

# INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

May 13, 2009

AGENDA ITEM NO.: **1**

**Action Requested: APPROVE**

MEETING SUMMARY OF THE APRIL 8, 2009,  
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MEETING

File Number 1110200

## **Attendance**

- Committee Members:
- John Meyer, ITOC Chair
  - Hamid Bahadori
  - Jesus Garcia
  - Ron Gerow
  - Jim Ryan (late arrival)
- Absent:
- Valerie Harrison
  - Tracy Sandoval
  - Kevin Cummins
- Staff:
- Charles "Muggs" Stoll
  - Gary Gallegos (late arrival)

The meeting of the *TransNet* Independent Taxpayer Oversight Committee (ITOC) was called to order by Chair John Meyer at 9:34 a.m.

## **1. APPROVAL OF MEETING SUMMARY**

Action: Upon a motion by Jesus Garcia and a second by Ron Gerow, the ITOC approved the March 11, 2009, meeting summary. Hamid Bahadori abstained due to his absence from the meeting.

## **2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS**

Chair Meyer welcomed Carolyn Lee, a newly appointed member of the ITOC. Ms. Lee will begin her term on the ITOC in May.

Chair Meyer stated that when the Selection Committee presented the new ITOC appointees to the Board of Directors, Chair Lori Holt Pfeiler expressed her appreciation to the current and future ITOC members for their work on the ITOC. He stated that the election of officers will occur at the May 13, 2009, meeting of the ITOC.

Chair Meyer stated that Jim Ryan would arrive late for the meeting and had expressed a desire to have this item continued until his arrival. Chair Meyer postponed other member comments until the end of the meeting.

### **3. *TransNet* TRIENNIAL PERFORMANCE AUDIT DRAFT REPORT: TRANSPORTATION COMMITTEE COMMENTS (DISCUSSION)**

Charles "Muggs" Stoll, *TransNet* Program Manager, presented the item and stated that the ITOC is asked to discuss the *TransNet* Performance Audit Draft Report recommendations and proposed responses, which have been updated subsequent to the presentation of the *TransNet* Performance Audit Draft Report to the Transportation Committee at its March 20 and April 3, 2009, meetings.

Mr. Stoll stated that a matrix was included in the staff report. There were no new comments from the Transportation Committee from the April 3 meeting. The edits that were identified at the previous Transportation Committee meeting of March 20 are highlighted on this copy of the matrix. He stated that the edit was to include a cost-benefit analysis on certain items.

Mr. Bahadori stated that after the ITOC approved the Performance Audit Draft Report, staff presented it to the Transportation Committee for review and comments. Staff determined that due to the length of the Performance Audit Draft Report. The recommendation from the first review was incorporated into this draft. The committee members did have some discussion at the recent meeting regarding the difference between a fiscal and performance audit, which was clarified at the time. Mr. Bahadori stated that the Performance Audit Draft Report is complete and can be considered a final document to be approved by the Board of Directors. The next step for the ITOC is to appoint a subcommittee to work on the implementation strategy for the recommendations.

Chair Meyer asked whether there was any discussion concerning the ITOC members' concerns of additional workload for the ITOC based on the recommendations.

Mr. Bahadori stated that he shared this concern with the Transportation Committee members and they acknowledged the concern.

Discussion ensued regarding whether the audit recommendations will significantly increase the workload of the ITOC; whether the Transportation Committee had the responsibility to give direction on this issue; whether the audit recommendations actually would create more actual work or just cause the ITOC to work more intelligently; how to prioritize the recommendations; the fact that some of the recommendations would increase the workload of SANDAG staff as opposed to the ITOC; whether the ITOC has a requirement to implement all the audit recommendations; and whether there may be a need for the ITOC to hire a consultant to implement any or all of the recommendations.

Discussion ensued regarding the appointment of a subcommittee to work on the implementation strategy; the subcommittee could determine which recommendations to implement and how to prioritize them; and the subcommittee could determine if a recommendation does create more workload and the subcommittee could focus the implementation strategy so that it did not create additional work. The consensus of the ITOC was to appoint a subcommittee at the May meeting.

Chair Meyer stated that he has been involved in many audits and the first thing an auditor looks at is the results of previous audits and what was recommended and actually implemented. He commented that this initial audit has been very beneficial and shows that the ITOC has performed well over the past four years.

Mr. Stoll stated that staff could include the comments by the ITOC when the Performance Audit Report is presented to the Board for approval. He stated that staff could state that while the ITOC is not opposed to any of the audit recommendations, it is concerned that the implementation of all the recommendations may significantly increase the ITOC workload. The ITOC will appoint a

subcommittee to review the audit report and develop an implementation strategy. Mr. Stoll stated that this would put on the record for any future audits that the ITOC reviewed and considered all the audit recommendations whether they ultimately were implemented or not.

Action: This item was presented for discussion/possible action.

#### **4. *TransNet* ENVIRONMENTAL MITIGATION PROGRAM: FY 2009 LAND MANAGEMENT GRANTS (DISCUSSION/POSSIBLE ACTION)**

Keith Greer, Senior Regional Planner, presented the item and stated that on September 26, 2008, the Board approved a process and criteria for funding eligible land management activities under the *TransNet* Environmental Mitigation Program (EMP) for FY 2009. The process and criteria did not significantly change from the past three grant cycles. A total of \$1.63 million was made available for land management activities related to: (1) invasive species control, (2) post-fire wildfire recovery, (3) habitat restoration, and/or (4) access and litter control. The Request for Proposals (RFP) stated that projects that are not ready to start within 12 months of submission of the application to SANDAG would not be eligible for this funding cycle.

Mr. Greer stated that a "call for projects" was issued on December 1, 2008, and 29 applications totaling over \$7.1 million were received. Twenty-seven of the projects proposed activities related to one or more of the four eligible activities and two of the projects proposed scientific research that staff believes does not meet the stated eligible land management activities. The remaining 27 projects have been discussed and ranked by an ad hoc evaluation committee made up of members from the EMP Working Group (EMPWG) and outside experts.

Mr. Greer stated that the ITOC is asked to determine that the recommended grant proposals for the EMP Land Management Grants are consistent with the *TransNet* Program eligibility requirements as established by the Board. In addition, the application states that projects that are not ready to start within 12 months of submission of the application to SANDAG would not be eligible for this funding cycle.

Two of the projects proposing eligible activities are dependent on matching funds from state bonds which have been frozen. It is unclear when the bond funds would be unfrozen. Estimates range from six to eighteen months, but this is rapidly changing and the estimates are speculative. While matching funds were not required as part of the grant process, one of the rating criteria states "sufficient matching funds available to complete the project." It is difficult to answer this question for grants indicating a dependence on a match from frozen state bonds coupled with the requirement that projects must be ready to start within 12 months. The ad hoc evaluation committee thought that the frozen state matching funds were too speculative for this funding cycle and will be recommending to the EMPWG that the applicants reapply next cycle when they have secured matching funds.

Mr. Greer stated that a spreadsheet was developed that shows which eligibility categories each proposed grant falls under and reviewed that spreadsheet with the ITOC. He stated that full copies of the actual applications are available on the SANDAG ftp site.

The recommendations of the ad hoc evaluation committee proposed today will be discussed at the April 14, 2009, EMPWG meeting. The Regional Planning Committee (RPC) will review them for a recommendation in May. Once the RPC recommends a list of projects, the Board will be asked to approve the list, and that action, also scheduled for May, will allow SANDAG to enter into grant agreements with the applicants receiving awards, and begin funding projects.

Ms. Lee questioned how the projects were prioritized using the eligibility categories and whether the amount of funding requested was considered.

Mr. Greer stated that the ad hoc evaluation committee used the eligibility criteria to determine only whether the project was eligible to compete under one of the four criteria. He stated that once the project was considered eligible, the evaluation committee would consider the cost factor based on the amount of funding requested. Also, the projects are rated using ten factors that then are applied to each project and the evaluation committee prioritizes the projects for funding based on that score.

Mr. Bahadori asked whether there had been any feedback from environmental groups. He also questioned if any project did not begin within the 12-month deadline whether funds would return to the program for the next project identified on the list or for the next year's program.

Mr. Greer stated that the jurisdictions that receive funding have been ready to go with their projects and historically have expended the funds within the required timeline. He stated that this is the first year that there has been an issue of matching funds not being available in a timely manner due to the state freeze on bond funds. He stated that if a jurisdiction did not begin its project within the parameters of the program, then that funding would be reprogrammed in the next fiscal year.

Chair Meyer questioned whether those projects not chosen for this year's program would be automatically considered for the next cycle.

Mr. Greer stated that they would not automatically be considered. Staff notifies those jurisdictions that they will have to re-apply for the next cycle if they want their projects to compete for funding.

Chair Meyer asked whether the projects approved for funding were distributed fairly across the region.

Mr. Greer stated that the distribution of projects in previous cycles has been regionwide and the distribution is the same this year.

Mr. Garcia requested clarification regarding the California Invasive Plant Council project.

Mr. Greer stated that the project presented by the California Invasive Plant Council would create a strategic plan. The strategic plan would develop a regional framework of invasive plant distribution and impacts. The plan would target which species to control first and guide the region for immediate effective management of invasive species.

Action: Upon a motion by Mr. Gerow and a second by Mr. Bahadori, the ITOC determined that the recommended grant proposals and project list are consistent with the *TransNet* Program eligibility requirements as established by the Board of Directors.

##### **5. *TransNet* SMART GROWTH INCENTIVE PROGRAM FY 2009 - FY 2010 FUNDING CYCLE PROJECTS (DISCUSSION/POSSIBLE ACTION)**

Stephan Vance, Senior Regional Planner, presented the item and stated that the *TransNet* Extension Ordinance established the Smart Growth Incentive Program (SGIP) to provide a mechanism for SANDAG to encourage more coordinated land use and transportation development through the principals of smart growth as defined in the Regional Comprehensive Plan (RCP). The *TransNet*

Extension Ordinance sets aside 2 percent of the annual revenues to fund planning and infrastructure projects by cities and the county.

Mr. Vance stated that the role of the ITOC is to ensure that the projects funded under the program meet the broad eligibility definition provided by the *TransNet* Extension Ordinance along with its other oversight responsibilities that pertain to the program as a whole.

Mr. Vance stated that SANDAG has estimated that the total funding available for the first two-year cycle of the *TransNet* SGIP (FY 2009 and FY 2010) will be \$9.6 million. Mr. Vance stated that 43 applications were received but eight of those were found to be ineligible for the program. A total of 35 applications were considered for the funding. The applications submitted included \$25.2 million for capital projects and \$4.5 million for planning projects for a total request of \$29.7 million. The projects were evaluated based on the established criteria developed through an extensive stakeholder involvement process and approved by the RPC. The *TransNet* SGIP eligibility and selection criteria was presented to the ITOC at its November 12, 2008, meeting.

Mr. Vance stated that planning and capital projects were evaluated on separate criteria that include both objective and subjective criteria. To ensure impartial scoring, the subjective criteria were scored by an independent panel consisting of SANDAG staff, planning faculty from San Diego State University and the University of California, San Diego, a member of the San Diego Council of Design Professionals, and one member each from the Cities/County Transportation Advisory Committee (CTAC) and the Regional Planning Technical Working Group (TWG). CTAC and TWG members of the panel were from Poway and Santee, jurisdictions that did not submit projects for funding. Evaluating the projects using the approved criteria resulted in two sets of scores—one for planning projects and one for capital improvement projects. Based on RPC guidelines, at least 80 percent of the funding should go toward capital improvements, and with that provision in mind the evaluation panel developed its list of recommended projects, shown in Attachment 1 of this report.

Mr. Garcia requested clarification regarding how the 80/20 split for funding was determined.

Mr. Vance stated that the RPC determined the funding split after discussion of where the focus of the program should be. The RPC gave direction that the program should focus on construction but there was still a large need for good planning of projects, especially in the first year of the program. The 80 percent for capital projects is a minimum to allow for flexibility in funding larger capital projects.

Discussion ensued regarding the 80/20 split of funding and whether the focus for future cycles should be greater for capital projects. The ITOC consensus was to discuss the funding split for the next cycle and provide its comments to the RPC.

Mr. Bahadori requested clarification regarding whether the traffic calming projects and the projects for improving pedestrian and bicycle access in local neighborhoods actually were helping with smart growth efforts. He also expressed concern that funding in future cycles of the program could be diverted for implementation of projects under the unfunded mandates of Senate Bill (SB) 375.

Mr. Vance stated that one of the threshold criteria is that all the projects must be located in a smart growth area as identified on the smart growth map and capital projects must be in the planned smart growth area. He stated that density must be appropriate for smart growth and transit, and there must be transit already on the ground or planned for that area. The traffic calming projects are mostly located in the urban core, where there is a high density and a transit need.

Mr. Garcia asked whether bulb-outs reduced the number of lanes, and Mr. Vance stated that lanes are not reduced because in those cases there is more capacity than needed for traffic so there is capacity to meet both pedestrian needs and sufficient traffic lanes.

Mr. Vance stated that with regard to the requirements of SB 375 and what effect projects in this program would have on greenhouse gas (GHG) production is difficult to quantify.

Mr. Stoll commented that the SGIP is designed to complement SB 375 under the *TransNet* program.

Chair Meyer stated that transit funding is in crisis and he asked whether projects that directly benefit transit could have a higher funding priority under this program.

Mr. Vance stated that proximity to transit is already a high priority in this program as well as location in high density areas. He stated even more priority is given to projects in close proximity to rail. Transit priority already is built into the eligibility criteria and all the projects recommended for funding in this cycle have a high transit impact.

Chair Meyer stated that the criteria were developed a few years ago before the current funding crisis. He stated that the criteria should be reviewed so that transit receives the maximum benefit.

Mr. Vance stated that after this cycle is implemented staff will review the program and analyze the types of projects approved for funding and the impact to transit.

Mr. Garcia commented that the number of approved projects for capital improvements is almost equal to the number of planning projects even though capital funding is 80 percent of the program.

Mr. Vance stated that capital projects are most often more costly to construct and so fewer projects can receive funding.

Action: Upon a motion by Mr. Gerow and a second by Mr. Garcia, the ITOC determined that the projects funded under the program meet the broad eligibility definition provided by the *TransNet* Extension Ordinance.

## **6. 2008 REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM: AMENDMENT NOS. 10 AND 11 (DISCUSSION/POSSIBLE ACTION)**

Sookyung Kim, Financial Programming Manager, presented the item and stated that SANDAG is processing Amendment No. 10 to the 2008 RTIP as part of its quarterly amendment cycle in response to requests for changes from member agencies. SANDAG also is processing Amendment No. 11 as part of the FY 2010 Transit Capital Improvement Program. Although the majority of the projects included in Amendment No. 11 are funded with federal and local funds, there are a couple of operating subsidy projects funded with *TransNet* funds.

Ms. Kim stated that the ITOC is asked to review the proposed Amendment Nos. 10 and 11 focusing its review on the *TransNet*-funded projects and provide any comments and recommend approval of this item to the Transportation Committee. The Transportation Committee is scheduled to consider both Amendments at its April 17, 2009, meeting and Amendment No. 11 will be considered for approval by the Board of Directors at its April 24, 2009, meeting.

Ms. Kim stated that Amendment No. 10 includes changes as requested by member agencies and can be found in Attachment 1 to the staff report. Attachment 2 to the staff report provides the

proposed changes included in Amendment No. 11 and Attachment No. 3 provides the program capacity analysis for all affected agencies. All projects meet funding requirements.

Mr. Bahadori requested clarification regarding whether the 30 percent for maintenance could carry over to the next year if not expended.

Ms. Kim stated that the 30 percent is calculated on the annual apportionment and the revenues do carry over to the next year. She stated that this issue currently is under discussion to be formalized into policy.

Mr. Stoll stated that when the policy is developed it would be considered to allow for a carryover of funds for flexibility.

Mr. Bahadori expressed his support for allowing a carryover of maintenance to ensure a maximum use of the funds but the policy would need to set some fiscal limits, as well.

Ms. Lee questioned how up to date the estimates were for each of the jurisdictions.

Ms. Kim stated that the project costs are looked at annually so the estimates should be up to date.

Ms. Kim stated that there is an added item for the agenda today due to time sensitivity of the action. Amendment No. 12 is related to the economic stimulus program funds in the American Reinvestment and Recovery Act (ARRA). She stated that the Board took action to swap ARRA funds with *TransNet* funds and this amendment reflects local agency projects that are ready to move forward under this swap. The amendment represents those projects that will be implemented with the swap of *TransNet* funds.

Mr. Bahadori expressed his support for the Amendment and stated that many local jurisdictions do not have the capability to handle the complicated federal funding reporting requirements.

Mr. Stoll commented that these projects are ready to go and this action will expedite the process and have projects completed sooner.

Action: Upon a motion by Mr. Garcia and a second by Mr. Bahadori, the ITOC found Amendment Nos. 10 through 12 in compliance with the *TransNet* Extension Ordinance.

## **7. FEDERAL ECONOMIC STIMULUS: STATUS (INFORMATION)**

José Nuncio, Manager of Financial Programming and Project Control, presented the item. He stated that in accordance with the new law for ARRA funds they will be distributed under current formulas. The new process provides greater funding for San Diego County. He stated that our region will receive \$131 million, of which \$4 million is Transportation Enhancement (TE) funds that only can be used for enhancement (over and above standard) landscaping, as well as pedestrian facilities, bikeways, etc. Mr. Nuncio stated that under the new law 40 percent of the remaining \$127 million will be allocated to the local agencies, approximately \$51 million. Staff proposed various options for how to allocate these funds to local agencies and, recognizing the administrative burden of using federal funds, staff proposed a swap of ARRA funds for *TransNet* funds so that local agencies would not have to deal with the administrative burden.

Mr. Nuncio stated that the TE funds were allocated to one project, the Grossmont Center Trolley Station pedestrian improvements project. Staff proposed allocating the remaining funds to two major regional projects that are included in the *TransNet* Early Action Program (EAP). These

projects are the State Route (SR) 76 Widening and the Interstate 805 (I-805) interchange at Carroll Canyon Road. Also, \$3.9 million was allocated to a pedestrian bridge at a San Diego train station. By swapping the funds now we are making more *TransNet* available for other projects in the Plan of Finance (POF). Mr. Nuncio stated that focusing on fewer large regional projects reduces the burden of the federal reporting requirements.

Mr. Nuncio stated that local agencies will need to follow all *TransNet* requirements. In addition, the funding process bypasses the California Transportation Commission (CTC), which will streamline the funding process. He stated that SANDAG will work directly with Caltrans and the Federal Highway Administration (FHWA) to allocate funds. Mr. Nuncio commented that several other regions are following SANDAG's lead.

Ms. Kim stated that the region will receive over \$89 million in Federal Transportation Administration (FTA) funds based on current formulas. The region will distribute 70 percent to the Metropolitan Transit System (MTS) for the Blue Line Rehabilitation Project and 30 percent to the North County Transit District (NCTD) for two projects that SANDAG will implement on their behalf. Several smaller projects also will be funded.

Ms. Kim stated that the Board action this Friday approving Amendment Nos. 8 and 9 will program these projects. SANDAG will have the full amount of ARRA funds programmed at that time and will be in a position to compete for those ARRA funds that other regions were not able to program within the timeline set. She stated that our region continues to work to identify projects that will compete for that additional funding should it come available.

Mr. Stoll stated that although the region did not receive the level of funding that we identified for the economic stimulus program, we are grateful for the funding we did receive. The region has completely obligated those funds and we are in a position to be very competitive for any additional funding that comes available. He commented that the exchange of funds for *TransNet* will be a one-time deal and all the *TransNet* requirements have to be met. This simplifies the process for local projects and puts those agencies in a position to move quickly to get the projects done.

Mr. Bahadori commented that the ARRA also has several billion dollars in discretionary funds and asked whether the region was prepared to compete for those funds.

Ms. Kim stated that \$8 billion of the discretionary funds were earmarked for high-speed rail and that SANDAG was working on a program to compete for the remaining \$1.5 billion of discretionary funding. She stated that staff is analyzing the guidelines for the discretionary funds and identifying projects that will be very competitive.

Mr. Bahadori questioned whether the region could compete for any of the \$8 billion earmarked for high-speed rail.

Mr. Stoll stated that the region is looking to compete for some of the funds for projects along the Los Angeles-San Diego-San Luis Obispo (LOSSAN) Rail Corridor and also for rail projects that tie into the border with Mexico.

Chair Meyer questioned whether any of the funds saved on the middle section of the SR 76 project could be reallocated to the eastern project of SR 76.

Discussion ensued regarding the funding shift for the SR 76 project, final funding estimates for the eastern project, and the alternatives for reprogramming funds to ensure the entire SR 76 corridor is fully funded.

Chair Meyer commented that there is a great degree of public concern regarding the SR 76 and it is very important to stay on schedule to complete the entire corridor.

Action: This item was presented for information only.

## **9. QUARTERLY REPORT ON *TransNet* MAJOR CORRIDOR PROJECTS (INFORMATION)**

Richard Chavez, Principal Engineer, presented an overview of the *TransNet* Major Corridor Projects in terms of project cost control and schedule adherence and the general trends that affect both cost and schedule.

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

The Mid-Coast Transit Project has been delayed. It was reported to the ITOC on November 12, 2008, that Mid-Coast Transit Project would be open for service between December 2015 and June 2018. This schedule is dependent upon a number of factors, including the timing of an FTA Full Funding Grant Agreement (FFGA), the project delivery method selected, environmental challenges, and community controversy.

The Super Loop Transit Project has been delayed. MTS and the SANDAG Board's concern over the design of the transit stops has resulted in the need to redesign bus shelters and conduct additional community outreach. In addition, design reviews by the City of San Diego are taking longer than anticipated. The revised schedule estimates construction beginning in August 2009, with service beginning in June 2010. SANDAG has identified funds for the next budget to set standards for station designs to avoid this type of delay in the future.

Chair Meyer stated that he thought the FTA required a plan for funding a project prior to applying for an FFGA and asked what staff was doing for the Mid-Coast Transit Project under the current circumstances to meet that requirement.

Mr. Chavez stated that there are line items in the *TransNet* Extension Ordinance that allocate operational budgets for all new *TransNet* transit projects.

Mr. Stoll stated that 8.1 percent of the *TransNet* funds collected are allocated to new transit service operations. The *TransNet* Extension Ordinance was very different than the original ordinance. The original *TransNet* did not have matching operations dollars for capital projects. The *TransNet* Extension Ordinance changed that in order to meet the requirements of the FFGA.

Chair Meyer asked under the current circumstances of lower-than-expected *TransNet* revenues how does that impact the requirements to move forward with the FFGA.

Mr. Chavez stated that financial analysis to date indicates that the operational costs for all new *TransNet* projects can be covered.

Mr. Chavez stated that the schedule for the release of the draft environmental document for the I-5 North Coast project has been delayed. There have been a number of challenges including the completion of the lagoon impact studies. The revised date for release is June 2009.

The I-15 Bus Rapid Transit (BRT) stations in Mid-City Transit Project have been delayed. Caltrans safety concern over the original inline station design concept has resulted in the need to investigate

new design options. Community meetings have been held, and four new design options have been selected for further analysis. These design options were presented to the ITOC and Transportation Committee in November 2008. The release of the draft environmental document is scheduled for December 2010 when a preferred alternative will be selected. Staff will develop the project schedule for the design, right-of-way, and construction phases once a preferred alternative has been selected.

Mr. Chavez reviewed current trends and stated the average number of bidders on Caltrans projects over \$5 million shows a significant 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 1.8 points to 7.8 points for the fourth quarter of 2008 compared to the third quarter of 2008, when the average number of bidders was 6.0 points. The average number of bidders is up a total of 4.6 points from a low of 3.2 points bidders experienced during the third quarter of 2006.

Mr. Chavez stated that future reports would incorporate some of the Performance Audit recommendations such as tracking revenues.

Mr. Garcia stated that construction costs in the latest two quarters were increasing and asked if staff expected that trend to continue.

Mr. Chavez stated that he still expects costs can decrease, and SANDAG should see good prices and lower bids for projects.

Mr. Bahadori asked whether engineer's estimates were dropping with the increase in the number of bidders.

Mr. Chavez stated that costs are coming in up to 35 percent below the engineer's estimate and he is working closely with the engineers to revise their estimates to be more in line with costs.

Chair Meyer commented that the cost of aggregate is still pushing construction costs higher.

Mr. Bahadori stated that higher prices caused by lack of aggregate are not only a problem for our region but the lack of aggregate is affecting construction costs nationwide.

Mr. Stoll stated that as the ITOC moves forward with an implementation strategy for the Performance Audit, many of the recommendations will be addressed in this quarterly report. Staff will work with the subcommittee, once appointed, on the best method to include information on revenue projections on the ITOC agenda, as well.

Action: This item was presented for information only.

## **10. REGIONAL TRANSPORTATION CONGESTION IMPROVEMENT PROGRAM – ANNUAL SUBMITTAL OF FUNDING PROGRAMS BY JURISDICTIONS (ACCEPT)**

Mr. Stoll presented the item and stated that the *TransNet* Extension Ordinance required that all jurisdictions within San Diego County initially submit funding programs by April 1, 2008, in accordance with the provisions of the Regional Transportation Congestion Improvement Program (RTCIP). These funding programs were received by all jurisdictions, approved by the Board of Directors in April 2008, and were in place by July 1, 2008. The *TransNet* Extension Ordinance further requires that the funding programs are submitted to the ITOC for review by April 1 of each subsequent year. Mr. Stoll stated that copies of the annual funding program submittals by all

19 jurisdictions were included with the staff report. All jurisdictions have certified in their correspondence that their RTCIP funding programs are still in place and include the necessary components to fulfill the *TransNet* Extension Ordinance requirements. This will be verified as part of the fiscal audit process for FY 2008/2009.

Mr. Stoll stated that the *TransNet* Extension Ordinance requires a minimum annual adjustment of 2 percent and the new RTCIP fee per residential property is \$2,040. He stated that staff has informed the jurisdiction of the increased fee and none have objected. He stated that in future years, staff will take action earlier to inform the jurisdictions of the adjustment so they will have plenty of time to take action to meet the requirements.

Mr. Stoll stated that staff is reviewing the audit requirements for the RTCIP and the fiscal audit to coordinate reporting requirements and bring the dates for reporting in line with each other.

Chair Meyer requested clarification on the process to make that change.

Mr. Stoll stated that a two-thirds vote of the Board can amend the requirements in the RTCIP attachment to the *TransNet* Extension Ordinance. Any change to the actual *TransNet* Extension Ordinance would take voter approval. Staff will be reviewing the issue and will present a report and recommendation to the ITOC and the Board at a later date.

Mr. Bahadori asked whether the local jurisdictions accepted the 2 percent fee increase.

Mr. Stoll stated that none of them have objected but did comment on the impact in the current economic climate. Every jurisdiction submitted documentation that the program is in place and several already have taken action to adopt the fee increase. Those that have not taken action have indicated they would by the July 1, 2009, deadline. Mr. Stoll stated that SANDAG will respond to the jurisdictions in writing that the confirmation letters were received and acknowledge that their programs are in place.

Action: Upon a motion by Mr. Bahadori and a second by Mr. Gerow, the ITOC accepted the funding program submittals in accordance with the *TransNet* Extension Ordinance.

## **8. OVERVIEW OF DEVELOPMENTS IN THE FINANCIAL MARKETS (INFORMATION)**

Renée Wasmund, Finance Director, presented the item. She reviewed the current debt program and its performance. She stated that SANDAG continues its current strategy and has concluded the renegotiation of the J.P. Morgan liquidity facility. Also, SANDAG has closed its swap transaction. She stated SANDAG received a total of three bids and closed at 107.4 basis points, which equates to over \$6 million in savings.

Mr. Bahadori asked when SANDAG would realize those savings.

Ms. Wasmund stated that the new program would begin at the conclusion of the current 10-year program, so we would begin to realize those savings in 2018.

Mr. Bahadori asked whether SANDAG had coordinated publicity for this very positive action.

Ms. Wasmund stated that SANDAG issued press releases on both actions and both were reported on in various publications.

Mr. Gallegos commented that SANDAG has been working very aggressively to send press releases on this action. In addition, to enter this swap agreement SANDAG had to reaffirm its credit rating, and it was reaffirmed at Triple A. He stated that SANDAG also has received a great deal of positive press regarding the actions taken for the economic stimulus program.

Action: This item was presented for information only.

## **2. COMMUNICATIONS/MEMBER COMMENTS (CONTINUED)**

Upon the arrival of Mr. Ryan, Item 2 Member Comments was continued.

Chair Meyer stated that members had indicated a desire to address the upcoming transit public hearing and the potential use of *TransNet* funds for transit operations.

Mr. Bahadori commented that the cuts to transit funding are statewide and transit is in crisis. He commented that when funding decisions are made due to political expediency, those decisions are most often regretted over the long-term. Mr. Bahadori expressed his opposition to allocating *TransNet* funds for transit operations and stated that any decision to do so would negatively impact the future POF and programmed projects in *TransNet* and the potential new sales tax measure for funding of Quality of Life measures in the region. He commented that any diversion of *TransNet* funds would violate the promise made to voters and their trust in SANDAG.

Mr. Gallegos, in order to provide the context for why the issue was added to the agenda for the joint meeting of the Transportation Committee and the Board of Directors, stated that the state has significantly cut funding sources for transit and sales tax receipts are down. The combination of both factors has created a severe budget shortfall for both transit operators. The members of the Transportation Committee expressed a concern that cuts in service and increases in fares would have a significant negative impact to transit, and many members felt that *TransNet* has available funding that could be used to meet this shortfall. Mr. Gallegos stated that the joint meeting would be the first step in what would be a very lengthy process. The idea is to start the discussion to determine the level of support for the proposal.

Mr. Bahadori stated that the principle of sales tax measures is that they are supplemental funds and that is why there is such a high level of maintenance of effort. He commented that there is a perception that *TransNet* is a slush fund that can be used for many purposes other than what was presented to the public. Mr. Bahadori stated that if that concept is how SANDAG wanted *TransNet* to be utilized, this should have been presented to the voters up front.

Mr. Ryan expressed his opposition to the proposal and stated that *TransNet* was not approved by the voters to be used in this manner. The public would not have supported the measure if that were the case. He stated that the ITOC simply cannot support this proposal.

Mr. Gallegos commented that from a staff perspective it is important to note that both sides of an issue must be presented.

Mr. Bahadori stated that there were several people at the last Transportation Committee meeting that spoke in support of moving the *TransNet* funds, but that is not the majority. He stated that the ITOC needs to be very proactive and convey its concerns regarding this issue to the members of the Transportation Committee and Board. He stated that the ITOC members need to attend the meeting to express opposition to the action.

Chair Meyer stated that his experience is with transit and working with funding issues. He stated that his concern is that we are spending funds for capital improvements for a transit system that may no longer be there because of service cuts. Chair Meyer stated that as a member of ITOC he cannot support the proposal and the ITOC must protect the *TransNet* funds to ensure they are utilized for *TransNet* only.

Mr. Stoll stated that because this issue was not on the agenda, the ITOC could not take action. He stated that the ITOC members could individually attend the Transportation Committee meeting and express their personal opinions regarding the proposal. Mr. Stoll stated that when the issue was raised at the Transportation Committee it was requested that the item be placed on an agenda so that a full discussion could take place regarding funding sources and solutions for transit, one of which could be *TransNet*. If the Board does decide that *TransNet* should be considered as a potential funding source it would require input from the ITOC and a first and second reading to amend the *TransNet* Extension Ordinance.

Ms. Lee questioned if the staff presentation will include pros and cons of using *TransNet* funds and what the impact to the POF would be over the short- and long-term.

Mr. Gallegos stated that the staff objective is to provide information on both sides of an issue in an impartial manner and to fully brief the Board on all impacts of any action so that the Board has complete information to consider and make decisions.

Mr. Bahadori expressed his concerns that after staff presentation the only public opinion that will be expressed will be from individuals that support the action. He stated that there needs to be a large presence from the public that can speak against the action and express the negative impacts to *TransNet*.

Mr. Garcia stated that the ITOC should place this item on its May agenda for discussion and action in order to take an official position. The process to make any changes to the *TransNet* Extension Ordinance is lengthy and the action taken at the May meeting would still be very proactive.

Mr. Ryan stated that there will be several members from the San Diego County Taxpayers Association and the construction industry present at the meeting Friday to state their opposition to the action.

Mr. Gallegos commented that there is a great degree of flexibility built into the *TransNet* Extension Ordinance so that the Board has the ability to make funding decisions. The *TransNet* Extension Ordinance was developed with that flexibility in mind and also with accountability. The *TransNet* Extension Ordinance calls for the program to be reviewed after each 10-year period to hold the Board accountable in how they program and expend *TransNet* funds.

Mr. Bahadori stated that the Board already has taken action to borrow *TransNet* funds but there was always a clear understanding that the funds would be re-paid. This proposal does not provide any guarantee that the funds would be paid back.

## **11. FUTURE MEETING SCHEDULE**

The next ITOC meeting is scheduled for Wednesday, May 13, 2009, at 9:30 a.m.

## **12. ADJOURNMENT**

Chair Meyer adjourned the meeting at 12:45 p.m.