

INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

October 13, 2010

AGENDA ITEM NO.: **1**

Action Requested: APPROVE

DRAFT

MEETING SUMMARY FOR THE SEPTEMBER 8, 2010,
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MEETING

File Number 1500100

Attendance

- Committee Members:
- Carolyn Lee, Chair
 - Jim Ryan, Vice Chair
 - Hamid Bahadori
 - Paul Fromer
 - David Lloyd
 - Jesus Garcia
 - Tracy Sandoval
- Absent:
- John Meyer
- Staff:
- Gary L. Gallegos
 - Renée Wasmund
 - Kim Kawada
 - Ariana zur Nieden

The meeting of the *TransNet* Independent Taxpayer Oversight Committee (ITOC) was called to order by Chair Carolyn Lee at 9:33 a.m.

1. APPROVAL OF MEETING SUMMARY

Action: Upon a motion by Jesus Garcia and a second by Hamid Bahadori, the ITOC approved the July 14, 2010, meeting summary.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

There were no comments from the public or members.

12. OVERVIEW OF DEVELOPMENTS IN THE FINANCIAL MARKETS AND UPDATE ON THE *TransNet* 2010 BOND PROPOSAL (INFORMATION)

This monthly briefing is intended to keep the ITOC informed about the latest developments in the financial markets, the economy and revenues, and the strategies we are exploring and implementing to minimize possible impacts to the *TransNet* program. Marney Cox, Chief Economist, provided an update on the current economic conditions and summarized *TransNet* revenues compared to the approved revenue forecasts.

On July 23, 2010, the Board of Directors approved the 2010 *TransNet* Plan of Finance update, including the “Robust” scenario to advance additional projects in key Early Action Program (EAP) corridors. To support these projects, a bond issuance is proposed for 2010. Lauren Warrem, Director of Finance, provided an update on the final bond strategy in anticipation of the issuance of \$300 million to \$350 million in long-term fixed rate debt to support the *TransNet* EAP. She described several structural features of the proposed transaction and stated that the bond documents are being readied for recommendation by the Transportation Committee and approval by the Board of Directors during the next two months.

Keith Curry, Public Financial Management (PFM), provided further explanation of the key bond structuring considerations for the proposed bond issuance and stated that the financing team would continue to monitor the market and adjust the recommended strategy as opportunities arise.

CONSENT (3)

3. QUARTERLY *TransNet* FINANCIAL REPORTS FOR THE PERIOD ENDING JUNE 30, 2010, AND OTHER FINANCIAL DATA (INFORMATION)

Staff provides certain *TransNet* financial information on a quarterly basis in accordance with requests from the ITOC, as well as in response to a recommendation from the *TransNet* Triennial Performance Audit.

Lisa Kondrat-Dauphin, Senior Accountant (Acting), presented the item.

Action: This item was presented for information only.

REPORTS (4 through 12)

4. SUMMARY OF TRANSPORTATION COMMITTEE AND BOARD OF DIRECTORS ACTIONS ON *TransNet*-RELATED AGENDA ITEMS (INFORMATION)

Kim Kawada, *TransNet* and Legislative Affairs Program Director, presented this monthly briefing intended to keep the ITOC informed about relevant SANDAG actions taken on *TransNet*-related projects and programs. She provided a summary of Transportation Committee and Board of Directors actions on agenda items that the ITOC has reviewed. At their July meetings, the Transportation Committee recommended and the Board of Directors unanimously approved both the 2010 *TransNet* Plan of Finance and the Mid-Coast Corridor Light Rail Transit (LRT) Locally Preferred Alternative. In addition, she stated that the Transportation Committee held a public hearing on September 3, 2010, on the proposed 2010 Regional Transportation Improvement Program (RTIP) and recommended that the Board approve a resolution adopting the 2010 RTIP.

Action: This item was presented for information.

5. PROPOSED FINAL 2010 REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM (DISCUSSION)

SANDAG, as the metropolitan planning organization (MPO), is required by state and federal laws to develop and adopt a RTIP, a multi-year program of proposed major highway, arterial, transit, and non-motorized projects, including the *TransNet* Program of Projects (POP). The 2010 RTIP covers fiscal years 2011 to 2015, and is due to the state by October 1, 2010.

Sookyung Kim, Financial Programming Manager, presented the item and asked the ITOC to review and discuss the *TransNet* POP included in the Draft 2010 RTIP and to provide comments.

Action: This item was presented for discussion.

6. FY 2010 *TransNet* FISCAL AND COMPLIANCE AUDIT APPROACH (APPROVE)

The FY 2010 *TransNet* fiscal and compliance audit process is currently underway. The independent audit firm of Mayer Hoffman McCann has reviewed the FY 2009 Agreed Upon Procedures (AUP) and has developed the recommended FY 2010 AUP.

Ms. Kondrat-Dauphin introduced the item, and Sam Perera, Mayer Hoffman McCann, provided an overview of the audit process and the recommended FY 2010 AUP.

ITOC members discussed adding an additional procedure regarding the Regional Transportation Congestion Improvement Program (RTCIP) (Paragraph 11.c.ii. of the proposed FY 2010 AUP). Members asked Mr. Perera to inquire about the mechanisms recipient agencies have in place to track RTCIP revenues and expenditures. Mr. Perera agreed to include an additional procedure to address this issue.

Action: Upon a motion by Jim Ryan, and a second by Paul Fromer, the ITOC approved the FY 2010 AUP, including the additional procedure regarding the RTCIP.

7. *TransNet* ENVIRONMENTAL MITIGATION PROGRAM PROGRESS REPORT (INFORMATION)

Keith Greer, Senior Regional Planner, presented an update on the implementation of the *TransNet* Environmental Mitigation Program. The report included the current status of land acquisition for mitigation, funding for regional land management, and future efforts to launch an interactive Web site for tracking and public information.

Action: This item was presented for information.

8. *TransNet* ENVIRONMENTAL MITIGATION PROGRAM FY 2010 LAND MANAGEMENT GRANTS (DISCUSSION)

Mr. Greer presented the item. On September 25, 2009, the Board of Directors approved a process and criteria for funding land management projects under the *TransNet* Environmental Mitigation Program (EMP). Of the 24 applications received, 10 have been recommended for funding. The ITOC reviewed and discussed the list of proposed FY 2010 EMP land management grants for *TransNet* funding eligibility.

Action: This item was presented for discussion.

9. SWEETWATER BIKEWAY (INFORMATION)

Julie Wiley, General Counsel, presented the item. The Sweetwater Bike Path project is located along the west side of Interstate 5 in National City. SANDAG utilized Caltrans to oversee construction of this \$4.3 million project, which was completed in 2004. Caltrans hired TM Engineering (TME) to construct the project. Caltrans terminated TME from the project in 2003 and TME's surety had to bring in a new contractor to complete the project. TME and the surety have filed claims against Caltrans totaling \$6 million, and the matter has taken several years to come to arbitration. The arbitration commenced at the beginning of August, and Caltrans has informed SANDAG that if there is an arbitration award in favor of TME and the surety, it will seek additional project funds from SANDAG to pay the award. Staff cannot disclose bargaining positions or arbitration strategies to the ITOC, but this item is intended to put the ITOC on notice that if Caltrans seeks reimbursement from SANDAG and the Board of Directors decides to pay to settle the matter, the potential source of funding from SANDAG will be *TransNet* Active Transportation funds.

Mr. Bahadori questioned the use of *TransNet* funds to pay a settlement given Caltrans' oversight on the project and asked staff whether Caltrans would have consulted SANDAG prior to TME's termination.

Jim Linthicum, Director of Mobility Management and Project Implementation, stated that Caltrans typically consults with SANDAG when issues such as these arise.

Gary Gallegos, Executive Director, stated that SANDAG and Caltrans are partners in these efforts and together share in both the benefits and responsibilities for projects such as these.

Chair Lee requested an update on the outcome of the matter at a future ITOC meeting.

Action: This item was presented for information.

10. INLAND RAIL TRAIL FINAL FUNDING PLAN ADJUSTMENT (RECOMMEND)

The North County Transit District (NCTD) has completed the accounting on the Inland Rail Trail. Staff presented the proposal to revise the funding plan and allow NCTD to close out this project.

Jose Nuncio, Manager of Financial Programming and Project Control, presented the item.

Action: Upon a motion by David Lloyd, and a second by Mr. Garcia, the ITOC recommended to the Transportation Committee that the Board of Directors approve the final funding plan adjustment.

11. SPRINTER FINAL FUNDING PLAN ADJUSTMENT (DISCUSSION/POSSIBLE ACTION)

NCTD has completed the final accounting of the SPRINTER project. At the July 14, 2010, meeting, ITOC members requested additional information on the chronology of funding decisions regarding this project. Staff presented a report with the requested information.

Mr. Nuncio presented the item and asked the ITOC to review and discuss the SPRINTER final funding plan adjustment for possible action.

Action: This item was presented for discussion/possible action. The ITOC discussed the item, and no action was taken.

13. FUTURE MEETING SCHEDULE

The next regular ITOC meeting is scheduled for Wednesday, October 13, 2010, at 9:30 a.m.

14. ADJOURNMENT

Chair Lee adjourned the meeting at 12:08 p.m.