surfing, skim boarding, snorkeling, clamming, boating, etc.). Furthermore, the San Diego region is known for its beautiful beaches and relies heavily upon beach-related tourism, which enhances the local and state economies. Therefore, SANDAG is opposed to any restrictions that would inhibit the region and its coastal cities from taking actions that support these efforts.

Additionally, SANDAG is concerned that the local communities have not had adequate opportunity to engage in the process. Public workshops were just held in a few areas in order to get feedback on MPA designations, but there is concern that this may be too late in the process to actually affect the outcome. It is recommended that every community impacted by the expansion of existing and creation of new MPA designations be specifically sought out for their advice and input, particularly when a reserve area is recommended. The local community, local government staff, and/or the local government (i.e., the City Council) must be part of the process. These designations will have impacts on regional and local planning.
As mentioned in previous correspondence to the Marine Life Protection Act (MLPA) Initiative, SANDAG has data and information that may be useful to MLPA Initiative decision makers, such as the findings from its regional shoreline monitoring program, its Coastal Regional Sediment Management Plan that outlines existing sand borrow sites, placement sites, and coastal resources, and the region’s Nearshore Habitat Inventory. All of the data can be found on the SANDAG Web site at www.sandag.org/shoreline. Additionally, SANDAG has prepared maps that show where regional borrow sites for extraction of sand and various receiver sites for placement of sand overlap with the proposed Round 2 MLPA Initiative designations recently created by the South Coast Regional Stakeholder Group (Stakeholder Group).

As you can see from the attached maps, there are potential impacts to the shoreline management efforts throughout the region. Because of this, there is concern as to whether the region will be able to implement planned replenishment and restoration activities. According to the Science Advisory Team’s draft document on Beach Manipulation Activities, “the California Fish and Game Commission does not have authority to permit or prohibit beach nourishment in the marine estuarine environment (revised March 20, 2009).” Additionally, there have been instances of verbal communication from MLPA Initiative staff and members of the Stakeholder Group conveying the message that maintenance dredging and restoration activities do not conflict with the designation of an MPA, specifically State Marine Reserves. Since so much of the concern over the designation of MPAs is rooted in the unknown impacts to our regional and local shoreline management efforts, it would be helpful if the authority of the California Fish and Game Commission over extraction and placement of material and regional restoration activities were provided in writing, and included as a part of the proposed take regulations in the final Plan for the South Coast Study Region. Such language included in the take regulations for MPAs in the San Diego region could consist of “allowances for sand removal and placement on regional beaches as part of ongoing and future beach restoration activities.”

SANDAG supports efforts to protect environment and marine resources, and believes that MLPA Initiative objectives can be balanced with regional needs if a dialogue is allowed to occur at a local level and assurances can be made in writing. Beach erosion and environmental protection are great concerns to the region, and it is our desire that MPA designations not preclude or adversely affect shoreline management activities. SANDAG respectfully requests that the MLPA Blue Ribbon Task Force, Stakeholder Group, Science Advisory Team, and all decision-makers involved in the MLPA Initiative give careful consideration to the impacts MLPA designations and expansions may have on the San Diego region.

Thank you for your consideration of this matter.

Sincerely,

LORI HOLT PFEILER
Chair, SANDAG

STU/dda

Attachments: 1. MLPA and SANDAG Shoreline Management Program Round 2 Map—Lapis 1
2. MLPA and SANDAG Shoreline Management Program Round 2 Map—Lapis 2
3. MLPA and SANDAG Shoreline Management Program Round 2 Map—Opal
4. MLPA and SANDAG Shoreline Management Program Round 2 Map—Topaz

cc: Mike Chrisman, California Secretary for Natural Resources
San Diego Association of Governments

EXECUTIVE COMMITTEE

July 10, 2009

AGENDA ITEM NO.: 6

Action Requested: ACCEPT

2008 PROGRESS REPORT ON CONSOLIDATION

File Number 7300400

Introduction

A new regional approach to transportation planning and project implementation began in 2003. Many of the transit functions of boards of the San Diego Metropolitan Transit System (MTS) and North County Transit District (NCTD) were consolidated at SANDAG, enabling local mayors, council members, and county supervisors in the San Diego region to streamline transportation decision-making. In essence, all regional transportation planning, fund allocation, project development, and construction, especially in the public transit arena, are now the responsibility of SANDAG.

State law requires SANDAG to complete an evaluation of progress in carrying out its responsibilities under the legislation, and report on the findings to the Governor and California Legislature on a biennial basis by December 31 in even numbered years. This 2008 progress report covers the period from January 2007 through December 2008. It highlights the major accomplishments that have occurred during the two-year period and discusses ongoing challenges and opportunities.

Discussion

Since 2003, the partnership among SANDAG, MTS, and NCTD continues to evolve. Recent efforts have focused on improved coordination of regional transportation and transit service planning throughout the county, successful pursuit of federal and state funding to enable the implementation of infrastructure and services, and improved integration of transportation and land use planning and development decisions. Following acceptance, a copy of the 2008 progress report (Attachment 1) will be submitted to the Governor and Legislature.

KIM KAWADA
Policy and Legislative Affairs Program Manager

Attachment: 1. 2008 Progress Report on Consolidation

Key Staff Contact: Genevieve Morelos, (619) 699-1994, gmo@sandag.org
July 10, 2009

TO: Governor Arnold Schwarzenegger and the California State Legislature

FROM: San Diego Association of Governments (SANDAG)

SUBJECT: 2008 Progress Report on Consolidation in the San Diego Region

Introduction

A new regional approach to transportation planning and project implementation began in 2003. Many of the transit functions of boards of the San Diego Metropolitan Transit System (MTS) and North County Transit District (NCTD) were consolidated at SANDAG, enabling local mayors, council members, and county supervisors in the San Diego region to streamline transportation decision-making. In essence, all regional transportation planning, fund allocation, project development, and construction, especially in the public transit arena, are now the responsibility of SANDAG.

Senate Bill (SB) 1703 (Peace, 2002) and Assembly Bill (AB) 361 (Kehoe, 2003), require SANDAG to complete an evaluation of progress in carrying out its responsibilities under the legislation, and report on the findings to the Governor and California Legislature on a biennial basis by December 31 in even numbered years. This 2008 progress report covers the period from January 2007 through December 2008. It highlights the major accomplishments that have occurred during the two-year period and discusses ongoing challenges and opportunities.

Discussion

Since 2003, the partnership among SANDAG, MTS, and NCTD continues to evolve. Recent efforts have focused on improved coordination of regional transportation and transit service planning throughout the county, successful pursuit of federal and state funding to enable the implementation of infrastructure and services, and improved integration of transportation and land use planning and development decisions.
The SANDAG governance structure, which was established under SB 1703, continues to be integral to helping the San Diego region build consensus on major issues. The SANDAG Board of Directors is composed of mayors, council members, and a county supervisor from each of the region’s 19 local governments. Supplementing these voting members are advisory representatives from Imperial County, the U.S. Department of Defense, Caltrans, San Diego Port District, MTS, NCTD, San Diego County Water Authority, Southern California Tribal Chairmen’s Association, and Mexico. In accordance with SB 1703, items acted upon by the Board of Directors are voted on the basis of one vote per jurisdiction (tally vote) and a weighted vote formula based on population distribution in San Diego County (weighted vote). Supplementing the Board of Directors are five policy advisory committees – the Executive, Transportation, Regional Planning, Borders, and Public Safety Committees – which are authorized to perform specified functions delegated by the Board.

**Regional Transportation and Land Use Planning Efforts**

- **2030 Regional Transportation Plan Adopted**

After an extensive public review period that generated more than 500 public comments and included five regional workshops and a public hearing, the SANDAG Board of Directors adopted the 2030 San Diego Regional Transportation Plan: Pathways for the Future (RTP) in November 2007. The $57 billion RTP incorporates a new regional growth forecast, strategic initiatives from the Regional Comprehensive Plan, and the Independent Transit Planning Review, and other efforts.

The RTP is a public policy blueprint for how people and goods will move around the San Diego region over the next 25 years. The foundation of the 2030 RTP lies in better connecting our freeway, transit, and road networks to our homes, schools, work, shopping, and other activities. This long-range plan contains an integrated set of public policies, strategies, and investments to maintain, manage, and improve the transportation system in the San Diego region through the year 2030.

The RTP is the transportation component of the Regional Comprehensive Plan (RCP) that serves as a foundation for integrating land uses, transportation systems, infrastructure needs, and public investment strategies within a regional smart growth framework. The 2030 RTP builds upon the existing transportation system in place today and the major projects in progress from the last RTP known as MOBILITY 2030.

At the heart of the RTP is a Regional Transit Plan that was developed based on input from the Independent Transit Planning Review, transit market research, and regional short range transit plans. The Regional Transit Plan included a number of key elements aimed at the development of a strong system design that, combined with strong transit/land use integration, seeks to maximize the role public transportation can play in addressing regional mobility needs.

Key elements of the RTP transit system plan include:

- **Transit Priority Measures**: In order for transit to offer competitive travel times with the automobile and ensure transit trip reliability, the plan puts a strong investment in transit priority measures to bypass congested arterial and freeway segments.

- **Transit Service Types**: The transit plan builds off the existing investment in rail and bus services, introduces new products (Bus Rapid Transit and Arterial Rapid), and upgrades the rail network.
and local bus services in order to provide a range of products designed to serve the different travel needs in the region. Four groups of fixed-route transit service modes are included in the RTP transit system plan:

- **Commuter Rail and Bus Rapid Transit (BRT) services** facilitate long-distance trip-making. High operating speeds are achieved by long station spacing (4-5 miles on average for BRT) and dedicated rights-of-way for transit that bypass congested areas. Dedicated rights-of-way for BRT services include taking advantage of freeway Managed Lanes/High Occupancy Vehicle (HOV) facilities (managed to ensure free-flow travel for transit), along with dedicated transit guideways in key high volume transit travel corridors where Managed Lanes/HOV facilities are not planned. All-day, all-stop trunk BRT services are complemented with peak-period commuter express services designed to provide very limited stop, “one-seat ride” connections to key regional employment centers. Capital improvements, including the completion of coastal rail double-tracking, are key to adding additional commuter rail service.

- **Light Rail and Arterial Rapid Bus services** facilitate medium-distance trip-making. Station spacing is three-quarters to one mile on average and a variety of transit priority measure strategies are used to maximize operating speeds. Light rail often may operate in dedicated rights-of-way or along arterial streets with block signaling or other signal treatments. Arterial Rapid Bus services provide higher-speed alternatives to local bus services in high volume arterial corridors and utilize a range of lower-capital cost signal priority treatments, short segments of transit-only lanes, and limited station stops to achieve faster travel times. Arterial Rapid services can be upgraded to BRT over time through use of dedicated transit lanes to bypass congested arterial segments.

- **Local Bus services** facilitate shorter-distance trip-making within our communities with frequent station spacing. Local Bus services serve as the backbone of the transit system that provides the primary access into communities where fixed-route services are warranted.

- **Shuttle Bus services** are designed to provide intra-community circulation. The success of this type of service is premised on high service frequencies and strong demand for both intra-community trip making and distributors for Commuter Rail, BRT, Light Rail, and Arterial Rapid Bus services in regional employment centers and high density residential/commercial areas.

- **Transit Experience**: In order to attract new market segments to public transportation, the customer experience must be considered. Factors ranging from transit access (e.g., ability to safely cross a streets, station amenities, real-time information) to vehicle design (e.g., interior design, seat availability and comfort, WiFi connections) play a key role in a person’s decision on whether to choose transit. The plan factors in capital and operating cost resources to implement a high-quality transit product.

- **Urban Core Focus**: The plan also showcases the integration of public transportation and local land uses, a central theme of the 2030 RTP. Transit investments are focused in the urban core areas where the greatest population densities and the highest concentration of smart growth land uses either already exist or are planned. In suburban areas, investments are made in the more developed corridors and where smart growth projects also are planned for the future.
both cases, transit is integrated into communities that are pedestrian-friendly and serve as pleasant wait environments for transit customers.

- Rail Network Investment: The plan commits resources for both the rehabilitation and expansion of the current light rail and commuter rail system.

- Senior and Human Service Transportation: As our population ages, the percentage of persons 60 years and older is forecast to more than double between now and 2030. The plan places increased attention on transportation for seniors, along with services for persons with limited means and individuals with disabilities that are coordinated with conventional fixed-route local bus services.

- Improved Technologies: A number of intelligent transportation systems (ITS) improvements will facilitate the management of the regional transit system and provide traveler information.
  
  o Transit Management Systems: Provides new in-vehicle equipment and computer hardware and software to improve route planning, scheduling, and on-time performance. The system also will provide real-time transit information through kiosks and message boards.
  
  o Advanced Traveler Information System (511 service): Provides the real-time data collected from the freeway, arterial, and transit systems to travelers via the phone and the Internet so that they can better plan the time and path of their trips.
  
  o Compass Card Electronic Payment Systems – Provides customers and operators with a simple smart card system for a seamless method to pay for and use transit services.

The 2030 RTP is founded on a regional land use concept that reflects the commitments from the 18 cities and County to “smart growth.” It recognizes that growth and change will continue in the region during the next several decades, and all local jurisdictions can make positive contributions toward preparing for that change. Transportation infrastructure and services must be coordinated with land use planning if we are to avoid increased traffic congestion, reduced mobility, and a deteriorating quality of life.

- Smart Growth Concept Map

A key effort in the coordination of transportation and land use is the region’s Smart Growth Concept Map. During 2008, SANDAG and all 19 local jurisdictions worked together to review and complete a technical update to the Smart Growth Concept Map and related site descriptions. The technical update of the Smart Growth Concept Map was conducted to ensure internal consistency between the transportation networks between the recently adopted 2030 RTP and the Smart Growth Concept Map, and in anticipation of a call for projects for the TransNet Smart Growth Incentive Program (SGIP).

The Smart Growth Concept Map illustrates the location of existing, planned, and potential smart growth areas, including land use (housing and employment) and transportation/transit service characteristics. In July 2008, the Board of Directors accepted the updated Smart Growth Concept Map for use in the TransNet SGIP and for ongoing planning purposes.
• **RCP Annual Performance Monitoring Reports**

The SANDAG Board adopted the Regional Comprehensive Plan in 2004. The RCP calls for a performance monitoring program to track progress toward meeting the goals outlined in the RCP. In 2006, SANDAG released the Regional Comprehensive Plan: Establishing a Baseline for Annual Monitoring Performance (Baseline Report), to be used to benchmark progress. Since then, SANDAG has released two reports: the 2007 Annual Performance Monitoring Report, and the 2008 Annual Performance Monitoring Report. The 2008 report includes the most recent data available for each indicator in the areas of urban form and transportation, housing, environment, economic prosperity, public facilities, and borders, along with key measures on transit ridership on a regular basis. The report identifies areas in which the region appears to be moving in the right direction and those in which improvement is needed.

• **Coordinated Plan**

In October 2008, the SANDAG Board of Directors adopted the 2008-2012 Coordinated Public Transit-Human Services Transportation Plan (Coordinated Plan), following extensive public outreach and involvement. The Coordinated Plan provides a framework for transit system development over the next five years and reflects the goals and direction for service development as described in the adopted RTP.

The intent of the Coordinated Plan is to bring planning for public transit and human service transportation under a single unified plan. Specifically, transportation services included in the Plan are those services offered by private companies, non-profit organizations, public transit agencies, SANDAG, and human services agencies. Given this broad approach, the Coordinated Plan represents a significant expansion of transportation planning activities conducted in the region and, as a result, brings forth a “one region – one network – one plan” concept of public transit and human services transportation.

The federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) requires the development of a Coordinated Plan every four years. SAFETEA-LU requires four Plan elements:

- An assessment of available services that identifies current providers (public, private, and nonprofit);
- An assessment of transportation needs for individuals with disabilities, older adults, and people with low incomes. This assessment can be based on the experiences and perceptions of the planning partners or on more sophisticated data collection efforts, and gaps in service;
- Strategies and/or activities to address the identified gaps and achieve efficiencies in service delivery; and
- Relative priorities for implementation based on resources, time, and feasibility for implementing specific strategies/activities identified.

The Coordinated Plan enables the distribution of federal funding under the New Freedom (transportation for people with disabilities), Job Access and Reverse Commute (JARC) (commute...
transportation for individuals with limited means), and Section 5310 (seniors and persons with disabilities) programs. The Coordinated Plan also identifies projects targeted at seniors that could be funded through local funding, such as the Senior Mini-Grant program that was created through TransNet.

In addition to meeting federal requirements, the Coordinated Plan follows the guidance set out in SANDAG Board Policy No. 018, “Regional Transit Service Planning and Implementation,” for the development of the Regional Short Range Transit Plan (RSRTP). Board Policy No. 018 states that SANDAG staff is to prepare, on an annual basis, a five-year RSRTP that:

- Establishes the goals and objectives for short-range transit services (0 to 5 years);
- Defines the existing transit system;
- Sets the framework for a transit operations performance monitoring program as required by the Transportation Development Act;
- Identifies service gaps and deficiencies;
- Evaluates existing services and programs;
- Establishes parameters for short-range new and revised service developments, as well as regionally significant and all other service adjustments;
- Defines a methodology for evaluating proposals for new and revised service;
- Identifies and prioritizes regional and subarea transit planning studies; and
- Evaluates and prioritizes new and revised services for implementation, including the adoption of an annual Regional Service Implementation Plan.

The 2008–2012 Coordinated Plan includes the required elements of both the RSRTP and federally mandated Coordinated Plan, with the exception of RSRTP components involving the development of new services. To do this, SANDAG needed to have the Service Implementation Plans (SIPs) from both transit operators. However, neither MTS nor NCTD prepared SIPs during 2007-2008 due to lack of available funding and anticipation that the development of new services would not be feasible under the current budget constraints.

The intent is for future Coordinated Plans to evaluate and prioritize new and revised services as revenues for such services become available. Additionally, SANDAG received a $100,000 Caltrans planning grant for the enhancement of the rural component of the Coordinated Plan. Work on this component will begin in summer 2009 and is expected to be completed by September 2011.
• Other Studies and Plans

SANDAG has participated, overseen, and developed a number of studies and plans, which traditionally would have been completed by the transit operators prior to consolidation. SANDAG completed the NCTD Bus Fleet Management Plan for the SPRINTER opening, a Double Decker Bus survey report, and an operational plan for the SuperLoop rapid bus project. With consultant assistance, SANDAG also completed the Transportation Development Act (TDA) Triennial Performance Audit of SANDAG, MTS, and NCTD; developed a tribal transit study, which eventually lead to the award of FTA tribal transit grant funding ($425,000 in FY 2007 and $400,000 in FY 2008); and conducted a forecasting study for the transportation demand of seniors and individuals with disabilities. Finally, SANDAG has provided onsite part-time staff assistance to NCTD on a periodic basis.

In accordance with a Master Agreement between SANDAG, MTS, and NCTD, SANDAG also is responsible for conducting triennial Title VI Program updates on behalf of the transit agencies. Title VI was enacted as part of the landmark Civil Rights Act of 1964, and it prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance. Two triennial updates have been completed; one in February 2007 (for FY 2003 to FY 2005) and more recently in June 2009 (for FY 2006 to FY 2008).

Regional Funding Allocation

SANDAG is responsible for approving on an annual basis the transit agency budgets for funding. During 2007 and 2008, SANDAG approved the FY 2008 and FY 2009 MTS and NCTD operating budgets for funding. During this time, significant changes occurred in the area of public transit, as transit agencies across the state faced severe budget shortfalls.

• Funding Shortfalls

In the State of California, one of the challenges that public transit continues to face is identifying a dedicated, reliable, and protected source of revenue for transit operations. With an ongoing California State budget crisis, historical sources of funding available for public transit were diverted to assist with the General Fund deficit. In FY 2007-2008, nearly $1.3 billion in transit funding was withheld during the state budget process, and an additional $1.7 billion was diverted in FY 2008-2009 to close the $25 billion shortfall in California’s budget.

During 2008, the nation witnessed transit ridership at the highest level in 50 years with the rising gas prices. With the high cost of gas, the public turned to transit more than ever. In the San Diego region, both transit agencies experienced an all-time high in transit usage. Unfortunately, due to the diversion of transit funding to the state General Fund, our agencies had to implement service cuts and increase fares, affecting those who depended on public transit as well as new riders who sought alternatives to high gas costs.

The increase in fuel prices also had a significant effect on the operating budgets of both MTS and NCTD. NCTD fuel costs rose from $3 million in 2003 to $11 million in 2008, while MTS fuel costs rose 61 percent from 2006-2008.
Additionally, the economic downturn resulted in a sharp decline in sales tax revenues (including local TransNet and TDA funding) that support transit operations. During 2007 and 2008, the MTS and NCTD Boards made mid-year budget adjustments and service cuts, and regional transit fares were raised during this same timeframe.

To address the issue of transit funding, SANDAG included in its annual Legislative Program a new legislative goal for 2009 -- to support efforts to prevent the additional diversion of public transit funding and protect spillover revenues. SANDAG, MTS, and NCTD staffs continue to work together to advocate for statewide transportation and transit issues. All three agencies are members of the California Transit Association (CTA) and participate as members of the CTA Legislative Committee.

- Funding Opportunities

While available state funding for public transit declined during the period, the San Diego region was able to allocate federal funding available under the federal JARC, New Freedom, and FTA Section 5310 programs, and the local TransNet Senior Mini-Grant program.

  - Job Access and Reverse Commute and New Freedom funding programs

The JARC program provides funding for operations, capital, and mobility management projects aimed at serving reverse commuters and low-income individuals traveling to jobs and employment-related activities. New Freedom is a federal program intending to improve mobility options for persons with disabilities through transportation programs that go beyond the Americans with Disabilities Act (ADA) requirements. SANDAG is the designated recipient of federal JARC and New Freedom funding for the San Diego urbanized area.

In February 2007, the SANDAG Board of Directors approved $1.26 million in JARC funding to MTS and NCTD projects/services, and $259,370 in New Freedom projects/services primarily to social service transportation providers. In December 2007, the Board approved funding for seven JARC projects totaling $3.9 million, and six New Freedom projects totaling $1.24 million over a three-year period. In fall 2008, the Board approved funding six New Freedom projects totaling $1.2 million. During the same period, the SANDAG transit planning staff formed a stakeholder working group, which successfully revamped the JARC program evaluation and scoring criteria. These new evaluation criteria were used to distribute all remaining JARC funding authorized under SAFETEA-LU.

  - TransNet Senior Mini-Grant program

The Senior Mini-Grant program is a local program funded through the TransNet sales tax measure. It can fund capital and operating projects for specialized senior transportation services. The program was developed in collaboration with stakeholders, working groups, and interested parties during 2007. The application form and evaluation criteria were approved by the SANDAG Transportation Committee in February 2008.

On September 26, 2008, the Board approved funding TransNet Senior Mini-Grant projects totaling $1.2 million for thirteen projects in FY 2009, and $2.4 million for FY 2010 and FY 2011 as option years contingent upon satisfactory project performance during FY 2009.
Annual Federal Appropriations

Over the past two years, SANDAG, MTS and NCTD continued to work jointly at the federal level to advocate for transportation needs. SB 1703 did not require consolidated lobbying efforts, although all three agencies share the same federal lobbyist and each year coordinate annual visits to Washington, D.C. to present our region’s Joint Federal Transportation Agenda to our Congressional delegation. The success of these trips is attributed to a unified message and has proven successful in securing federal discretionary funds for the San Diego region.

In FY 2007, there was no appropriations process because Congress passed a Continuing Resolution that kept the budget at the same level as the previous year. However, SANDAG was awarded $15 million in federal Bus and Bus Facilities, New Starts, and Alternative Analysis discretionary funding for the Transit-Only Lane (TOL) bus project in San Diego. This project would equip a fleet of buses with lane-keeping and adaptive cruise control technology and operate transit vehicles in a transit-only lane along the median shoulder of Interstate 805 (I-805). The transit service would provide a connection for South Bay residents to job centers, including University Towne Centre and Sorrento Valley.

In FY 2008, the San Diego region received $3.4 million in discretionary funds through the federal appropriations process, with $1.6 million of this amount provided for transit projects and programs.

• Fares

On March 24, 2006, the SANDAG Board of Directors approved the region’s first Regional Comprehensive Fare Ordinance encompassing fares charged on all public transit vehicles in San Diego County operated by MTS and NCTD. The Regional Comprehensive Fare Ordinance consolidated the existing fare levels and regulations of MTS and NCTD into a single new SANDAG ordinance. Since that time SANDAG has taken additional steps to unify, simplify and increase fares.

Since SANDAG took over responsibility for fares, the number of fare products has been reduced from more than 200 to less than 60, and new fare media, such as regionwide day passes valid on all modes and both operators, have been introduced.

The Fare Ordinance is consistent with SANDAG Board Policy No. 029, Regional Fare Policy, which provides the regional framework for transit fares. All fare changes, including fare increases or changes in fare types, must be approved by the SANDAG Transportation Committee or Board of Directors. Public hearings have been held whenever fare changes have been considered, consistent with federal requirements and Board Policy No. 025 concerning public participation. A Title VI analysis also has been conducted each time a fare increase has been proposed to the Board, along with extensive public outreach in both Spanish and English. Since its original approval, the Regional Comprehensive Fare Ordinance has been amended several times to simplify fares and address transit operating funding shortfalls.
• Comprehensive Fare Study

In October 2006, SANDAG retained TranSystems Corporation to conduct a fare and revenue sharing study with the objective of consolidating and simplifying transit fares in the region, and ensuring that there is an equitable and transparent basis for revenue sharing. The study was initiated by SANDAG and was managed by a joint technical committee of SANDAG, MTS, and NCTD staffs. SANDAG conducted public outreach during the study and held a public comment period during the draft report stage. As a result, the recommendations of the study were implemented gradually over an extended period as part of the various amendments to the Regional Comprehensive Fare Ordinance described above.

Project Implementation

In 2008, the San Diego region celebrated 20 years of TransNet, the local half-cent sales tax for transportation that began in 1988. In 2008, the original TransNet program concluded, and the TransNet Extension took effect. The half-cent sales tax for transportation has been instrumental in expanding the transportation system, reducing traffic congestion, and bringing critical transit projects to life. The TransNet Extension, approved by 67 percent of voters in November 2004, is a 40-year extension that will generate an additional $14 billion for public transit, highway, and local street and road improvements.

TransNet will help pay for a more robust public transportation system, including new Bus Rapid Transit services and Managed Lanes along many of the major transportation corridors. The TransNet Extension also funds some special features, including innovative environmental and smart growth programs, as well as an even greater commitment to new transit services and walkable communities.

Since the last progress report, several major projects have been completed or are underway. These projects (shown in Table 1 below) are part of the TransNet Early Action Program that was approved by the SANDAG Board of Directors in January 2005 and updated in December 2005 and December 2006.

Table 1. – TransNet Early Action Program Description

<table>
<thead>
<tr>
<th>EARLY ACTION PROJECT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLUE AND ORANGE LINE TROLLEY IMPROVEMENTS</td>
<td>Vehicle and station upgrades to accommodate low-floor vehicles and increasing the capacity on the Blue and Orange Trolley Lines</td>
</tr>
<tr>
<td>I-5 HOV LANE EXTENSION</td>
<td>Extend northbound HOV lane to Manchester Avenue, construct southbound HOV lane between Manchester Avenue and I-805</td>
</tr>
<tr>
<td>I-5 LOMAS SANTA FE INTERCHANGE</td>
<td>Reconfigure on-ramps and off-ramps, modify local circulation</td>
</tr>
<tr>
<td>I-5 NORTH COAST</td>
<td>Complete environmental document for I-5 widening between La Jolla Village Drive and Vandegrift Boulevard</td>
</tr>
<tr>
<td>I-15 BRT STATIONS (SR 163-SR 78)</td>
<td>Modify Escondido transit center, construct transit centers at Del Lago, Rancho Bernardo, Sabre Springs, and Mira Mesa</td>
</tr>
<tr>
<td>I-15 BRT STATIONS (Downtown to SR 163) &amp; SERVICE</td>
<td>Construct transit centers at University Avenue and El Cajon Boulevard, modify Downtown transit centers, BRT service between Escondido and Downtown San Diego</td>
</tr>
</tbody>
</table>
### EARLY ACTION PROJECT DESCRIPTION

<table>
<thead>
<tr>
<th>EARLY ACTION PROJECT</th>
<th>DESCRIPTION</th>
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</thead>
<tbody>
<tr>
<td>I-15 FASTRAK</td>
<td>Expand Managed Lane technology between SR 163 and SR 78</td>
</tr>
<tr>
<td>I-15 MIDDLE</td>
<td>Construct four Managed Lanes with fixed median barrier, add auxiliary lanes. The first section of the I-15 opened in September 2008.</td>
</tr>
<tr>
<td>(SR 56 to Centre City Pkwy)</td>
<td></td>
</tr>
<tr>
<td>I-15 NORTH</td>
<td>Construct four Managed Lanes with fixed median barrier, add auxiliary lanes</td>
</tr>
<tr>
<td>(Centre City Pkwy to SR 78)</td>
<td></td>
</tr>
<tr>
<td>I-15 SOUTH</td>
<td>Construct four Managed Lanes with moveable median barrier, add auxiliary lanes</td>
</tr>
<tr>
<td>(SR 163 to SR 56)</td>
<td></td>
</tr>
<tr>
<td>I-805 NORTH (SR 52 to I-5)</td>
<td>Complete environmental document for I-805 widening</td>
</tr>
<tr>
<td>I-805 MIDDLE (SR 94 to SR 52)</td>
<td>Complete environmental document for I-805 widening</td>
</tr>
<tr>
<td>I-805 SOUTH (SR 905 to SR 94)</td>
<td>Complete environmental document for I-805 widening</td>
</tr>
<tr>
<td>MID-CITY RAPID BUS</td>
<td>Design and operate Rapid Bus service between San Diego State University (SDSU) and Downtown San Diego along El Cajon and Park Boulevards</td>
</tr>
<tr>
<td>MID-COAST</td>
<td>Construct and operate LRT service between Old Town Transit center, University of California at San Diego (UCSD), and University Towne Centre (UTC)</td>
</tr>
<tr>
<td>OTAY BRT</td>
<td>BRT service between Otay Mesa and Downtown San Diego</td>
</tr>
<tr>
<td>SPRINTER</td>
<td>Oceanside to Escondido Rail – Opened March 2008.</td>
</tr>
<tr>
<td>SR 52 (SR 125 to SR 67)</td>
<td>Construct new four lane freeway with auxiliary lanes, and interchanges.</td>
</tr>
<tr>
<td>SR 52 OPERATIONAL IMPROVEMENTS</td>
<td>Construct third eastbound and westbound lane between I-15 and Mast Boulevard.</td>
</tr>
<tr>
<td>SR 76 (Melrose to Mission Road)</td>
<td>Widen from two lanes to four lanes</td>
</tr>
<tr>
<td>SR 76 (Mission to I-15)</td>
<td>Widen from two lanes to four lanes</td>
</tr>
<tr>
<td>SR 76 ENVIRONMENTAL ENHANCEMENT</td>
<td>Environmental enhancements for SR 76 widening</td>
</tr>
<tr>
<td>SUPER LOOP</td>
<td>High-frequency circulator route in University City serving UCSD and UTC. On June 15, 2009, an interim phase of SuperLoop was launched.</td>
</tr>
</tbody>
</table>

### Major Transit Capital Projects

- **Blue and Orange Line Improvements**

  The oldest portions of the San Diego Trolley, known as the Blue and Orange lines, have been in operation for 28 years. The San Diego region is making a major investment to rehabilitate and upgrade these aging portions of the Blue and Orange Lines. When complete, stations and vehicles will provide low-floor service, which will help speed passenger boarding and greatly improve reliability. Operational improvements to the lines will allow for increased frequency and additional service reliability. Additionally, rehabilitation efforts will replace facilities such as track and electrical systems that are beyond their useful life.

- **Mid-Coast Corridor Transit Project**

  The Mid-Coast Corridor Transit Project proposes an 11-mile extension of a light rail transit service from the Old Town Transit Center to the University City community, serving major activity centers from downtown San Diego north to the University of California, San Diego and University Towne Centre shopping mall. The project will improve public transit services and connect corridor residents with other Trolley lines serving Old Town, downtown San Diego, Mission Valley, South County, and other regional destinations.
communities to the international border, and East County communities to Santee, thereby enhancing direct public access to other regional activity centers. The project will improve travel options to employment, education, medical, and retail centers for corridor residents, commuters, and visitors.

**Other Regional Accomplishments**

Other accomplishments in the San Diego region include efforts to secure funding for regional transportation projects and key state legislation.

- **Proposition 1B Projects**

  In 2006, California voters approved Proposition 1B (Prop. 1B), the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, to fund state and local transportation improvement projects to relieve congestion, improve movement of goods, improve air quality, and enhance safety and security of the transportation system.

  The San Diego region received about $1.5 billion in Prop. 1B funding through various revenue sources contained in the bond. Some of these funding sources include the Corridor Mobility Improvement Account (CMIA), State-Local Partnership Program (SLPP), Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA), and Transportation Congestion Improvement Fund (TCIF).

- **Senate Bill 1685 (Kehoe, 2008)**

  On July 8, 2008, the Governor signed into law Senate Bill (SB) 1685 (Chapter 83, Statutes of 2008), which provides SANDAG the flexibility to expand the use of sales tax revenues beyond transportation-related projects for future ballot measures that could include habitat conservation, water quality, shoreline preservation, and public transit. Consistent with current law, any future measure would require two-thirds local voter approval, and would be capped at a maximum half-percent (the remaining capacity in existing SANDAG sales tax authority). In July 2008, SANDAG established an Ad Hoc Steering Committee to advise the Board of Directors on the development of a funding strategy to address these regional ‘Quality of Life’ infrastructure needs. The Ad Hoc Committee has been meeting on a regular basis to discuss the development of a funding measure, and most recently it has been discussing the timing of such a measure.

- **Senate Bill 1486 (Ducheny, 2008)**

  On September 30, 2008, the Governor signed into law Senate Bill (SB) 1486 (Chapter 720, Statutes of 2008), which provides SANDAG the authority to implement a public toll project to move people and goods along the State Route 11 (SR 11) corridor. SB 1486 authorizes SANDAG to collect a toll from travelers using SR 11, and enables SANDAG to bond against the toll/user fee revenues to develop and construct the new highway and Otay Mesa East Port of Entry (POE) facility.

  Each day, an estimated 62,000 vehicles, more than 25,000 pedestrians, and nearly 3,000 trucks cross the US/Mexico border northbound at our existing San Ysidro and Otay Mesa land ports. The typical wait times exceed two and a half hours. As a result of these wait times, the lost economic opportunity to the San Diego-Baja California region is equivalent to three and a half times the
annual economic impact of the San Diego Convention Center. Completing the SR 11 and the Otay Mesa East border crossing project will create jobs and investment that will help stimulate our regional and state economies.

Other related border planning activities included the Otay Mesa – Mesa de Otay Binational Corridor Strategic Plan, which was approved by the SANDAG Board of Directors and the Tijuana City Council in fall 2007. The Plan identified several strategies in the areas of transportation, economic development, housing and the environment. During 2008, Caltrans, the U.S. General Service Administration (GSA), the County of San Diego, SANDAG, and the Mexican government made significant progress to advance the implementation of the proposed Otay Mesa East-Otay II POE and connecting roads on both sides of the border.

- **Destination Lindbergh: Joint Effort among the City of San Diego, Airport Authority, and SANDAG**

In early 2008, SANDAG, the City of San Diego, and the San Diego County Airport Authority (Authority) began a year-long collaborative planning effort known as Destination Lindbergh. The effort was guided by the Ad Hoc Airport Regional Policy Committee that included members of the three agencies as well as other key transportation and community partners. The purpose of this plan was to:

- Determine the ultimate build out of San Diego International Airport at Lindbergh Field (the region’s primary commercial airport);
- Review the potential for an intermodal transportation center; and
- Determine actions that would reduce traffic on surrounding arterial streets.

In February 2009, the SANDAG Board of Directors reviewed the results of Destination Lindbergh, concluding that its implementation would provide an opportunity for increased transit ridership, reduced traffic on Harbor Drive, Laurel, Grape, and Hawthorne streets that surround the airport, reduced greenhouse gas emissions, and optimization of the operational capacity of the airport within the given airfield and property constraints.

Elements of the long-term plan include: development of an Intermodal Transportation Center (ITC) allowing connection and transfer from rail (Intercity, Commuter and High Speed), trolley, and bus (local, future Bus Rapid Transit, and Fly Away), direct I-5 ramp access, a consolidated rental car facility (CONRAC), and parking garages. In the final build out all access to the airport and airport processing would be provided in facilities north of the runway with a people mover connection to redeveloped terminals on the south.

- **Interregional Partnerships**

Over the last several years, SANDAG has been working with counterpart agencies in southwestern Riverside County on a planning effort known as the I-15 Interregional Partnership (I-15 IRP). To date, two phases of the I-15 IRP have been completed, and a third phase is underway. The planning effort addresses issues related to housing, transportation, jobs, and the economy in San Diego and Riverside Counties.
The I-15 IRP is a voluntary partnership of local officials representing SANDAG and the Western Riverside Council of Governments (WRCOG). The I-15 IRP was formed in 2001 to address the imbalance of jobs and housing that has developed between the San Diego region and southwestern Riverside County during the 1990s. The I-15 IRP identifies short- and long-term strategies to address both the causes and impacts caused by the increasing number of interregional commute trips in the corridor. SANDAG is currently working with WRCOG and Riverside transportation and transit agencies on a transit plan for the I-15 corridor that will run through Temecula Valley.

- Partnership with the Orange County Transportation Authority

SANDAG Board members and staff continue to meet on a regular basis with counterparts at the Orange County Transportation Authority (OCTA). Earlier efforts included SANDAG participation in the OCTA South Orange County Major Investment Study, which evaluated transportation options in the Interstate 5 corridor in Orange County and was completed in 2008. SANDAG is continuing to coordinate and collaborate with OCTA on regional transportation planning activities, including implementation of Senate Bill 375 (Steinberg, 2008) and development of respective Sustainable Communities Strategies and RTPs in the two regions.

**Future Challenges and Opportunities**

**Planning**

The current 2030 RTP was adopted in 2007. Federal law requires that SANDAG prepare a long-range transportation plan and make an air quality conformity determination every four years. SANDAG staff has prepared a draft work program and schedule to develop the 2050 RTP, which is slated for adoption in 2011. SANDAG is the first major metropolitan planning organization that will prepare an RTP according to provisions of SB 375 (Steinberg, 2008).

- 2050 Regional Growth Forecast

Work already is underway to produce the 2050 Regional Growth Forecast, which will be used in the preparation of the 2050 RTP. Most, but not all, projected housing demand can be accommodated based on existing general plans and policies. SANDAG staff is working with local jurisdictions to determine how to bridge the gap between planned housing capacity and projected housing demand.

- Urban Core Transit Strategy

In summer 2009, SANDAG will begin the development of an Urban Core Transit Strategy to evaluate possible regional transit strategies that maximize peak-period transit mode share in the urban core. The strategy will result in three or four long-range strategic transit network alternatives that will be factored into the 2050 RTP. Additionally, the study will include short-term action plans and implementation strategies.

- Sustainable Communities Strategy

The Sustainable Communities Strategy (SCS) will be a new element of the RTP, as required by SB 375, and will be designed to show how regional greenhouse gas (GHG) emission reduction targets, to be developed by the California Air Resources Board (CARB), would be reached through
development patterns, infrastructure investments, and/or transportation measures or policies that are determined to be feasible. Additionally, the SCS must be consistent with the Regional Housing Needs Assessment (RHNA) and must address protection of sensitive resource areas. If the SCS does not meet the regional GHG reduction targets, an Alternative Planning Strategy (APS) must be developed to demonstrate how the targets can be reached.

The adopted Smart Growth Concept Map, which identifies existing and planned smart growth areas linked to existing and planned public transit, along with the identified habitat conservation areas, will serve as a basis for the SCS. The results of the Regional Climate Action Plan (RCAP) currently under development will provide options for additional measures that could reduce GHG emissions.

• RTP/SCS Public Participation Plan

SANDAG regularly involves the public in regional planning efforts. A public participation plan is being prepared to help develop the 2050 RTP. On May 22, 2009, the Board of Directors approved the creation of a new Regional Planning Stakeholders Working Group to provide input on the development of key work elements in the planning process, including the public participation plan. Additionally there will be a series of public presentations and workshops and other means for involving the public and receiving input on the work products and draft 2050 RTP. The Board of Directors will be asked to approve the agency’s Public Participation Plan in winter 2009.

Funding Allocation

• Elimination of STA through 2013

The FY 2009 and FY 2010 state budget enacted in January 2009 reduced the FY 2009 State Transit Assistance (STA) funding by half from $306 million to $153 million. STA funding provides state financial support for transit operations. The $153 million reduction in statewide STA funding resulted in a $9.3 million loss to the San Diego region for FY 2009. In addition to the current year reduction, the FY 2009-2010 state budget also proposed to suspend STA funding entirely through FY 2013, but keep the program in existence.

• Transit Fare and Service Changes

In 2009, the region addressed the cuts in STA funding during the development of the FY 2010 transit operating budgets. In 2009, SANDAG approved several fare changes in order to address budget shortfalls caused by the elimination of STA funding and falling TDA and TransNet revenues. In addition, MTS approved several service adjustments that were primarily focused on unproductive weekend routes.

• NCTD to embark on Comprehensive Operational Analysis

In April 2009, NCTD announced that it plans to embark on a $400,000 Comprehensive Operational Analysis (COA) to conduct a complete evaluation of existing and programmed services and determine what is the most effective and cost-efficient way to provide public transportation service in north San Diego County within the constraints of the current financial and operating environment. The results of this project also will serve as the basis for the annual update of the SANDAG Regional Short Range Transit Plan.
• Future Quality of Life Funding Measure

Currently the TransNet Extension requires that SANDAG act on a regional funding measure by November 2010; however, in June 2009, the Quality of Life Ad Hoc Steering Committee recommended reconsideration of that timeline due to the current economic climate and tasks necessary to meet a November 2010 ballot deadline. The SANDAG Board of Directors will consider the recommendation by the Ad Hoc Steering Committee to extend the timeline for a potential Quality of Life funding measure to 2012 during the July 2009 Board meeting.

Project Implementation

• Compass Card

The Compass Card is the last element of a multi-year deployment of a new regional fare collection system. The fare collection system deployed new ticket vending machines, bus fareboxes, cash vault equipment, and computer systems to enhance our revenue collection and reporting capabilities. The Compass Card component is aimed at improving customer convenience and increasing the security of fare products.

On May 1, 2009, the Compass Card was launched for COASTER and Premium Express monthly pass holders and was marked by a kick-off event held at the Santa Fe Depot COASTER station. Nearly 5,000 transit patrons are now using the Compass Card, and SANDAG, NCTD, and MTS are already building on lessons learned from the experience.

The transition from monthly regional paper passes to the Compass Card is expected to begin in August, for implementation in September. The conversion of SPRINTER/BREEZE passes would begin shortly after the regional paper passes.

• Launch of the I-15 Bus Rapid Transit Service

Implementation of new BRT service along Interstate 15 will build on the success of the I-15 Express Lanes and FasTrak program, which when fully implemented, will complete a 20-mile facility between State Routes 78 and 163 in the San Diego region. The I-15 Express Lanes feature a four-lane facility with a movable barrier (similar to the movable barriers on the San Diego–Coronado Bridge); multiple access points to the regular general purpose lanes; and direct access ramps. A high-frequency BRT system will operate in these lanes by 2012. Transit stations and park-and-ride lots will be located along I-15 and will be connected to the Express Lanes via the direct access ramps. These direct access ramps will allow BRT buses, carpoolers, and I-15 FasTrak customers to bypass freeway on-ramps.

• SuperLoop Opening

The SuperLoop is a new transit loop system that will serve the north University City area of San Diego. SuperLoop improvements will include priority traffic treatments such as signal prioritization, queue jumper lanes, and possibly special road markers that will allow SuperLoop vehicles to move through traffic more rapidly than traditional buses.

On June 15, 2009, the first phase of the SuperLoop project was launched. The interim SuperLoop service provides nine stops in both directions. The service uses new low-emission, gasoline-electric
hybrid buses. SuperLoop service operates seven days a week, with buses running every ten minutes during peak hours and every 15 minutes during non-peak hours. The start of the full SuperLoop project is targeted for fall 2010.

Conclusion

In September 2008, following the completion of the SPRINTER, six employees were officially transferred from NCTD to SANDAG, thereby completing the final transfer of consolidated agency staff. The agency consolidation that began six years ago and concluded with the transition of the last few SPRINTER staff in 2008 has resulted in coordinated and comprehensive regional planning, funding, and project implementation efforts.

Our region has more than three million residents living within our 19 local jurisdictions throughout San Diego County and is projected to grow by nearly one million more residents through 2030. A significant part of this region’s future will be the way that residents and elected officials decide how regional decisions are made and how we work together to make those decisions. Regional decisions cut across city and county boundaries and deal with systems such as transportation, economic development, housing, and our natural environment.

With the recent economic climate, it has become even more apparent how interrelated and interdependent our regional economy, transportation, housing, environment, and local government revenues are. While our San Diego region will continue to face challenges ranging from new growth to constrained budgets to implementing new laws and policies that change the way we conduct regional planning, the agency consolidation that began under SB 1703 has provided the framework and tools to face the challenges that lie ahead.

The work accomplished by San Diego’s regional leaders during the past two years as well as the governance initiatives that began at the start of the 21st century, have established a framework that has:

- improved land use and transportation coordination among the 18 cities, county government, transit agencies, and other public and private agencies;

- provided a Regional Comprehensive Plan to help local plans work more effectively and efficiently;

- linked land use and transportation public policy decisions more directly;

- consolidated many transportation and public transit regional policies including planning, programming, and project development work and the coordination of transit service planning and fare structures;

- provided a TransNet Early Action Program for more and better commuter and other travel choices;

- fostered regional project planning across city, county, and international boundaries;

- enhanced opportunities for additional state and federal funding;
• addressed the need for a comprehensive vision and plan for the border region; and

• offered a regional governance structure inclusive of all 19 local city and county governments as well as other entities with land use authority.

i http://info.sen.ca.gov/pub/01-02/bill/sen/sb_1701-1750/sb_1703_bill_20020920_chaptered.pdf

ii http://info.sen.ca.gov/pub/03-04/bill/asm/ab_0351-400/ab_361_bill_20030925_chaptered.pdf

iii http://www.sandag.org/organization/about/pubs/legislative_program.pdf
STATE LEGISLATIVE STATUS REPORT

Introduction

Periodic status reports on legislative activities are provided to the Executive Committee during the year. This report provides an update on the status of the SANDAG-proposed amendments to Senate Bill 575 (Steinberg). Additionally, staff will provide an oral update on the status of the state budget.

Discussion

Senate Bill 575 (Steinberg) Local Planning: Housing Element

SANDAG is seeking to eliminate an “interim” housing element cycle, which based on Senate Bill 375 (Steinberg, 2008), that is due in 2010. This would allow the region to focus its resources on developing the next Regional Housing Needs Assessment (RHNA), Sustainable Communities Strategy (SCS), and Regional Transportation Plan (RTP) in accordance with goals of SB 375. If the 2010 housing element cycle is eliminated, the deadline for completion of the next housing elements would be December 31, 2012.

At its May 8, 2009, meeting, the Executive Committee acted on proposed amendments to Senate Bill 575 (Steinberg), providing direction to staff to continue negotiations with the author, sponsor of the bill, and key stakeholders. On June 12, 2009, the Executive Committee reviewed a revised proposal that resulted from discussions with Senator Steinberg’s office and the primary bill sponsor, the California League of Conservation Voters. The primary difference between the proposals was the timing of the requirement to prepare an additional housing element for those jurisdictions that have not completed their 2005-2010 housing elements and any necessary rezoning programs by certain deadlines. A summary of the May and June proposals is provided in Attachment 1.

On June 24, 2009, the statewide housing advocate groups, including Housing California, the California Rural Legal Assistance Foundation, and the California Affordable Housing Law Project, provided SANDAG staff with a counterproposal. The primary changes are tracked below:

- For all 19 local jurisdictions in the San Diego region, align the fifth revision of the housing element with the 2011 RTP update (2012-2020 housing elements would be due by December 31, 2012, 18 months after the July 2011 adoption of SANDAG RTP update). At the time of housing element adoption, all 19 jurisdictions must have rezoned all sites needed to accommodate the proportion of their RHNA for the period July 2010-December 2012. Also, eligibility for TransNet
There are four main differences between the SANDAG proposal and the proposal from the statewide housing advocates. The housing advocates proposal:

- Would require local jurisdictions to complete any necessary rezoning to accommodate the proportion of RHNA for July 2010-December 2012, at the time the 2012-2020 housing elements are adopted (December 2012);

- Would eliminate the schedule exception for the County of San Diego (six additional months to complete rezonings for the 2005-2010 housing element);

- Would require local jurisdictions to secure HCD approval of their 2005-2010 housing elements by January 1, 2010, instead of completing their housing elements by this same date; and

- Would require eligibility for TransNet Smart Growth Incentive Program funds to be contingent upon having an adopted 2005-2010 housing element.

SB 575, which was last amended on May 4, 2009, is scheduled to be heard in Assembly Local Government Committee on July 8, 2009. At the July 10, 2009, Executive Committee meeting, staff will provide an oral update the status of SB 575, including any new amendments in print. The Executive Committee will be asked to discuss the recently proposed amendments and provide direction to staff.

**State Budget Update**

California is currently facing a $24 billion budget gap in FY 2009 and FY 2010. On June 24, 2009, State Controller John Chiang announced that he would be forced to pay the state's bill with IOUs beginning on July 2, 2009, if members of the Legislature and Governor Arnold Schwarzenegger cannot reach an agreement on a budget-balancing plan by the end of the current fiscal year. In response to this, the Assembly passed three measures that would enact a number of cuts, including the proposal to shift $1 billion of transportation revenues from local governments and instead use the funds to pay debt service on state transportation bonds. The measures also would defer payments to all levels of the public education system, and contained provisions to make deeper cuts in state spending for schools in the current fiscal year. The third bill would transfer money from redevelopment agencies to the state. The measures failed passage in the Senate on a partisan vote.
Budget discussions are ongoing, and staff will provide an oral update at the July 10, 2009, Executive Committee meeting.

KIM KAWADA
Policy Legislative Affairs Program Manager

Attachment: 1. Proposed Amendments to SB 575

Key Staff Contact: Genevieve Morelos, (619) 699-1994, gmo@sandag.org
Proposed Amendments to SB 575

At its May 8, 2009, meeting, the Executive Committee directed staff to pursue Option C1, with Option C3 as a backup position, with a schedule exception for the County of San Diego and without changes to Board Policy No. 033 (Implementation Guidelines for SANDAG Regional Housing Needs Assessment Memorandum). Based on negotiations with the primary bill sponsor, staff subsequently brought a revised proposal to the Executive Committee at its June 12, 2009, meeting.

May 8, 2009, Proposals

Option C1

• For all 19 local jurisdictions in the San Diego region, align the fifth revision of the housing element with the 2011 RTP update

• Require jurisdictions that have not completed their 2005-2010 housing elements by January 1, 2010, to complete any necessary rezoning programs by July 1, 2011

Option C3

• For all 19 local jurisdictions in the San Diego region, align the fifth revision of the housing element with the 2011 RTP update

• Require jurisdictions that have not completed their 2005-2010 housing elements to complete any necessary rezoning programs by July 1, 2010, except for the County of San Diego, which would be required to complete its rezoning program(s) by December 31, 2010

• Local jurisdictions that do not complete necessary rezoning programs for the 2005-2010 housing elements by July 1, 2010 (or December 31, 2010, in the case of the County of San Diego), would be required to prepare 2010-2012 housing element

Revised June 12, 2009, Proposal

• For all 19 local jurisdictions in the San Diego region, align the next revision of the housing element (fifth revision) with the 2011 RTP update (the eight-year 2012-2020 housing elements would be due by December 31, 2012, 18 months after the July 2011 adoption of the RTP update)

• Require local jurisdictions in the San Diego region that have not completed their 2005-2010 housing elements (fourth revision) by the effective date of SB 575 to complete any necessary rezoning program(s) by July 1, 2010, except for the County of San Diego, which would be required to complete its rezoning program(s) by December 31, 2010

• Local jurisdictions that do not complete necessary rezoning programs for the 2005-2010 housing elements by July 1, 2010 (or December 31, 2010, in the case of the County of San Diego), would be required to prepare another housing element four years after the fifth revision (four-year 2016-2020 housing elements would be due by December 31, 2016)
ACTION REQUESTED: APPROVE

REVIEW OF JULY 24, 2009, DRAFT BOARD AGENDA

1. APPROVAL OF MEETING MINUTES

   A. JUNE 12, 2009, BOARD POLICY MEETING MINUTES
   B. JUNE 26, 2009, MEETING MINUTES

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

   Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG that is not on this agenda. Anyone desiring to speak shall reserve time by completing a “Request to Speak” form and giving it to the Clerk of the Board prior to speaking. Public speakers should notify the Clerk of the Board if they have a handout for distribution to Board members. Speakers are limited to three minutes. Board members also may provide information and announcements under this agenda item.

3. ACTIONS FROM POLICY ADVISORY COMMITTEES

   This item summarizes the actions taken by the Executive Committee on July 10, and the Transportation and Public Safety Committees on July 17, 2009.

CONSENT ITEMS (4 through XX)

4. ANNUAL REVIEW AND PROPOSED AMENDMENTS TO BOARD POLICY NO. 003: INVESTMENT POLICY, AND ANNUAL REVIEW OF BOARD POLICY NO. 032: SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION INTEREST RATE SWAP POLICY (Lauren Warrem)*

   The required annual review of Board Policy Nos. 003: Investment Policy, and 032: San Diego County Regional Transportation Commission Interest Rate Swap Policy has been conducted by the Director of Finance and the SANDAG investment advisor, Public Financial Management (PFM). There are two recommended changes to Policy No. 003, and no recommended changes to Policy No. 032. The Executive Committee recommends that the Board of Directors approve the proposed amendments to Board Policy No. 003: Investment Policy.
5. SANDAG FY 2010 DISADVANTAGED BUSINESS ENTERPRISE PROGRAM GOALS (Elaine Richardson)

As recipients of U.S. Department of Transportation (USDOT) funds through Caltrans and the Federal Transit Administration (FTA), SANDAG is required to develop and submit annual Disadvantaged Business Enterprise (DBE) goals. The Board of Directors is asked to accept the draft FY 2010 Annual Anticipated DBE Participation Level for Federal Highway Administration-assisted projects and an Overall Annual DBE Goal for FTA-assisted projects for a 45-day public comment period.

6. REPORT SUMMARIZING DELEGATED ACTIONS TAKEN BY EXECUTIVE DIRECTOR (Lauren Warrem)

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.

7. REPORTS ON MEETINGS AND EVENTS ATTENDED ON BEHALF OF SANDAG (Kim Kawada)

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

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CHAIR’S REPORT (10 through XX)

10. PERFORMANCE EVALUATION OF EXECUTIVE DIRECTOR

Pursuant to the employment agreement with the Executive Director, the Board of Directors shall annually review his performance. If the Executive Director’s performance is determined to be satisfactory, the Board of Directors shall adjust his base salary in accordance with the employment agreement provisions. The Executive Committee is asked to recommend that the Board of Directors approve: (1) the Executive Director’s performance evaluation for the period July 2008 to June 2009; and (2) performance objectives for the upcoming evaluation period July 2009 to June 2010.
11. QUALITY OF LIFE FUNDING STRATEGY UPDATE

Since summer 2008, the Quality of Life Ad Hoc Steering Committee has been discussing efforts to meet the funding needs for regional habitat preservation, shoreline management, water quality enhancement, and transit operations. Chair Pfeiler, who chairs the Ad Hoc Steering Committee, will provide the Board of Directors with an update on the status of those efforts and an overview of what is being proposed in FY 2010.

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REPORTS (14 through XX)

+14. SECOND READING OF PROPOSED AMENDMENT TO THE TransNet EXTENSION ORDINANCE REGARDING AUDIT REPORTING FOR THE REGIONAL TRANSPORTATION CONGESTION IMPROVEMENT PROGRAM (RTCIP) (Second Vice Chair Jack Dale, Transportation Committee Chair; Charles "Muggs" Stoll)*

The TransNet Extension Ordinance (Commission Ordinance CO-04-01) includes language requiring that all local jurisdictions have their Regional Transportation Congestion Improvement Program (RTCIP) financial records available for audit by July 1 of each calendar year. It is proposed that the audit requirements for the RTCIP be aligned with the annual fiscal and compliance audit requirements for the TransNet program. The Board of Directors is asked to conduct the second reading of the CO-09-01, which would amend CO-04-01 to align the timeline for the RTCIP audits with the TransNet annual fiscal and compliance audit requirements.

+15. PROPOSED AMENDMENT TO POLICY NO. 031: TransNet ORDINANCE AND EXPENDITURE PLAN RULES (First Vice Chair Jerome Stocks; Lauren Warrem)*

SANDAG Board Policy No. 031 provides administrative guidance for implementing the TransNet Extension Ordinance, including guidance for conducting the annual fiscal audits for TransNet recipients. The proposed amendment to Board Policy No. 031 would provide additional clarification for various practices associated with the annual TransNet fiscal audits and the Regional Transportation Congestion Improvement Program. On June 10, 2009, the Independent Taxpayer Oversight Committee, which has the overall responsibility to conduct the annual fiscal audits, reviewed this proposal and recommended its approval. The Executive Committee recommends that the Board of Directors approve the proposed changes to excerpts of SANDAG Board Policy No. 031, as attached to the report, pending adoption of proposed Commission Ordinance CO-09-01.
+16. AMERICAN RECOVERY AND REINVESTMENT ACT: TIGER PROGRAM SUBMITTALS (Second Vice Chair Jack Dale, Transportation Committee Chair; Victoria Stackwick)

The American Recovery and Reinvestment Act of 2009 included a $1.5 billion Supplemental Discretionary Grant program for Capital Investments in Surface Transportation Infrastructure (TIGER program). The U.S. Department of Transportation has published guidance for the TIGER program, with applications due by September 15, 2009. This item summarizes the federal program and includes a list of proposed regional project submittals. The Transportation Committee recommends that the Board of Directors approve the list of proposed regional project submittals for the TIGER program and authorize the Executive Director to provide support letters for other local agency projects that are consistent with SANDAG policies and programs.

+17. SAN DIEGO LOSSAN RAIL CORRIDOR PROJECT PRIORITIES AND FEDERAL STIMULUS FUNDING OPPORTUNITIES (Second Vice Chair Jack Dale, Transportation Committee Chair; Linda Culp)*

In June 2009, SANDAG, North County Transit District, Amtrak, Burlington Northern Santa Fe Railway, and Caltrans, completed a detailed evaluation of 40 individual rail projects along the San Diego portion of the Los Angeles-San Diego-San Luis Obispo (LOSSAN) Rail Corridor. These projects include double tracking, bridge replacements, and station improvements. Evaluation criteria were developed and detailed rail modeling simulations were completed in order to determine project rankings. In August 2009, project applications are due to the Federal Railroad Administration for consideration for a share of the $8 billion identified for high-speed/intercity rail projects under the American Recovery and Reinvestment Act. The prioritized list of rail projects is being used to determine which projects are considered for both local and federal stimulus funds. The Transportation Committee recommends that the Board of Directors accept the prioritization report and approve the list of federal stimulus project submittals.

+18. PROPOSED ADDITION OF DESIGN PROJECTS TO THE TransNet CAPITAL IMPROVEMENT PROGRAM (Second Vice Chair Jack Dale, Transportation Committee Chair; Richard Chavez)*

With the recent successful competition for various federal and state transportation funds through programs such as the federal American Recovery and Reinvestment Act and the Proposition 1B state bonds, much of the TransNet project design work that was made ready for the competition has been depleted. Therefore, a proposal has been developed to continue forward on the design work for a series of transit, rail, and highway projects throughout the region in order to be prepared for future competition for transportation funds. The Transportation Committee recommends that Board of Directors approve a proposed list of projects that would be advanced into the Capital Improvement Program through their design phase of development, at a total estimated cost of $70.4 million.
+19. MID-COAST CORRIDOR TRANSIT PROJECT WORKING GROUP (Second Vice Chair Jack Dale, Transportation Committee Chair; Anne Steinberger)* APPROVE

The Transportation Committee recommends that the Board of Directors approve the list of participants on the Mid-Coast Corridor Transit Project Working Group. Chair Lori Holt Pfeiler also will name the SANDAG representative who will chair the Project Working Group.

+20. UTC TRANSIT CENTER FUNDING (Second Vice Chair Jack Dale, Transportation Committee Chair; Greg Gastelum)* APPROVE

SANDAG staff has worked with Westfield, the City of San Diego, and the Metropolitan Transit System staff to ensure that the new transit center, approved as part of the redevelopment plans for the Westfield University Towne Centre (UTC) shopping center, meets the needs of existing and future transit services in the Mid-Coast corridor. The Transportation Committee recommends that the Board of Directors direct staff to take the necessary programming actions, including obtaining approval from the Federal Transit Administration (FTA), to redirect approximately $5.7 million in TransNet funds programmed for the construction of the SuperLoop project to the UTC Transit Center project and replace this amount with FTA Section 5309 New Starts funds currently programmed as a contribution towards construction of the new UTC bus transit center.

+21. MARINE LIFE PROTECTION ACT INITIATIVE COMMENT LETTER (First Vice Chair Jerome Stocks; Rob Rundle) APPROVE

The Marine Life Protection Act Initiative has been working on designating Marine Protection Areas (MPA) within the southern California region, which includes San Diego County. Certain MPA designations have the potential to affect the ability of local coastal jurisdictions to carry out shoreline management and other activities along the coastline. The Executive Committee recommends that the Board of Directors approve submittal of a letter, in substantially the same form as attached, outlining concerns on the Marine Life Protection Act initiative consistent with the SANDAG Shoreline Preservation Strategy and Regional Comprehensive Plan.

+22. COMPASS CARD UPDATE (James Dreisbach-Towle) INFORMATION

Staff will provide the Board of Directors with an update on recent Compass Card project activities and the status of the planned public launch.

23. FINANCIAL MARKET STATUS (Lauren Warrem and Marney Cox) INFORMATION

This monthly briefing is designed to keep the Board of Directors informed about the latest developments in the financial markets, the economy, and revenue forecasts, and the strategies we are exploring and implementing to minimize possible impacts to SANDAG.
24. PRESENTATION BY BUILDING INDUSTRY ASSOCIATION OF SAN DIEGO COUNTY (Borre Winckel, Chief Executive Officer, BIA)

Representatives of the Building Industry Association of San Diego County (BIA) will provide a presentation on its JOIN campaign (Jumpstart our Industry Now) to promote local economic stimulus measures designed to reinvigorate the local construction industry, which has suffered more than 30,000 job losses in the region. The BIA also will brief the Board of Directors on the state of the local construction industry and its outlook for the remainder of 2009 and beyond.

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27. UPCOMING MEETINGS

The August 14 and August 28 Board of Directors meetings have been cancelled. The next Policy meeting is scheduled for Friday, September 11, 2009, at 10 a.m. The next Business meeting is scheduled for Friday, September 25, 2008, at 9 a.m.

28. ADJOURNMENT

+ next to an agenda item indicates an attachment
* next to an agenda item indicates a San Diego Regional Transportation Commission item
Possibility of returning tolls to the Coronado bridge being studied

Guest Commentary
By Jim Schmidt

The city of Coronado had a study done on the feasibility and financing of a tunnel under Fourth Street from the San Diego Coronado Bay Bridge to North Island Naval Air Station with the goal of relieving rush hour traffic from the end of the bridge in Coronado going west on Third Street in the morning and going east on Fourth Street in the afternoon.

The big issue is the cost of a tunnel could be $600 million and might have to be financed by a $10 toll — $5 each way. One suggestion made was a high toll would only be during rush hours with commuters then paying more than city residents and other people who use the bridge at other times. Coronado’s fiscal benefits from the bridge are a big plus for city finances.

The bridge toll was ended by SANDAG’s board of directors in October 2001 which ended the toll in July 2002. The bridge was approved in November 1966 by Gov. Pat Brown and the California Toll Bridge Authority. Brown was chairman of the CTBA. In December 1966 the toll revenue bonds to finance the bridge were sold. When Ronald Reagan became governor in January 1967, he and his administration took a situation where the bridge was a “done deal” with many problems to resolve. There was litigation filed to stop the bridge, which lost soon after Reagan became governor and was not appealed by the plaintiffs.

I joined the Reagan Administration in January 1967 as assistant secretary and chief deputy of the Business & Transportation Agency. In 1969, after my return to San Diego, I was appointed to the CTBA. The state toll bridges were under our supervision. The haste that Gov. Brown and his team pushed the bridge through did not take care of the needs and there were many problems in the bridge building plan that we discovered. The problem was the toll of 60 cents each way with no lower tolls for commuters, no off-rams going east from the bridge to connect to Interstate 5 to the south, no lights on the bridge, no safety railings at the off-rams, Third and Fourth streets were not put in the State Highway System so Coronado would have to pay for the street maintenance, the important “Nickel Snatcher” pedestrian ferry that transported Navy personnel and civilian workers to North Island had to be eliminated by the covenants in the toll revenue bonds (Brown had promised the North Island Association leaders that the ferry would continue) and the funding to be provided by the bonds did not cover all of the construction costs.

The Reagan Administration was able to solve all the problems except saving the “Nickel Snatcher.” The bonds were unknown owner bearer bonds and the necessary two-thirds vote to approve the continuation of the ferry could not be found. The toll for commuters was dropped to 45 cents each way when the bridge opened and later to 35 cents. Gov. Reagan and his CTBA set up a plan to make the bridge toll free by buying bonds with excess toll revenues collected by keeping the 60-cent toll (bonds were paid off in 1986). Six former Reagan appointees in the Business & Transportation Agency and CalTrans during Reagan’s eight years in office all lived in San Diego when SANDAG took over control of the toll revenues. The six of us teamed up with the working commuters, the Taxpayers Association and others to urge the SANODA vote. Now SANDAG will again be the main decision maker as to whether the toll will be returned on the bridge with state legislation also probably needed. There have been no meetings on the toll issue at SANDAG yet. There have been public meetings set up by the city of Coronado.

The working people who cannot afford to live in Coronado (median 2009 home prices are $302,500 higher than La Jolla) are concerned. Since re-bonding the bridge would probably be the best and only source for financing, a $10 toll ($50 each week, which is not tax deductible) is really scary. Workers and Navy personnel at the bases want traffic solutions other than bridge tolls. Also, businesses like the many small restaurants are concerned. One letter to the editor in the Coronado paper by a person who frequently goes to Coronado to eat meals called the “Possible bridge toll Coronado’s Death Wish” saying that many people would no longer go to Coronado to shop, eat, etc.

In conclusion, things have not heated up yet but they will if the tunnel idea proceeds. One working commuter told me that with a big toll like $10 round trip many drivers will go “toll free” by going south on I-5, then go west on SR 75 to Imperial Beach and then drive up through the Silver Strand to Coronado and on to North Island. This traffic could be heavy through Imperial Beach.

We will watch the situation and hope that Coronado will work with the Navy to explore other ideas like more “Park & Ride” ideas with parking on the San Diego side of the bay and the possibility of not only using buses but also commuting to North Island on a ferry like the “Nickel Snatcher,” which picked up passengers at the area that is now “Seaport Village.” How about some parking at the Submarine Base near Point Loma, which is right across the bay from North Island and then take a ferry to the base? Some other creative ideas for traffic relief are being thought about. It would be a shame to bring back the tolls on the bridge.

In addition to costs to working commuters it would probably hurt Coronado businesses like getting fewer major events at the three large hotels.

Schmidt is a retired banker and attorney who is active with the chamber and in civic affairs in transportation, housing and sports. He also serves on three public boards and was Gov. Reagan’s appointee to three positions in state government.

Source Code: 20090701zg
Rob, we support your staff comments and the proposed draft letter. You can see how our ideas are very similar by looking at the attached letter from our Mayor. Next Wednesday, 7/15, our Council will consider another letter stating many of the same themes as a result of our visit to the MLPA workshop on June 30th.

Thanks for working on this.

Gary Brown
City Manager
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932
619-423-0314 phone
619-628-1395 fax
June 4, 2009

Ken Wiseman, Executive Director
Marine Life Protection Act Initiative
c/o California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

SUBJECT: COMMENTS ON PROPOSED MLPA SOUTH COAST REGIONAL STAKEHOLDER GROUP DRAFT MPA PROPOSALS

Dear Mr. Wiseman:

At a recent Imperial Beach City Council meeting, our City Council was given a brief presentation on the Marine Life Protection Act (MLPA) Initiative and the Draft Marine Protected Area (MPA) process. During that meeting, City Council Members expressed the following questions and concerns about this process and the possible formation of MPA's in or adjacent to Imperial Beach:

1. It appears that a significant area off Imperial Beach from the U.S./Mexico Border up to the Imperial Beach Pier and perhaps beyond, as well as the Tijuana Estuary, are being recommended by some MLPA Work Groups as either a State Marine Conservation Area (SMCA) or a State Marine Reserve (SMR). These recommendations have been made with absolutely no input from the local community, local government staff or the local government (i.e., the City Council). We would request, therefore, that any and all recommended MPA's be subject to public review before the affected City's local government (i.e., the Imperial Beach City Council) prior to final recommendations for any proposed MPA so that the concerns and objectives of the respective local communities can appropriately be considered.

2. It is not at all clear what specific activities, if any, would be restricted or prohibited by the various types of MPA's. Because the City of Imperial Beach relies heavily upon beach-related tourism and beach-related recreation (i.e., fishing, bathing, surfing, kite-boarding, skim boarding, snorkeling, skin and scuba diving, clamming, boating, etc.), the City
would be opposed to any MPA that would in any way restrict these important activities. We would request, therefore, a comprehensive briefing on what specific activities might be affected by any of recommended MPA’s.

3. As a direct result of the depletion of beach sediment supply by the upstream damming of the Tijuana River, as well as by the construction of the Zuniga Jetty at San Diego Bay, the City of Imperial Beach has been battling beach erosion for several decades. Consequently, the City has been working on several projects that would replenish our shoreline with much needed beach-compatible sediment. One such project proposes to dredge a large amount of sand off the ocean floor from an area southwest of the Tijuana River mouth for placement along the entire developed shoreline of Imperial Beach. Another project proposes to deposit beach compatible sediment in the near-shore just south of the Imperial Beach Pier and yet another proposes to bring sand dredged from the Mission Beach area to our shoreline. We are aware that the issue of beach replenishment has been raised during the MPA process with the concern being that the formation of MPA’s should not preclude or adversely affect beach renourishment efforts. Therefore, it is our position that any proposed MPA off Imperial Beach should not conflict with the City’s long-standing effort to replenish its beaches through either onshore or near-shore beach renourishment projects.

The City of Imperial Beach appreciated the brief presentation on the MLPA Initiative and the MPA process given to our City Council. However, it appears that the presentation raised more questions and concerns than it answered. The City of Imperial Beach believes strongly that its efforts to enhance and promote tourism, beach-related recreation and beach renourishment should be a primary consideration as the MPA process moves forward. We strongly support efforts to protect our environmental and marine resources but also believe that the objectives of all interests can and should be accomplished through a cooperative and open dialogue between the citizens and representatives of the City of Imperial and the MLPA Initiative decision-makers.

If you would like to discuss this information, meet with City representatives or, better yet, schedule a presentation to our City Council, please contact me.

Sincerely,

James C. Jamney
Mayor
City of Imperial Beach

C: City Council
City Manager
Dr. Mike McCoy, South Coast Regional Stakeholder Group Alternate
Shelby Tucker, SANDAG
Marine Life Protection Act Initiative
Comment Letter

Executive Committee
July 10, 2009

MLPA Initiative - Background

- Marine Life Protection Act (1999)
- Design system of Marine Protected Areas (MPAs)
  - State Marine Reserve
  - State Marine Park
  - State Marine Conservation Area
MLPA Initiative – Decision Makers

- Regional Stakeholder Group
- Science Advisory Team
- Blue Ribbon Task Force
- California Fish and Game Commission

MLPA Initiative – South Coast Study Region

- Point Conception in Santa Barbara County to Tijuana/Mexico Border
- Began in 2008, continuing through 2009
- MLPA proposal preparation will occur in three iterations
  - Round one – completed spring 2009
  - Round two – completed June 2009
  - Round three – scheduled for completion August 2009
MLPA Initiative – SANDAG Involvement

- Listening on-line to meetings
- Attended one meeting held in San Diego region
- Engage MLPA Initiative staff and stakeholders to engage in information sharing
- Letter writing

MLPA Initiative – Issues of Concern

- Potential to limit the types of regional beach restoration and maintenance activities
  - Extraction of sand from offshore
  - Placement of sand on regional beaches
  - Lagoon restoration
- Concern that regional issues may not be addressed/incorporated
  - Lack of communication with local jurisdictions
  - Lack of response to regional letters sent
MLPA Initiative – SANDAG Next Steps

- Send letter from SANDAG Board of Directors to continue to communicate regional issues
- Continue to stay up to date on MLPA Initiative efforts
- Continue to provide comments and input
Recommendation

The Executive Committee is asked to recommend that the Board of Directors approve the submittal of the Marine Life Protection Act comment letter in substantially the same form as attached.
Sec. 7506), except those within the regional jurisdiction of the San Diego Association of Governments, shall adopt the fifth revision of the housing element no later than 18 months after adoption of the first regional transportation plan to be adopted after September 30, 2010.

(B) (i) All local governments within the regional jurisdiction of the San Diego Association of Governments shall adopt their fifth revision no more than five years from the fourth revision and their sixth revision no later than 18 months after adoption of the first regional transportation plan to be adopted after the fifth revision due date September 30, 2010.

(ii) All local governments within the regional jurisdiction of the San Diego Association of Governments shall be subject to all of the following:

(1) If the local government has failed to adopt a housing element for the fourth revision by March 31, 2010, which is in substantial compliance with the requirements of this article or has failed to complete any rezoning contained in the housing element program for the fourth revision by June 30, 2010, the local government shall revise its housing element not less than every four years, beginning on the date described in clause (i), in accordance with paragraph (4).

(2) With respect to the fifth revision, the local government shall, prior to or concurrent with adoption of the housing element, identify adequate sites in its inventory pursuant to Section 65583.2 or rezone adequate sites to accommodate a prorated portion of its share of the regional housing need for the projection period representing the period from July 1, 2010, to the deadline for housing element adoption described in clause (i).

(C) All local governments within the regional jurisdiction of a metropolitan planning organization or a regional transportation planning agency that has made an election pursuant to subparagraph (L) of paragraph (2) of subdivision (b) of Section 65080 by June 1, 2009, shall adopt the fifth revision of the housing element no later than 18 months after adoption of the first regional transportation plan following the election.

(D) All other local governments shall adopt the fifth revision of the housing element five years after the date specified in paragraph (1).
(ii) All local governments within the regional jurisdiction of the San Diego Association of Governments shall be subject to all of the following:

(I) If the local government has failed to adopt a housing element for the fourth revision by March 31, 2010, which is in substantial compliance with the requirements of this article, and that local government or has failed to complete any rezoning contained in the housing element program for the fourth revision by June 30, 2010, the local government shall revise its housing element not less than every four years, beginning on the date described in clause (i), in accordance with paragraph (4).

(II) With respect to the fifth revision, the local government shall, prior to or concurrent with adoption of the housing element, identify adequate sites in its inventory pursuant to Section 65503.2 or rezone adequate sites to accommodate a prorated portion of its share of the regional housing need for the projection period representing the period from July 1, 2010, to the deadline for housing element adoption described in clause (i).
SB 575 Counterproposal by Housing Advocates

- For all 19 local jurisdictions, align fifth revision of Housing Element (HE) with 2011 RTP update
  - At the time of the housing element adoption, all 19 jurisdictions must have rezoned all sites needed to accommodate their proportion of RHNA for July 2010 to December 2012
  - Eligibility for TransNet Smart Growth Incentive Program funds would be contingent upon having an adopted fifth revision

SB 575 Counterproposal by Housing Advocates (cont.)

- Require jurisdictions without current HE by January 1, 2010, to secure HCD approval by January 1, 2010 and to complete rezoning programs by June 30, 2010

- Local jurisdictions that do adopt an HCD-approved element and do not meet the rezoning deadline must prepare another HE four years after the fifth revision
  - Eligibility for TransNet Smart Growth Incentive program funds would be contingent upon having an adopted fourth revision.
SB 575
As Amended July 1, 2009

- For all 19 local jurisdictions, align fifth revision of Housing Element (HE) with 2011 RTP update
- If a jurisdiction fails to adopt the current HE by March 31, 2010, or fails to complete rezoning programs by June 30, 2010, it must prepare another HE four years after the fifth revision
- At the time of the HE adoption for the fifth revision, all 19 jurisdictions must have rezoned all sites needed to accommodate their proportion of RHNA for July 2010 to December 2012

Recommendation

The Executive Committee is asked to discuss possible amendments to Senate Bill 575.
SANDAG Proposal Revised 6/12/2009

- For all 19 local jurisdictions, align fifth revision of Housing Element (HE) with 2011 RTP update
  - 2012-2020 HE due by December 31, 2012
- Require jurisdictions without current HE by January 1, 2010, to complete rezoning programs by June 30, 2010
  - Except County of San Diego rezoning program due by December 31, 2010
- Local jurisdictions that do not meet the rezoning deadlines must prepare another HE four years after the fifth revision
  - 2016-2020 HE due by December 31, 2016

Option C1

- For all 19 local jurisdictions in the San Diego region, align the fifth revision of the HE with the 2011 RTP
- Require jurisdictions that have not completed their current HE by 1/1/2010 to complete any necessary rezoning programs by 6/30/2011
Option C3

- For all 19 local jurisdictions, align fifth revision of Housing Element (HE) with 2011 RTP update
  - 2012-2020 HE due by December 31, 2012
- Require jurisdictions without current HE by January 1, 2010, to complete rezoning programs by June 30, 2010
  - Except County of San Diego rezoning program due by December 31, 2010
- Local jurisdictions that do not meet the rezoning deadlines would be required to prepare 2010-2012 HE