

INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

February 11, 2009

AGENDA ITEM NO.: **1**

Action Requested: APPROVE

MEETING SUMMARY FOR THE JANUARY 14, 2009,
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE (ITOC) MEETING

File Number 1110200

Attendance

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

The meeting of the *TransNet* Independent Taxpayer Oversight Committee (ITOC) was called to order by Chair John Meyer at 9:30 a.m.

1. APPROVAL OF MEETING SUMMARY

Action: Upon a motion by Mr. Garcia and a second by Ms. Harrison, the ITOC approved the November 12, 2008, meeting summary.

Chair Meyer asked staff if there is a system in place to follow up on items that the members requested to be briefed on or requested a follow-up presentation to the ITOC.

Ms. Kawada stated that staff has a Follow-Up Spreadsheet (FUSS) that incorporates these types of requests from all meetings. She would discuss the concern with Muggs Stoll to ensure that it is happening for the ITOC.

Ms. Harrison stated that the ITOC also had requested that each agenda include an additional item for discussion of any follow-up items from the previous meeting.

Ms. Kawada stated that she also would discuss this request with Mr. Stoll.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Chair Meyer commented that this spring there would be three vacancies on the ITOC, and SANDAG has published a public notice soliciting candidates for the three open positions. He requested the members to contact anyone they know in their professional field and encourage them to apply. The application deadline is February 9, 2009. Chair Meyer stated that it is imperative to fill all three positions.

Ms. Kawada stated that staff has standard contact lists for public works directors and city managers. She stated that the notice has been posted on the SANDAG Web site as well. She stated that with ITOC concurrence, staff also would have the notice printed in local newspapers and given to other local agencies, such as Chambers of Commerce.

Mr. Garcia requested clarification on which positions would be open, and Chair Meyer stated that the open positions were finance/budgeting, right-of-way acquisition, and construction management. Chair Meyer commented that he has not decided whether to re-apply for the finance/budgeting position.

Maryam Babaki, City Engineer for National City, stated her concerns that under the current economic conditions, the Regional Transportation Congestion Improvement Program (RTCIP) fees required under the *TransNet* Ordinance were negatively affecting developers and local jurisdictions and causing many projects from being developed. She asked the ITOC to consider re-evaluating the requirements for these fees. She stated that the Ordinance requirements are very strict and do not allow for exceptions or waivers. Ms. Babaki commented that a senior housing project in National City with 500 units would require the developer to pay an additional \$1 million in the RTCIP fees over the cost of the project. She stated that this type of project for seniors would not generate as much traffic as other typical developments, and yet would still be required to pay the development fee.

Ms. Harrison asked whether the city had considered a payment plan for the developer.

Ms. Babaki stated that the city is working with the developer, but even if the city offered a payment plan, the fees would have to be paid up front from the city's general fund and would require a lien on the property. Liens often make it more difficult to obtain competitive financing.

Chair Meyer requested that Ms. Babaki raise this issue with the city managers association and also put these issues in writing to the ITOC so the item can be addressed at a future meeting.

3. 2008 REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM (RTIP) QUARTERLY AMENDMENT (RECOMMEND)

Sookyung Kim, Financial Programming Manager, presented the item. At its meeting on July 25, 2008, the SANDAG Board of Directors adopted the 2008 RTIP, the five-year program of major transportation projects in the San Diego region covering the period from FY 2009 to FY 2013. SANDAG processes amendments to the RTIP on a quarterly basis based on requests from member agencies. The ITOC is asked to review this amendment, focusing on the *TransNet* Program of Projects, and recommend approval to the Transportation Committee at its January 16, 2009, meeting.

SANDAG transmitted the draft project amendment to interested parties for a 15-day public review period. The comment period ended December 30, 2008, and no comments have been received. Ms. Kim summarized the proposed amendments and provided additional information regarding those projects included in the *TransNet* Program of Projects. Caltrans projects included the State Route (SR) 52 Freeway (CAL26)/Noise Barrier Program (CAL69), the SHOPP Collision Reduction (CAL46B)/SHOPP Bridge Preservation (CAL46D), and the SR 11 (CAL66) project. The City of Lemon Grove projects included in the amendment is the Street Improvements (LG13) and SANDAG projects include the Joint Transit Operations Center (SAN13)/Escondido Maintenance Facility (SAN31), Nonmotorized Projects (SAN21) – which adds the Bayshore Bikeway extension project, the Feasibility Study for MAGLEV (SAN49), and the I-15 Integrated Corridor Management Project (SAN94). Metropolitan Transit System (MTS) projects include the *TransNet* Expanded Service Subsidy (MTS23A) and the Mission Valley East (MVE) LRT Operating (MTS27A)/Bus & Rail Rolling Stock (MTS28). Also included in the amendment is the *TransNet* Smart Growth Incentive Program (V04).

Chair Meyer commented that the ITOC is receiving these reports quarterly and asked whether the amendments were such that a quarterly report was required or could the RTIP items be brought less often.

Ms. Kim stated that staff receives numerous requests for RTIP changes, and in order to keep the members up to date, staff needs to bring RTIP amendments on a regular basis. Staff has looked at the frequency and actually, a quarterly RTIP amendment is as infrequent as possible.

Mr. Cummins commented that in his opinion the ITOC should take a different perspective than recommending approval of the RTIP amendment. He stated that one alternative would be to determine that the ITOC “finds no problems with the amendment.” Mr. Cummins stated that he does not have enough information on all the projects to determine if the changes are an efficient use of tax dollars or whether ITOC members can determine that these projects fulfill *TransNet* requirements. He stated that Section 1C of the *TransNet* Ordinance stated that high priority should be given for congestion relief, and he can’t look at the project whether it fulfills or does not fulfill that requirement.

Mr. Garcia stated in the past he had questioned the percentage of use of the regional longer-distance bikeways versus local bikeways for nonmotorized projects. He stated that if the local bikeways have a higher usage, the *TransNet* funds should be used for those bikeways and not for the regional bikeways.

Ms. Kim suggested that for next quarterly report SANDAG bicycle planning staff could be present to discuss how the projects are prioritized for funding and specifically address Mr. Garcia’s question of bicycle usage. She stated that SANDAG staff is working on a Regional Bike Plan that is looking at different categories of bicycle facilities in the region.

Ms. Kim stated that Attachment 3, Table 2 to the report item provides the Revenue versus Program Analysis and only applies to local agencies with *TransNet* local street improvements in this RTIP amendment. The table also shows each city’s available balance and programmed amount for their 30 percent maintenance requirements.

Ms. Kim stated that the projects included in the RTIP amendment all have fairly routine changes, and if there were any with significant changes, she would discuss these specifically with the ITOC.

Action: Upon a motion by Mr. Cummins and a second by Mr. Ryan, the ITOC found no issues with the changes to projects in Amendment No. 2 to the 2008 RTIP.

4. OVERVIEW OF DEVELOPMENTS IN THE FINANCIAL MARKETS AND THE CALIFORNIA STATE BUDGET PROCESS (INFORMATION)

Marney Cox, Chief Economist, presented the item and stated that there have been concerns about the *TransNet* revenue projections due to the downturn in the economy, and staff has scheduled regular updates for the Board of Directors and the ITOC. He stated that staff is focusing on any changes that may require an adjustment to the revenue projections by SANDAG. Mr. Cox stated that recently released job numbers reflect a loss of more than 500,000 more jobs at the national level for a total loss of 2.5 million jobs during 2008. He stated this recession is now considered one of the worst since World War II and on par with the recessions that occurred in 1974-75 and 1981-82. Mr. Cox stated that over half the jobs lost were in the last four months of this year with the largest loss in November and December. Because of this, the economic outlook during the first part of this current calendar year is projected to be very weak.

Mr. Cox stated that in San Diego, we did not experience job losses every month during 2008 as the nation did; in fact, some months the region experienced growth. At the national level the losses were mostly in construction and finance, however in October, the recession broadened, and job losses were experienced in other areas such as retail services. He stated that from January through October 2008, construction employment in San Diego had not declined, showing signs of stabilizing. However, because of the acceleration in job losses nationwide at the end of the year, during November 2008 local construction employment began to decline after ten months of stability. The acceleration in job losses nationwide also has led to a rapid rise in the unemployment rate from 6.8 percent in November to 7.3 percent recorded for December 2008. A similar increase is expected locally when the data for December is released. Mr. Cox stated that locally, unemployment is at 6.9 percent, but we expect the local rate to follow the national trend to just over a 7 percent decline.

Mr. Cox stated that there is some evidence that conditions in the housing market have started to improve. Home sales have been rising, although more than 50 percent of the recent home sales were foreclosures. He stated that prices are weak and continue to fall at the local level. The drop in home prices during 2008 has been about 34 percent; overall from peak to trough the median home price is expected to decline about 50 percent. He stated that evidence now shows that over half of the units that came out of foreclosure during the first quarter 2008 are behind on their mortgage payments again. If this trend persists, it will add more foreclosures to the already saturated market, increasing the number of homes on the market and further weakening home values.

Mr. Cox stated that at the federal level there are plans and programs designed to reduce mortgage interest rates, which are now at a little higher than 5 percent. These low mortgage rates are being pushed down by the federal dollars being infused into the market.

Mr. Cox stated that we are now seeing signs that the credit freeze is beginning to thaw at the national level, and we think this is due to the Federal Reserve taking action to bypass the banks and are make funds directly available to businesses. There is evidence that that is working to help strengthen the economy. On the other hand, he stated that lending standards are getting tougher, and those consumers with lower credit rating scores in the 500 and 600 range are no longer able to purchase items on credit (like automobiles), and sales for these goods have declined 20 to 30 percent since the economic downturn started. As a result of slower sales, many retailers are being forced to lay off employees.

Mr. Cox stated the economic downturn is in line with our initial expectations and is consistent with our forecast of a 4 percent decline in *TransNet* sales tax revenue during FY 2009; so no adjustment to our estimate is warranted at this time.

Chair Meyer commented that car sales are down 20-30 percent and asked if staff can actually expect the 4 percent decline to hold because auto sales are such a large component of sales tax revenues.

Mr. Cox stated that auto sales are second only to restaurant sales for sales tax revenues and agreed that they are a major component. He stated nationally, programs are being designed to ensure that the trend does not worsen. He stated that the consensus forecast shows that there would be an improvement if these programs are successful.

Chair Meyer stated that any federal program would take time before the impact affected the market; usually it takes up to six months for a program to be put in place and the impacts to be seen in the market. He stated that the decline in car sales over the next six months can have a very detrimental effect on local sales tax revenues.

Mr. Cox stated that one federal program designed to stem the trend in declining auto sales is to provide money directly to those lenders that offer auto loans so they have immediate access to capital. Also, the lender can offer different financial incentives to urge more people to purchase, to offer more loans, and to encourage the consumer to trade current vehicles in for new vehicles.

Ms. Harrison requested clarification on whether the numbers presented today took into account home-based or Internet businesses because of the difficulty in tracking those types of businesses.

Mr. Cox stated that the total employment numbers tracked and reported by the state's Employment Development Department include small businesses (like Internet consultants) and are called self-employed; other workers are classified as wage and salary employees. This self-employed component is tracked each month through a household survey. During recessions there is a great deal of movement between these two groups. A wage and salary employee may be laid off and become self-employed instead of becoming unemployed, although possibly earning less money. In San Diego, self-employed is one of the largest employment groups in the region and can have an impact on the local economy as it shrinks or grows.

Ms. Harrison asked whether black market employment was accounted for, and Mr. Cox stated that there are no records and no ability to track black market numbers.

Renée Wasmund, Finance Director, provided an update on the SANDAG variable rate bond program and the steps being taken to alleviate pressures in the market. She reviewed the performance of the variable rate bonds and stated that Dexia continues to trade at higher rates than other bond liquidity providers. Staff is considering different options for replacing Dexia. She reviewed the performance of our variable rate program versus the market benchmark and stated that we continue to trade better than the market.

Ms. Wasmund compared our variable-rate program versus a fixed-rate program and stated that SANDAG continues to experience savings due to the variable rate strategy.

Ms. Wasmund stated that as we go forward, staff continues to evaluate Dexia's performance. SANDAG has a high rating, but the market looks at the liquidity providers because of the need for remarketing of the bonds. The market is not comfortable holding a bond where the performance of the liquidity provider is not strong. Staff met with financial consultants to strategize the best way to

go forward with our bonds. SANDAG issued a request for proposals (RFP) for a replacement liquidity provider. She stated that the RFP covered not only the Dexia-backed bonds but the JP Morgan bonds as well because that contract expires in March 2009. Staff included both the full amount of our \$600 million in bonds and the \$100 million commercial paper program in the RFP.

Staff will review the proposals when received and weigh the pros and cons to determine what steps to take next. She stated that there will be costs involved no matter the decision. There would be costs to terminate the current contract with Dexia and costs to enter into a contract with a new provider that may trade at a better rate. Staff is evaluating several different possible options, but until all the bids are received, there is no way to determine the financial impacts.

Ms. Wasmund reviewed how the short-term market situation will continue to be impacted by the bank liquidity market. She commented that banks are tightening their exposure to the market and the demand for liquidity is up, so costs have increased. She stated with the current market situation, there are many unknown variables, but we can expect more constraints and increased costs. Staff will continue to monitor the situation to minimize potential impacts to SANDAG programs.

Ms. Kim briefed the ITOC on the state budget crisis and the impact on transportation projects. SANDAG has been assessing the impact of the current state budget, or lack thereof, to the current ongoing transportation projects. Staff is scheduled to present this item for discussion and possible action by the Transportation Committee at its January 16, 2009, meeting, and as a result, staff is presenting this to the ITOC today.

Ms. Kim presented an overview of the impacts to transportation projects, including the *TransNet* Early Action Program projects, funding options, ongoing efforts, and the long-term view of the impact of the budget crisis. She stated that the state budget crisis, which began shortly after the FY 2009 budget was signed, is now posing a significant risk to ongoing construction contracts. The state is short on cash, which affects the solvency of the General Fund.

Because transportation bond-funded projects are derived from the General Fund from which bonds are issued, the condition of the General Fund affects the state's ability to meet bond-funded project commitments. The proceeds from bond sales are deposited in the Pooled Money Investment Account (PMIA), and the state uses the PMIA as a cash management tool to meet its payment obligations. As more money is needed for PMIA, bonds are issued. However, without a state budget, the state is unable to issue more bonds, and PMIA has dropped sharply. Caltrans has issued a memo that suspended award of new bond-funded contracts and has encouraged other agencies to do the same until the issue is resolved.

Ms. Kim stated that SANDAG is looking at impacts to the region's transportation projects. The suspension of awarding new bond-funded projects affects several projects (SR 905 Unit 1B, Santa Margarita, and Pacific Surfliner). In addition to this suspension, other more immediate projects that are already in construction are at jeopardy (such as I-15 and SR 52). Ms. Kim stated that Table 1 of the Transportation Committee report lists these specific projects; projects under construction total \$557 million, while projects ready to award total \$177million.

Ms. Kim stated that suspension of projects means that aside from individual contractors' work being affected, there are costs to the region as suspending current construction contracts is not free; there are many costs associated with suspension. Caltrans has estimated costs associated with the suspension for the construction projects would total approximately \$19 million. This cost includes

preparing sites for suspension, demobilization and remobilization, for delays and other potential claims, and also a monthly cost associated with maintaining the site.

Ms. Kim stated that there are other options short of total suspension. The option recommended by staff is a cash management option. With this option, SANDAG would use existing non-bond funds, both federal and *TransNet* within each corridor to keep projects moving. This would keep projects on track for about five to eight months, depending on the contract and allow the time to wait for the state to resolve the budget situation and attempt to issue more bonds. The risk is that at the end of the five to eight months, projects would be short of funds if no state budget is enacted. Ms. Kim stated that to implement this option, we need California Transportation Commission (CTC) approval in order to move bond funds to projects not originally bond funded. If this proposal is approved by the SANDAG Board, staff will seek CTC approval in late January. Concurrently with seeking CTC approval, staff will be seeking Federal Highway Administration approval for funding projects that already have been awarded with different non-federal funding.

Ms. Kim stated that at this time, contractors are at risk of not getting paid. Also even after the CTC approves the use of bond funds, up to \$20 million in *TransNet* funds may be required every month for cash flow purposes to continue paying ongoing costs. Staff is talking with the contractors to get their agreement to work without pay or for limited pay with some assurance that funds are on their way. Another option being considered is to slow down some work in order to continue operations at reduced levels without shutting down the project. Caltrans and the contractors are assessing the practicality and cost of these options.

Ms. Kim stated that one other funding possibility if the state cannot resolve its problems before the eight months are up could be the federal economic stimulus program. We are working to see if these funds could replace the unavailable bond funds, with the understanding that when bond funds return, the CTC would re-program them on other regional priorities. She stated that the region also could consider additional regional borrowing, but with current market conditions, issuing new bonds is very risky.

Ms. Kim stated that staff is updating the *TransNet* Plan of Finance (POF) as part of an annual process. Staff also will continue working to develop more refined potential long-term impacts. This item will be discussed with the Transportation Committee and presented to the Board of Directors for approval. Staff will be working with the CTC to move bond funds through its various bond programs (CMIA, STIP, TCIF) to non-bond projects. Upon approval, these actions will be reflected with an amendment to the RTIP. Ms. Kim stated that any significant comments from the ITOC will be provided to the Transportation Committee and the Board of Directors.

Ms. Harrison requested clarification that the funds being transferred included *TransNet* funds and whether the formal action would be brought back to the ITOC for their approval.

Ms. Kim stated that the *TransNet* funds would be used to backfill those bond funds that are moved out of the project. The action would take an RTIP amendment with specific funding for each project identified and that would require approval.

Jack Boda, Director of Mobility Management and Project Implementation, stated that staff will be implementing the cash management option on a corridor basis so funds would only be moved within each corridor.

Mr. Garcia stated that the worst consequence would be that the non-bond project would run out of money, and Mr. Boda confirmed that it was a possibility.

Chair Meyer stated that if this plan is going to the Transportation Committee for approval and includes the use of *TransNet* funds, it should be an action item for the ITOC as well.

Ms. Wasmund stated that staff is not proposing to take funds out of a project, only to move funds within each corridor. This action is not a budget action and does not increase the amount of funding being used for each corridor.

Discussion ensued regarding the approval process for use of *TransNet* funds, the use of *TransNet* funds to keep projects moving, and the need for quick action in this particular instance to ensure cash flow. Staff confirmed that no changes to the *TransNet* program would be made without ITOC approval in the form of an amendment to the RTIP.

Mr. Garcia asked whether staff had considered the option of slowing the delivery of projects. Mr. Ryan commented that slowing projects might decrease the amount of payments, but the contractors would still need to be paid. The only other option would be to shut down the project completely.

Mr. Boda stated that contractually the contractor does not need to alter delivery of the project. They have a contract specifying dates for delivery.

Chair Meyer stated that slowing or shutting down projects would increase the total project cost immensely due to expenses for equipment leases, demobilization, remobilization, and other costs associated.

Ms. Kawada asked the ITOC if they had any specific comments to present to the Transportation Committee, and Chair Meyer stated that he would like staff to tell the Transportation Committee that the ITOC will do their best to protect *TransNet* funding and interests, but would support the recommendation in order to keep projects moving forward to avoid demobilization and suspension costs.

Mr. Cummins stated that the report doesn't review all the options that could be considered; it only addresses the cash management option. He stated that he would recommend putting forward all options to the Transportation Committee and the expected costs involved with each so the Transportation Committee can weigh all options. He commented that the root of the issue is the state budget and until that situation is resolved, we won't know if the situation will improve or worsen.

Ms. Kawada reviewed the current state budget situation and some of the recommended solutions put forth by the legislative leadership. She stated that we continue to look at what we can do as a region to ensure that the impact is less and projects can continue.

Mr. Cummins stated that there are some big issues that have not been addressed if the state budget situation continues for several more months. He stated that the impacts to *TransNet* presented now are short term and stated that staff needs to look at long-term impacts and present those to the ITOC.

Ms. Wasmund stated that staff is working on a second alternative if the state pushes the bond funds out two years. She stated that staff will look at how that would affect our POF and *TransNet* program and how soon SANDAG would have to enter the financial market to borrow to backfill any delayed funding.

Mr. Boda stated that if we move forward with the cash management option and backfill with federal economic stimulus funds, SANDAG is asking CTC for assurances that when the bond money comes back, it is directed to other regional priorities.

Mr. Garcia requested clarification regarding how long projects can be funded under the cash management option. He also asked staff to discuss the plan for funding if the federal stimulus package does not come forward.

Mr. Boda stated that each corridor has its own cash flow and is affected differently; each corridor's funding is displayed in the table in the report.

Ms. Wasmund stated that if the stimulus funds do not come through, one option is to slow down projects or not begin new projects.

Mr. Boda stated that the situation is very fluid at this time, and there are many different scenarios that could occur. He stated that SANDAG would like some indication from the ITOC that they support staff's basic strategy.

Mr. Cummins stated that the ITOC would support the strategy, but stated that staff should be prepared to brief the ITOC at a special meeting if any significant developments occur or if changes to the funding proposal affect *TransNet*.

Action: Upon a motion by Mr. Ryan and a second by Mr. Garcia, the ITOC stated their support for the staff strategy based on the information provided at this time. (Mr. Cummins abstained.)

5. OVERVIEW OF THE DESIGN SEQUENCING PROCESS (INFORMATION)

Allan Kosup, Caltrans Corridor Director, presented the item. He stated that he would compare design sequencing to other project delivery methods and define exactly what it is and when it is used. He stated that he would define risks and benefits and highlight projects that have used design sequencing in the region.

Mr. Kosup reviewed the goals of innovative contracting tools, such as design sequencing, which seek to reduce owner risks and accelerate project delivery. Innovative contracting focus areas include procurement, project development, construction duration, and quality of the project. Mr. Kosup stated that depending on the focus areas, the delivery and procurement method is chosen. Different innovative delivery and procurement methods include design-bid-build, design sequencing, construction management at risk, design build, and job order contracting.

Mr. Kosup briefed the ITOC on the details and background of design sequencing. He stated that the vision and purpose of design sequencing is to allow overlap of construction activities with ongoing design of the project in order to accelerate delivery by as much as 12 months. Design sequencing also promotes collaboration with the contractor.

Design sequencing eligibility criteria include limited public controversy, utility conflicts identified, final environmental clearance and all permits received, the project is fully funded, and project selection on a statewide basis is delegated to the Caltrans Director.

Mr. Kosup reviewed a list of design sequencing pilot projects in the region and the status of each. He stated that there are many different types of projects that use design sequencing.

Mr. Kosup stated that there are risks when using design sequencing. These risks include the implementing agency's falling behind in delivering subsequent stages to the contractor, an increase in claims because new information results in change of character of the work, additional costs required to address revisions, and because it is a new project delivery method, it takes time to be understood by all the players.

Gustavo Dallarda, Caltrans Corridor Director, briefed the ITOC on the details of how design sequencing was used for the I-15 Unit 1 project and for the SR 76 project. He described the different design stages and how construction and planning worked together.

Mr. Cummins asked whether there was enough detail in the plans that only minor changes are needed that didn't affect the total bid or did Caltrans see the need for major changes in plans that affected the project bid price significantly.

Mr. Dallarda stated that the trend was toward more change orders, but those happen with any project. He stated that there are dispute procedures in place for any significant changes, but most often the situation does not significantly affect the total cost of the project. He stated that there are a higher number of change orders due to the design sequencing process, but this is not necessarily a negative issue. The question is whether they result in bigger claims, and that has not been determined.

Mr. Garcia requested clarification on what percentage of the total cost of the project was included within the first sequence of the I-15 project, and Mr. Dallarda stated that for this project the percentage was probably high due to the number of bridges included in the first stage.

Mr. Dallarda continued his briefing and stated that the benefits of design sequencing are faster delivery, higher level of excitement due to an innovative project, added flexibility to Caltrans processes, such as the right-of-way acquisition component, and co-location of construction and design staff. Co-location was necessary to reduce costs so that information could be provided in a timely manner.

Mr. Kosup stated that there are 10 to 15 design sequencing projects throughout the state, and initial findings show a significant time savings. He stated that the capital cost is similar to traditional methods and while the support costs are greater for design sequencing, they are being offset by escalation savings due to earlier project delivery.

Mr. Kosup stated that lessons learned locally are that projects are being bid at approximately 70 percent completeness in design, and there is limited opportunity for contractor input. He stated that they also are seeing higher contingencies to address changes in quantities and in character of the project.

Chair Meyer asked whether Caltrans intended to change contingencies based on the level of plan design at bid, and Mr. Dallarda stated that contingencies are based on risk so the less design in the plan, the higher the risk and the greater the contingency.

Mr. Kosup stated that Caltrans does a cost certification to assess the risk that may be involved when the project goes to bid in order to determine contingencies. He stated that Caltrans has learned that the level of risk is greater for projects that involve acquisition and utility relocation. Also, the design has to be in sufficient detail at the time of bid for the contractor to assess the construction method.

Mr. Kosup stated that Caltrans is working on extending the legislative authority for design build beyond the pilot program, which ends December 2009. Also we are building on experiences and lessons learned and will continue improving the process. He stated that design sequencing is a good tool in appropriate situations and can be used to achieve aggressive delivery of projects.

Mr. Cummins asked if there were economic stimulus projects that would benefit from design sequencing, and Mr. Kosup replied that there are several candidate projects included on the economic stimulus list, and each one is different. Several of the projects would be good candidates because they could be put to bid with less detailed plans.

Action: This item was presented for information.

6. QUARTERLY REPORT ON *TransNet* MAJOR CORRIDORS PROJECTS (INFORMATION)

Richard Chavez, Principal Engineer, presented the item and provided an overview of the *TransNet* major corridors projects in terms of project cost control and schedule adherence and the general trends that affect both cost and schedule. This overview fulfills the ITOC requirement defined in the *TransNet* Ordinance to review the major corridor projects on a quarterly basis. The major corridors projects are designed to enhance mobility along the corridor and provide congestion relief. A total of \$364 million of construction contracts was awarded in 2008 for this *TransNet* program. Additional research is necessary, but this total is believed to be the largest total in the history of *TransNet*.

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

Mr. Chavez listed the major corridors projects currently being monitored and stated that projects 7 through 11 are not included in the Dashboard at this time. Work is underway to add these projects in the near future.

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

Chair Meyer asked if any of these projects would be affected by the current state budget crisis and funding problems.

Mr. Chavez stated that is too early to know, but most likely some of the projects funded by bond dollars could be affected. He stated that staff is looking at different cash flow scenarios to the POF and is trying to determine both the short and long-term impacts. He stated the current situation is dynamic because of the state budget constraints, but also because of the possibility of the federal economic stimulus package.

Mr. Chavez stated that the cash flow charts from the Dashboard can be found in Attachment 1 to the report. These charts indicate that the actual expenditures are tracking closely against budgeted amounts for most projects.

Mr. Chavez stated that his presentation would focus on trends. He reviewed the trends in prices for roadway excavation, aggregate base, asphalt concrete, concrete pavement, and structural concrete and the impact of these trends to the overall cost of project bids.

Mr. Chavez stated that the Caltrans Construction Cost Index shows a small increase from the previous quarter as shown in Attachment 2 to the report. The 12-month index is up 5.4 points to 241.1 for the third quarter of 2008 compared to the second quarter of 2008, when the index was at 235.7. The second quarter was adjusted down from 240.0 as last reported. The 12-month index is down a total of 100.1 points from its all-time high of 341.2 during the second quarter of 2007. Comparing the index back to 2002, the cost index has increased 53 percent. *TransNet* major corridors projects costs were estimated in 2002 dollars when the *TransNet* Extension Ordinance was originally prepared.

The average number of bidders on Caltrans projects over \$5 million shows a small increase over the previous quarter. The average number of bidders is a good indication of the level of competition for transportation project construction work. More competition usually means better bid prices. The average number of bidders is up 0.3 points to 6.0 for the third quarter of 2008 compared to the second quarter of 2008, when the average number of bidders was 5.7. The average number of bidders is up a total of 2.8 points from a low of 3.2 bidders experienced during the third quarter of 2006.

Mr. Ryan asked whether SANDAG was still experiencing heavy competition in bids from contractors, and Mr. Chavez replied yes.

Action: This item was presented for information.

7. SAN DIEGO REGION ECONOMIC STIMULUS PROPOSAL (DISCUSSION)

Dan Martin, Project Implementation Program Manager, presented the item. He stated that recent actions by the federal government have focused on initiating programs to stimulate the nation's economy. There have been ongoing discussions at the federal level of a possible economic stimulus package that would create jobs and deliver needed infrastructure to nation. SANDAG staff has been working with agencies within the San Diego region to develop an economic stimulus proposal that includes both transportation and public works projects that could be implemented over the short term.

Mr. Martin provided copies of the report from the December 19, 2008, Board of Directors meeting for potential discussion by the ITOC. He reviewed the development and outreach efforts to date. He stated that Congress is considering an infrastructure stimulus package that would create jobs and deliver needed infrastructure to the nation.

SANDAG staff has been working with our partners within the San Diego region to develop a comprehensive economic stimulus proposal.

Mr. Martin provided an overview of the development of the proposal and a high level summary of the projects contained within the proposal. He stated that projects considered include those that are "Ready to Go," can advertise in 6 months, and can advertise in 12 months. The proposal includes both transportation projects and public works projects. The transportation projects include highway, transit, local streets and roads, and bikeways. The public works projects include, but were not limited to, sewer, water, storm drain, buildings, parks, recycled water, photovoltaic systems, and flood control.

Mr. Martin stated that in early November, SANDAG staff worked with the 18 cities, County, Caltrans, MTS, and North County Transit District to develop a list of transportation projects. In mid-November, the list of projects was expanded to include public works projects, and additional outreach was made to other agencies in the region, including the San Diego County Water Authority to develop a comprehensive proposal. All projects submitted by each agency have been included in the proposal.

Mr. Martin stated that in the first part of December, SANDAG staff conducted an economic analysis to evaluate the economic impacts that may result from implementing the projects included in the proposal. The results by the numbers were shown on page 3 of the report. Mr. Martin stated that a total of 1,043 projects were submitted for the region, with an estimated cost of approximately \$7.5 billion to construct. In total, the projects would create approximately 96,000 jobs that receive more than \$5 billion in wages. Mr. Martin stated that overall the construction of these projects would increase the San Diego region's gross metropolitan product by nearly \$12 billion.

Mr. Martin reviewed the table showing a breakdown of project costs by program and delivery schedule. The proposal includes a balance of project types; approximately one-third of the project costs are in the highway program, with another one-third in local public works. The remaining third consists of transit and local transportation.

Mr. Martin stated that the projects ready to advertise within six months account for approximately 50 percent of the project costs. The proposal includes maps and project listings for each program in its respective schedule for delivery. The proposed program also is summarized in a map that shows the total project costs, jobs added, and wages added for each Congressional district; this map can be found on page 5 of the report.

Mr. Martin stated that a copy of the proposal can be found on line at www.sandag.org/stimulus. The projects shown are critical to the future of mobility in San Diego County and are included in the region's overall transportation strategy. The proposal is intended to inform and educate the regional decisionmakers.

Mr. Martin stated that the next steps will be to continue to work with the region to enhance project information, to maintain a comprehensive list of projects, and to partner with Caltrans and National Association of Regional Councils to incorporate the regional projects on the statewide list.

Mr. Garcia asked whether the list of projects included those for the City of San Diego, and Mr. Martin stated that SANDAG encouraged the City to submit their projects not only to SANDAG, but to partner with any other state or national agencies as well.

Mr. Boda stated that SANDAG has worked with the San Diego Regional Chamber of Commerce and the San Diego Regional Economic Development Corporation, as well as other organizations to develop this very comprehensive list of projects.

Mr. Garcia requested clarification on whether there would be an earmark for the funds or how they would be distributed, and Mr. Boda stated that there would be no earmarks according to the Obama administration.

Mr. Cummins asked what if any advantage did staff gain by separating projects on the maps based on Congressional districts.

Ms. Kawada stated that when the maps were developed, staff wanted to ensure that our Congressional delegation was aware of our needs and show that we are supportive of the stimulus package as a region. We wanted to show the various types of projects within each of their districts to get their support for the federal economic stimulus package.

Mr. Cummins requested clarification regarding the fact that staff presented this as a comprehensive list, but is still entertaining other projects for inclusion.

Mr. Martin stated that staff initially focused on specific projects and then as the list developed, other agencies have approached us with other types of projects, such as public works projects, that are similar and fit into the parameters. We have included those projects and continue to receive requests. The list of projects will continue to develop as we learn more details of the federal stimulus program as well. The Board of Directors accepted the list as a starting point and directed staff to continue with its development.

Chair Meyer commented that these projects are supposed to be ready to go, but the language in the proposal includes projects ready in the short-term. For example, the some projects are not even close to ready because they are still environmentally contentious.

Mr. Boda stated that SANDAG accepted some projects from the San Diego County Water Authority based on its recommendation, but staff has not screened the projects provided. He stated that staff looked at projects that are ready to go in the short term, as well as those that could be ready to go within a year. He stated that the stimulus program is still in development, and until we know the details, the strategy is to be prepared with all projects included.

Chair Meyer expressed his concern that SANDAG and the region need to have a credible list of projects that fit the criteria of ready to go to ensure we are competitive.

Ms. Kawada stated that the list we submit will still be put under scrutiny by our legislators and others. She stated that there may be timeframes for how quickly stimulus dollars would need to be spent, and our list of projects could be split between a shovel-ready program and a ready-to-go program within 12 months.

Mr. Garcia asked whether SANDAG would submit our list of projects directly to Washington, DC for the federal package, or are there plans to be included in the statewide package.

Mr. Boda stated that it had not been decided at this time. SANDAG will continue to work with the state and other agencies and be ready to respond with the best possible package and best method to be competitive.

Mr. Cummins asked whether the list of projects would return for final approval once the economic stimulus package is released.

Mr. Boda stated that the final list of projects would require approval from the Board of Directors. He stated that the major transportation projects listed are included in the Regional Transportation Plan.

Action: This item was presented for discussion.

8. FUTURE MEETING SCHEDULE

The next ITOC meeting is scheduled for Wednesday, February 11, 2009, at 9:30 a.m. Chair Meyer stated that if there are any significant updates for Item 4, the ITOC would have a special meeting.

9. ADJOURNMENT

Chair Meyer adjourned the meeting at 12:23 p.m.