MEETING NOTICE AND AGENDA

TransNet INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

The ITOC may take action on any item appearing on this agenda.

Wednesday, March 9, 2016

9:30 a.m.

SANDAG, 7th Floor Conference Room
401 B Street, Suite 800
San Diego, CA 92101

Staff Contact: José A. Nuncio
(619) 699-1908
jose.nuncio@sandag.org

AGENDA HIGHLIGHTS

- INDEPENDENT AUDITORS ANNUAL REPORT ON RESULTS OF THE FY 2015 TransNet COMPLIANCE AUDITS

- FY 2015 REQUESTS FOR EXCEPTION TO TransNet EXTENSION ORDINANCE REQUIREMENTS

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INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE
Wednesday, March 9, 2016

ITEM NO. APPROVAL OF MEETING MINUTES

+1. APPROVAL OF MEETING MINUTES

The Independent Taxpayer Oversight Committee (ITOC) is asked to review and approve the minutes from its February 10, 2016, meeting.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

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

REPORTS

3. SUMMARY OF TRANSPORTATION COMMITTEE AND BOARD OF DIRECTORS ACTIONS ON TransNet-RELATED AGENDA ITEMS (Ariana zur Nieden)

This monthly briefing is intended to keep the ITOC informed about relevant SANDAG actions taken on TransNet-related projects and programs. Staff will provide a summary of Transportation Committee and Board of Directors actions on agenda items that the ITOC has reviewed.

+4. INDEPENDENT AUDITORS ANNUAL REPORT ON RESULTS OF THE FY 2015 TransNet COMPLIANCE AUDITS (Marc Davis, Davis Farr; Lisa Kondrat-Dauphin)

All recipients of TransNet funds are required to undergo an annual compliance audit. The independent audit firm of Davis Farr, LLP has completed its field work and will report on the results of the FY 2015 TransNet compliance audits. The ITOC is asked to accept the draft independent auditor’s report of compliance audit results, including initial findings and recommendations, for presentation to the Transportation Committee on April 1, 2016.

+4B. FY 2015 REQUESTS FOR EXCEPTION TO TransNet EXTENSION ORDINANCE REQUIREMENTS (Lisa Kondrat-Dauphin)

The North County Transit District (NCTD) and San Diego Metropolitan Transit System (MTS) did not meet certain eligibility requirements as noted in their draft FY 2015 TransNet annual compliance audit. MTS and NCTD have requested an exception to the TransNet Extension Ordinance in an effort to gain compliance. The ITOC is asked to recommend that the Board of Directors approve the requests for exception to the Extension Ordinance requirements.

RECOMMENDATION

APPROVE

Estimated Start Time: 9:30 a.m.

ACCEPT

Estimated Start Time: 9:45 a.m.

RECOMMEND

Estimated Start Time: 10:15 a.m.
MEMORANDUM OF AGREEMENT BETWEEN SANDAG AND THE CITY OF OCEANSIDE REGARDING TransNet EXTENSION ORDINANCE COMMERCIAL PAPER PROGRAM (Lisa Kondrat-Dauphin)

The Oceanside City Council has approved the borrowing of $5.0 million from the SANDAG commercial paper program, which will allow the City to complete funding for the Railroad Crossing Safety Improvement Project. The ITOC is asked to review and discuss the City of Oceanside request to borrow $5.0 million of commercial paper.

PROGRESS REPORT ON TransNet MAJOR CORRIDOR PROJECTS (Asitha Seneviratne)

Staff will provide an overview of the TransNet Major Corridor projects in terms of cost control and schedule adherence based on quarterly data provided through the Dashboard reporting system. This item relates to the required quarterly reporting process specified under Paragraph 10 of the TransNet Ordinance.

FUTURE MEETING SCHEDULE

The next regular ITOC meeting is scheduled for Wednesday, April 13, 2016, at 9:30 a.m.

ADJOURNMENT

+ next to an agenda item indicates an attachment
The meeting of the TransNet Independent Taxpayer Oversight Committee (ITOC) was called to order by Chair Brad Barnum at 9:33 a.m.

1. MEETING MINUTES (APPROVE)

Action: Upon a motion by Ms. Carolyn Lee, and a second by Mr. Jonathan Tibbitts, the ITOC approved the January 13, 2016, meeting minutes. Yes – Chair Barnum, Vice Chair Stewart Halpern, Mr. Dustin Fuller, Ms. Lee, Mr. Tibbitts, and Mr. Dick Vortmann. No – None. Abstain – None. Absent – Mr. Kai Ramer.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS (INFORMATION)

There were no public or member comments.

CONSENT

3. TransNet REGIONAL TRANSPORTATION CONGESTION IMPROVEMENT PROGRAM FEE ADJUSTMENT (INFORMATION)

The TransNet Extension Ordinance requires that the Regional Transportation Congestion Improvement Program (RTCIP) transportation mitigation fee charged by local jurisdictions be adjusted every year on July 1, in order to maintain the purchasing power of the program for improvements to the Regional Arterial System. Staff has evaluated construction cost trends and relevant indices, and based on this analysis, a 2 percent fee adjustment is recommended for approval at the February 26, 2016, Board of Directors meeting; this would raise the minimum RTCIP exaction from $2,310 to $2,357 beginning July 1, 2016.

4. TransNet ENVIRONMENTAL MITIGATION PROGRAM: ANNUAL STATUS REPORT (INFORMATION)

This report provided the ITOC with the annual status update on the implementation of the TransNet Environmental Mitigation Program.
5. **TransNet PROGRAM REVENUE REVISION TO FY 2016 PROJECTION AND ESTIMATES FOR FY 2017 TO FY 2021 (INFORMATION)**

SANDAG provides revenue estimates for various types of funds, including TransNet to the transit agencies, to local agencies for the local streets and roads program, and the non-motorized program, to support both ongoing operations and capital projects. Each year, SANDAG provides an estimate for the upcoming fiscal year as well as a projection for the next four fiscal years to allow the transit and local agencies to plan for capital projects and determine operating subsidies. The SANDAG Board of Directors is scheduled to approve the FY 2017 to FY 2021 estimates for the TransNet program at its February 26, 2016, meeting.

**Action:** Consent Item Nos. 3 through 5 were presented for information.

### REPORTS

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

Ariana zur Nieden, Senior Regional Planner, provided this briefing to keep the ITOC informed about relevant SANDAG actions taken on TransNet-related projects and programs.

Ms. zur Nieden provided a summary of Transportation Committee and Board of Directors actions on agenda items that the ITOC has reviewed: TransNet Smart Growth Incentive Program and Active Transportation Grant Program: Quarterly Progress Report and Proposed Grant Amendment; 2014 Regional Transportation Improvement Program: Amendment No. 9; 2015 TransNet Plan of Finance Update; 2015 TransNet Transit Operations Plan of Finance; and TransNet Senior Mini-Grant Program Status Update.

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

7. **UPDATE TO THE 2016 STATE TRANSPORTATION IMPROVEMENT PROGRAM: IMPACT TO INTERSTATE 5 NORTH COAST CORRIDOR (INFORMATION)**

This item was pulled from the agenda.

8. **PROPOSED FY 2017 ITOC ANNUAL OPERATING BUDGET (DISCUSSION/POSSIBLE ACTION)**

In accordance with the TransNet Extension Ordinance, the ITOC must submit an annual operating budget for the upcoming fiscal year to the Board of Directors for approval 90 days prior to the beginning of the fiscal year. The ITOC was asked to review and discuss for possible action its proposed FY 2017 annual operating budget.

Ms. zur Nieden presented the item.

**Action:** Upon a motion by Mr. Tibbitts, and a second by Vice Chair Halpern, the ITOC elected to forgo its annual allocation and spend down its carryover balance from prior years. Yes – Chair Barnum, Vice Chair Halpern, Mr. Fuller, Ms. Lee, Mr. Tibbitts, and Mr. Vortmann. No – None. Abstain – None. Absent – Mr. Ramer.
9. **QUARTERLY *TransNet* FINANCIAL REPORTS FOR THE PERIOD ENDING DECEMBER 31, 2015, 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 recommendations from the first and second *TransNet* Triennial Performance Audits.

Lisa Kondrat-Douphin, Senior Accountant, presented the item, which included an update on the monitoring of local jurisdiction balances.

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

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

Ray Major, Chief Economist, and André Douzdjian, Finance Director, provided the quarterly briefing intended to keep the ITOC informed about the latest developments in the financial markets, the economy, sales tax revenues, and the strategies being explored and implemented to minimize possible impacts to the *TransNet* program.

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

11. ***TransNet* ENVIRONMENTAL MITIGATION PROGRAM: LAND MANAGEMENT GRANT PROGRAM CALL FOR PROJECTS FOR EIGHTH CYCLE OF GRANT FUNDING FUTURE MEETING SCHEDULE (INFORMATION)**

The ITOC was asked to discuss the proposed land management grant call for projects pursuant to the executed *TransNet* Environmental Mitigation Program Memorandum of Agreement for *TransNet* funding eligibility. Comments received from the ITOC will be provided for consideration by the Board of Directors.

Sarah Pierce, Regional Planner I, presented the item.

**Action:** This item was presented for discussion.

12. **FUTURE MEETING SCHEDULE**

The next regular ITOC meeting is scheduled for Wednesday, March 9, 2016, at 9:30 a.m.

11. **ADJOURNMENT**

Chair Barnum adjourned the meeting at 11:32 a.m.
INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE
MEETING ATTENDANCE FOR JANUARY 13, 2016

<table>
<thead>
<tr>
<th>JURISDICTION/ORGANIZATION</th>
<th>NAME</th>
<th>ATTENDING</th>
<th>COMMENTS</th>
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<tbody>
<tr>
<td>Licensed Civil/Traffic Engineer</td>
<td>Jonathan Tibbitts</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Finance/Budgeting</td>
<td>Stewart Halpern</td>
<td>Yes</td>
<td>Vice Chair</td>
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<tr>
<td>Biology/Environmental</td>
<td>Dustin Fuller</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Licensed Engineer</td>
<td>Kai Ramer</td>
<td>No</td>
<td></td>
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<tr>
<td>Right of Way Acquisition</td>
<td>Carolyn Lee</td>
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<td></td>
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<tr>
<td>Private Sector</td>
<td>Dick Vortmann</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Contractor/Construction</td>
<td>Brad Barnum</td>
<td>Yes</td>
<td>Chair</td>
</tr>
</tbody>
</table>

ADVISORY MEMBERS LISTED BELOW (ATTENDANCE **NOT** COUNTED FOR QUORUM PURPOSES)

| San Diego County Auditor’s Office | Tracy Drager (1st Alt.) | No     |

SANDAG STAFF MEMBERS LISTED BELOW

Kim Kawada, Chief Deputy Executive Director
José Nuncio, TransNet Department Director
Ariana zur Nieden, Senior Regional Planner
INDEPENDENT AUDITOR’S ANNUAL REPORT ON RESULTS OF THE FY 2015 TransNet COMPLIANCE AUDITS

Introduction

The San Diego Transportation Improvement Program Ordinance and Expenditure Plans (Ordinance Nos. 87-1 and 04-01) specify certain requirements for the recipients of TransNet funds, including a requirement for an independent annual fiscal and compliance audit of each recipient of TransNet funds. Ordinance No. 04-01, TransNet Extension Ordinance and Expenditure Plan (TransNet Extension Ordinance), assigns the responsibility to conduct the annual fiscal and compliance audits to the Independent Taxpayer Oversight Committee (ITOC).

SANDAG Board Policy No. 031, TransNet Ordinance and Expenditure Plan Rules, contains several rules specifically dealing with administration of the TransNet Program. This policy addresses the fiscal and compliance audit procedures. In accordance with the proposed audit schedule contained in Section I of Rule No. 17 (Fiscal and Compliance Audit Procedures), the independent auditor issues a report of the results of the compliance audit and presents this report to the ITOC in March.

Recommendation

The ITOC is asked to accept the draft independent auditor’s report of compliance audit results, (Attachment 1) including initial findings and recommendations, for presentation to the Transportation Committee on April 1, 2016.

Discussion

FY 2015 TransNet Compliance Audits

Davis Farr, LLP performed the audit of the FY 2015 TransNet sales tax revenue recipient agencies using the agreed-upon procedures (AUP) approved by the ITOC at its July 8, 2015, meeting. These AUP include requirements specific to the TransNet Extension Ordinance and SANDAG Board Policy No. 031. Attachment 1 includes both the independent auditor’s report of compliance audit results and recipient agencies FY 2015 TransNet draft audit reports.
The *TransNet* Extension Ordinance also includes a requirement that the ITOC share the initial findings of the independent fiscal audits and its recommendations with the SANDAG Transportation Committee 60 days prior to their release to resolve inconsistencies and technical issues related to the draft report and recommendations of the ITOC. Section I of Rule No. 17 (Fiscal and Compliance Audit Procedures) also includes a proposed annual audit schedule with certain milestone activities. Proposed dates for the upcoming activities are discussed below:

- **March/April:** Auditors issue a report of compliance audit results and present to ITOC at its March meeting. The ITOC presents initial results and finding(s) of the audit and its recommendations to the Transportation Committee.
  - Audit results are scheduled for presentation to the ITOC on March 9, 2016. Presentation of the initial findings by the ITOC Chair is scheduled for the April 1, 2016, Transportation Committee meeting.

- **May:** The ITOC issues all compliance reports and adopts the annual report.
  - May 31, 2016, would be the earliest date that the ITOC could issue the compliance audit results (60 days following the report of the initial audit findings to the Transportation Committee on April 1). Issuance of the final audit reports and adoption of the ITOC Annual Report, including the results of the annual audits and its process, is scheduled for the June 8, 2016, ITOC meeting.

- **June:** The ITOC Annual Report, which includes results of the annual audit and its process, is presented to the SANDAG Board of Directors.
  - Presentation of the ITOC Annual Report is scheduled for the June 24, 2016, Board of Directors meeting.


Key Staff Contact: Lisa Kondrat-Dauphin, (619) 699-1942, lisa.kondrat-dauphin@sandag.org
Item 4A - Attachment 1:

The full document in electronic format can be downloaded at:

Hard copies will be provided at the meeting or are available by contacting the Public Information Office at (619) 699-1950 or pio@sandag.org.
FY 2015 REQUESTS FOR EXCEPTION TO
TransNet EXTENSION ORDINANCE REQUIREMENTS

Introduction

The TransNet Extension Ordinance includes an annual eligibility requirement of transit operators receiving Transit Services program revenues pursuant to Section 4(C)5. These requirement calculations are included in the June 30, 2015, annual compliance audits (see Agenda Item No. 4A), which were prepared by the independent certified public accounting firm of Davis Farr, LLP. If a transit operator or a local agency does not meet its annual compliance requirement, the TransNet Extension Ordinance provides guidance on additional steps that may ensue.

Recommendation

The Independent Taxpayer Oversight Committee (ITOC) is asked to recommend to the Transportation Committee that the SANDAG Board of Directors, acting as the San Diego County Regional Transportation Commission, approve the request of (1) San Diego Metropolitan Transit System (MTS) to exclude from the total FY 2015 operating cost per revenue vehicle hour for rail services calculation certain cost increases that were due to external events entirely beyond the control of MTS; and (2) North County Transit District (NCTD) to exclude from the total FY 2015 operating cost per revenue vehicle hour for rail services calculation certain cost increases that were due to external events entirely beyond the control of NCTD. Both requests are permitted under Section 4(C)5 of the TransNet Extension Ordinance.

Discussion

San Diego Metropolitan Transit System Request

The FY 2015 TransNet compliance audit for MTS includes the following finding:

The San Diego Metropolitan Transit System (MTS) increase in its operating cost per revenue vehicle miles from June 30, 2014 to June 30, 2015 for rail services exceeded the increase in the Consumer Price Index (CPI) for San Diego County. The CPI decreased by 6.43%, while the operating cost per revenue vehicle mile for rail services increased by 1.0%.

Per Section 4(C)5 of the Extension Ordinance, MTS is requesting the exclusion of certain costs related to contracted services, described in detail in the attached letter from MTS (Attachment 1).
North County Transit District Request

The FY 2015 TransNet compliance audit for NCTD includes the following finding:

The North County Transit District’s (NCTD’s) increase in its operating cost per revenue vehicle mile from June 30, 2014 to June 30, 2015 for rail services exceeded the increase in the Consumer Price Index (CPI) for San Diego County. The CPI decreased by 6.43%, while the operating cost per revenue vehicle mile for rail services increased by 4.25%.

Per Section 4(C)5 of the Extension Ordinance, NCTD is requesting the exclusion of certain costs related to contracted services, described in detail in the attached letter from NCTD (Attachment 2).

Board of Directors approval of the cost exclusion as requested by MTS and NCTD would enable compliance with Section 4(C)5 of the Extension Ordinance, and both operators would be eligible to receive all apportioned FY 2016 TransNet revenues. If the Board of Directors does not approve the requested calculations of either transit operator, that operator would remain in non-compliance with the Extension Ordinance eligibility provisions concerning operating cost per revenue vehicle hour for rail services and would be eligible to receive FY 2016 TransNet revenues equal only to those received in FY 2015, adjusted for any increase in the CPI for San Diego County over the same period as shown below. Because CPI for FY 2015 was negative, the increase would be 0 percent. See the tables below for details.

<table>
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<tr>
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<th>FY 2015 Final</th>
<th>0% CPI for FY 2016</th>
<th>FY 2016 Projection</th>
<th>Difference</th>
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<td>MTS Transit Operations</td>
<td>$28,853,725</td>
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<td>($967,566)</td>
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<td>MTS Specialized Services</td>
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<td>($25,665)</td>
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<td>MTS Totals</td>
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<td>$30,612,307</td>
<td>($993,231)</td>
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<th>FY 2016 Projection</th>
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<td>($341,531)</td>
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<td>NCTD Specialized Services</td>
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<td>($350,590)</td>
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If the actual TransNet receipts are identical to the FY 2016 projections, these amounts in the Transit Services Program would be reduced from the FY 2016 transit operator apportionment and withheld from the FY 2017 TransNet disbursements to MTS and NCTD.

Staff from both the MTS and NCTD are scheduled to be available at the March 9, 2016, ITOC meeting.

Next Steps

The MTS and NCTD requests are scheduled for presentation at the April 1, 2016, Transportation Committee meeting. Action on the request is then scheduled for the April 22, 2016, Board of Directors meeting. Any comments received from the ITOC on the requests will be conveyed to the Transportation Committee and Board of Directors at these meetings.

Attachments: 1. Letter of Request from MTS dated February 12, 2016  
2. Letter of Request from NCTD dated February 22, 2016

Key Staff Contact: Lisa Kondrat-Dauphin, (619) 699-1942, lisa.kondrat-dauphin@sandag.org
Mr. Jose Nuncio
TransNet Program Director
SANDAG
401 B Street Suite 800
San Diego, CA 92101

Dear Mr. Nuncio,

MTS’ financial performance for fiscal year 2015 proved to be exemplary. As indicated in the below table, Bus Operations’ cost per revenue hour decreased by -0.04% as compared to the previous fiscal year, while Rail Operations’ cost per revenue mile increased slightly by 1.2%. Over a three year average, Bus Operations and Rail Operations have been extremely efficient resulting in Bus Operations decreasing by -0.7% per revenue vehicle hour and Rail Operations increasing very slightly at 0.2% per revenue mile.

<table>
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<tr>
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<th>FY15</th>
<th>FY14</th>
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<td>Revenue Vehicle Hours</td>
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<td>Operating Cost per Revenue Vehicle Hour</td>
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<td>CPI</td>
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<td>227.028</td>
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<tr>
<td>Increase/(Decrease) in CPI</td>
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<td>-1.2%</td>
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<table>
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<th>Rail Operations</th>
<th>FY15</th>
<th>FY14</th>
<th>FY13</th>
<th>FY12</th>
<th>3 Year Avg</th>
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<td>66,350,715</td>
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<td>Revenue Vehicle Miles</td>
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<tr>
<td>Operating Cost per Revenue Vehicle Mile</td>
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<td>CPI</td>
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<td>227.028</td>
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<td>0.5%</td>
<td>-1.2%</td>
<td>-2.4%</td>
<td></td>
</tr>
<tr>
<td>Increase/(Decrease) in Ratio</td>
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<td>-1.7%</td>
<td>1.1%</td>
<td>0.2%</td>
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In fiscal year 2015, the TransNet annual CPI requirement (increases in operating cost per revenue hour / mile not exceed CPI) decreased by -6.4% (resulting in a 0% target as compared to fiscal year 2014 for MTS). MTS achieved this target for Bus Operations, but was not in compliance with this flat expense ratio for Rail Operations. Although the fiscal year 2015 findings reflect that Rail Operations is not compliant with the annual CPI requirement, the operating cost per revenue vehicle mile ratio for Rail Operations again changed very modestly (1.2%) from fiscal year 2014 and over the past three years, costs have increased very slightly at 0.2% per revenue mile.

Certain uncontrollable costs within Rail Operations prohibited MTS to achieving compliance with the CPI target. Fiscal year 2015 electricity costs increased by $1.7 million (16%) as compared to fiscal year 2014. If these uncontrollable costs were excluded from this calculation, Rail Operations would also be considered within compliance with a decrease in cost per revenue mile of -1.2%.
Due to the fact that CPI decreased by -6.4% for fiscal year 2015 (resulting in a 0% target as compared to fiscal year 2014 for MTS), MTS requests that the SANDAG Board of Directors approve our request to calculate the eligibility requirement excluding $1.7 million in electricity expenses outside of MTS's control. MTS would like to recommend during the event that CPI is less than 2.0% in future years, agencies have a 2.0% target for those respective years. We appreciate ITOC’s recognition of our continued and concerted efforts to increase the efficiency of our operations and responsibly manage our costs.

Sincerely,

Larry Marinesi
Chief Financial Officer
February 22, 2016

Mr. Jose Nuncio  
TransNet Program Director  
SANDAG  
401 B Street, Suite 800  
San Diego, CA 92101  

Subject: North County Transit District (NCTD) TransNet AUP FY 2015  

Dear Mr. Nuncio:

Achieving and sustaining financial stability has been a major initiative of NCTD since faced with an $80 million budget shortfall at the onset of the Great Recession. NCTD’s Board of Directors and management implemented several strategies to support this initiative such as contracting out transit services, renegotiating existing contracts, and redesigning system service models to address the fiscal crisis. As a result of these cost saving activities and others, NCTD has contained its system-wide cost per revenue mile and cost per revenue hour to $10.08 and $139.75, respectively, which are lower, or better, than the same metrics in each of the preceding fiscal years since FY 2010.

Although NCTD successfully reduced the system-wide cost per revenue mile by 3.8% and cost per revenue hour by 6.0% from FY 2014 to FY 2015, NCTD did not meet the following eligibility requirement of the TransNet Extension Commission Ordinance in FY 2015: “To maintain eligibility for the receipt of funds under Section 4(C), a transit operator must limit the increase in its total operating cost per revenue vehicle hour for bus services or the increase in its total operating cost per revenue mile for rail services from one fiscal year to the next to no more than the increase in the Consumer Price Index for San Diego County over the same period.”

The Transportation Consumer Price Index (CPI) for San Diego County decreased by 6.4% from FY 2014 to FY 2015, and transit operators must limit operating cost per revenue hour for bus and cost per revenue mile for rail to a 0% increase from FY 2014. NCTD’s cost per revenue hour for bus met the requirements by decreasing 6.0%, but NCTD’s cost per revenue mile for rail increased 4.3% from FY 2014 to FY 2015.

<table>
<thead>
<tr>
<th>BUS</th>
<th>FY 2015</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$50,460,445</td>
<td>$47,534,402</td>
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<tr>
<td>Revenue Vehicle Hours</td>
<td>587,474</td>
<td>520,186</td>
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<tr>
<td>Operating Cost per Revenue Vehicle Hour</td>
<td>$85.89</td>
<td>$91.38</td>
</tr>
<tr>
<td>CPI (Transportation Index)</td>
<td>213.587</td>
<td>228.254</td>
</tr>
<tr>
<td>Increase/(Decrease) in CPI</td>
<td>-6.4%</td>
<td>-6.0%</td>
</tr>
<tr>
<td>Increase/(Decrease) in Ratio</td>
<td>-6.0%</td>
<td>-6.0%</td>
</tr>
<tr>
<td>RAIL</td>
<td>FY 2015</td>
<td>FY 2014</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>$35,889,151</td>
<td>$34,429,272</td>
</tr>
<tr>
<td>Revenue Vehicle Miles</td>
<td>794,726</td>
<td>794,818</td>
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<td>Operating Cost per Revenue Vehicle Mile</td>
<td>$45.16</td>
<td>$43.32</td>
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<tr>
<td>CPI (Transportation Index)</td>
<td>213.587</td>
<td>228.254</td>
</tr>
<tr>
<td>Increase/(Decrease) in CPI</td>
<td>-6.4%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

The primary driver of the cost per revenue mile increase for rail is annual contract escalations that were guaranteed in the COASTER and SPRINTER rail contracts. Previously, NCTD had determined that it was reasonable and effective over the long term to negotiate long-term contracts for many critical items to ensure availability, to protect from unreasonable and unforeseeable price fluctuations, to provide budget certainty and to achieve reasonable price protection based on the best information and forecasting that is available at the time negotiations are completed. While long-term contracts achieve the protections described above when economic conditions result in a rising inflationary CPI, they work counterproductively in times of unusually low inflation.

Per TransNet program guidelines, NCTD is requesting approval to exclude the cost of increases in the cost of providing transit services in our contracted rail operations. These contracts were negotiated in FY 2005 several years prior to the Great Recession, and their rates had increases ranging from 4.0 to 4.5 percent for FY 2015. To address this issue, NCTD has modified the contractual terms related to annual escalation that will base future contacts on the Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) for San Diego County, CPI-U index, not to exceed an annual escalation of 3% or fall below 0%.

Accordingly, NCTD requests that cost increases of $1,463,856 be excluded from the current year calculation. Excluding these cost increases would reduce the FY 2015 operating cost per revenue mile for rail to $43.32, which meets the requirements of the TransNet Extension Commission Ordinance, and NCTD would be eligible to receive all of its allocated FY 2016 TransNet funds.

Sincerely,

Ryan Bailey  
Chief Financial Officer
MEMORANDUM OF AGREEMENT BETWEEN SANDAG AND THE CITY OF OCEANSIDE REGARDING TransNet EXTENSION ORDINANCE COMMERCIAL PAPER PROGRAM

Introduction

In accordance with Rule No. 16 of SANDAG Board Policy No. 031: TransNet Ordinance and Expenditure Plan Rules, local jurisdictions may access the SANDAG Commercial Paper (CP) program to advance local TransNet eligible projects with a repayment period of up to five years. Local jurisdictions must document their understanding of the requirements for using the TransNet CP program in an executed Memorandum of Agreement (MOA). The City of Oceanside (City) has requested access to TransNet CP to cover the shortfall in funding for the Railroad Crossing Safety Improvements Project. The draft MOA between SANDAG and the City is included as Attachment 1.

Recommendation

The Independent Taxpayer Oversight Committee (ITOC) is asked to review and discuss Board approval of the proposed MOA.

Discussion

The Railroad Crossing Safety Improvements Project, a congestion relief project, is a regionally significant project that includes both TransNet Local Street Improvement and Caltrans hazard elimination grant funding. The project is located in the Coastal Railroad Corridor at Surfrider Avenue, Mission Avenue, Wisconsin Avenue, Oceanside Boulevard, and Cassidy Street in the City of Oceanside. Rail crossing safety improvements on the coastal railroad line include at-grade crossings, crossing improvements upgrades to the railroad signaling and communication systems, queue-cutter traffic signals at Mission Avenue, pedestrian crossing gates, sidewalk and median reconstruction, and fencing.

Background

The City of Oceanside has five railroad crossings in the Coastal Rail Corridor in need of pedestrian and vehicle safety improvements. These improvements are a prerequisite to the City obtaining approval for a railroad quiet zone. A railroad crossing hazard elimination grant of $999,000 was accepted by the City in November 2015 for a portion of the needed improvements and the City plans to use $5,700,000 of TransNet to fund the remainder of the construction phase.
As explained in the City Staff Report (Attachment 2), there are enough TransNet annual allocations to fund this project, but only at the expense of other projects. After careful consideration, the City found that advance-funding the Railroad Crossing Safety Improvement Project will allow the City to continue with its scheduled priority projects. Based on the capacity analysis prepared by SANDAG, the expected cost of borrowing $5,000,000 is approximately $286,000 (Attachment 3), and there is sufficient TransNet funding to cover currently programmed projects and debt service repayment terms.

General advantages of the CP program include accelerating the delivery of TransNet-funded local street and road improvement projects, at historically significantly lower cost of capital than fixed rate bonds, and the flexibility to refinance.

At its March 2, 2016, meeting, the Oceanside City Council will review the use of advance funding through SANDAG’s debt financing program for the Railroad Crossing Safety Improvements Project and results of that meeting will be presented to the ITOC.

City of Oceanside staff will be present at the March 9, 2016, ITOC meeting to answer questions.

**Next Steps**

The Transportation Committee is scheduled to review the request at its April 15, 2016, meeting with a subsequent presentation scheduled for action at the April 22, 2016, Board meeting. Any comments received from the ITOC will be conveyed to the Transportation Committee and Board of Directors at these meetings.

Amendment No. 11 to the 2014 Regional Transportation Improvement Plan is scheduled for ITOC review at its April 13, 2015, meeting. Presentation of Amendment No. 11 is scheduled for Transportation Committee approval at the April 15, 2016, meeting and would include the proposed Railroad Crossing Safety Improvements Project contingent upon SANDAG Board of Directors approval of the proposed MOA at the April 22, 2016, Board meeting.

**Attachments:**
1. MOA between SANDAG and the City of Oceanside
2. Oceanside City Council Staff Report and Resolution, March 2, 2016
3. City of Oceanside Capacity Analysis

**Key Staff Contact:** Lisa Kondrat-Dauphin, (619) 699-1942, lisa.kondrat-dauphin@sandag.org
MEMORANDUM OF AGREEMENT
BETWEEN SAN DIEGO ASSOCIATION OF GOVERNMENTS, ACTING AS THE SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION AND THE CITY OF OCEANSIDE REGARDING DEBT FINANCING THROUGH THE TRANSNET PROGRAM SANDAG AGREEMENT NO. 5004832

This Memorandum of Agreement ("MOA") is made and entered into effective as of this ___ day of ____, 2016, by and between the San Diego Association of Governments, acting as the San Diego County Regional Transportation Commission ("SANDAG") and City of Oceanside ("City").

RECITALS

The following recitals are a substantive part of this Agreement:

WHEREAS, SANDAG serves as the San Diego County Regional Transportation Commission, and in that role is responsible for the administration of programs under the TransNet Extension Ordinance (Proposition A, November 2004), which sets forth permitted uses for revenues from a ½ cent transactions and use tax in San Diego County (TransNet Extension Program); and

WHEREAS, in order to accelerate the implementation of TransNet tax funded projects, SANDAG has established a debt financing program to provide advanced funding for eligible projects under the TransNet Extension Ordinance; and

WHEREAS, SANDAG requires that an agency receiving proceeds from the TransNet debt financing program shall be responsible for its proportionate share of the issuance costs, as well as the ongoing interest and related administrative costs from the date the proceeds are issued until the principal amount of the loan is fully repaid; and

WHEREAS, the City wishes to borrow five million dollars ($5,000,000) through the TransNet debt financing program for its Railroad Crossing Safety Improvements Project, or other projects eligible under the terms of the debt financing and applicable SANDAG policies that have been approved in the Regional Transportation Improvement Program (RTIP) and hereinafter called "PROJECTS"; and

WHEREAS, the parties wish to memorialize their agreement in this MOA to carry out the purposes set forth above;
AGREEMENT

NOW THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

SANDAG AGREES:

1. To lend the City five million dollars ($5,000,000) through the TransNet debt financing for the PROJECTS subject to certain conditions set forth below and SANDAG Board Policies concerning TransNet Extension Program loans.

2. SANDAG will transfer the borrowed funds to the City within 30 days following a request for reimbursement of valid expenditures for the PROJECTS.

THE CITY AGREES:

1. The governing body of the City at its March 2, 2016, meeting approved the request to borrow five million dollars ($5,000,000) through the TransNet debt financing program for the PROJECTS.

2. The City agrees to use the funding provided under this MOA solely for the PROJECTS.

3. The City agrees to submit a request for reimbursement with all applicable documentation no more than one time per quarter and in increments of $100,000 and in $1,000 increments after. Any reimbursement request that includes an excess over a $100,000 (or additional increments of $1,000) increment will be carried forward to the next reimbursement request until such time that the next available increment is achieved.

4. The City will pay its proportionate share of the commercial paper issuance costs, and annual debt service costs which include principal and interest payments, and annual administrative costs from the date the debt is issued until the final principal and interest amounts of the applicable commercial paper are fully repaid.

5. Repayment of the principal amount shall commence within three years of the receipt of the proceeds and shall be completed within five years. Repayment of the proceeds may be accomplished by rolling the outstanding amount into a long-term bond issued during the five year repayment period if the opportunity for the conversion exists and is agreed to by SANDAG. In such cases, the City would be responsible for proportionate share of bond issuance costs and annual debt service costs. The repayment of debt, in all cases, is the first priority on the use of the City's annual TransNet revenues. The accounts may be deducted and the terms of repayment are estimated in Attachment A hereto.

6. The repayment of debt, in all cases, shall be the first priority on the use of the City’s annual TransNet revenues. The City agrees not to subordinate SANDAG’s lien on the TransNet revenues to any other claim upon these funds. The amounts to be deducted and the terms of repayment (if appropriate) are estimated and set forth in the Repayment Schedule, which is Attachment A hereto.
7. The City agrees to indemnify, hold harmless, and defend SANDAG, the San Diego County Regional Transportation Commission, and all officers and employees thereof against all causes of action or claims related to projects financed through funding provided under this MOA.

THE PARTIES MUTUALLY AGREE:

1. That all obligations of SANDAG under the terms of this MOA are subject to the appropriation of the required resources by SANDAG and the approval of the SANDAG Board of Directors.

2. Any notice required or permitted under this MOA may be personally served on the other party, by the party giving notice, or may be served by certified mail, return receipt requested, to the following addresses:

   For SANDAG:  
   401 B Street, Suite 800  
   San Diego, CA 92101  
   Attn: Director of Finance

   For City of Oceanside:  
   300 North Coast Hwy  
   Oceanside, CA 92054  
   Attn: Scott Smith, City Engineer

3. That unless it is amended by the parties in writing, this MOA shall terminate on June 30, 2022 or on such earlier or later date as the parties may agree to in writing.

4. The indemnification provisions of this MOA shall survive termination of the MOA.

5. This MOA shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this MOA, the action shall be brought in a state or federal court situated in the County of San Diego, State of California.

6. All terms, conditions, and provisions hereof shall inure to and shall bind each of the parties hereto, and each of their respective heirs, executors, administrators, successors, and assigns.

7. For purposes of this MOA, the relationship of the parties is that of independent entities and not as agents of each other or as joint venturers or partners. The parties shall maintain sole and exclusive control over their personnel, agents, consultants, and operations.

8. No alteration or variation of the terms of this MOA shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.

9. Nothing in the provisions of this MOA is intended to create duties or obligations to or rights in third parties to this MOA or affect the legal liability of the parties to this MOA to third parties.

10. This MOA may be executed in any number of identical counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument when each party has signed one such counterpart.

11. This MOA may be executed and delivered by facsimile signature, and a facsimile signature shall be treated as an original.
IN WITNESS WHEREOF, the Parties hereto have executed this MOA effective on the day and year first above written.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

CITY OF OCEANSIDE

__________________________
GARY L. GALLEGOS
Executive Director

__________________________
MICHELLE SKAGGS LAWRENCE
City Manager

APPROVED AS TO FORM:

Office of General Counsel

APPROVED AS TO FORM:

City Attorney
DATE: March 2, 2016  
TO: Honorable Mayor and City Councilmembers  
FROM: Development Services Department  
SUBJECT: ADOPTION OF A RESOLUTION TO AMEND THE LOCAL TRANSNET PROGRAM OF PROJECTS TO ADD $5,700,000 IN FUNDING AND APPROVE A MEMORANDUM OF AGREEMENT FOR $5,000,000 IN PASS-THROUGH COMMERCIAL PAPER BORROWING THROUGH SANDAG FOR THE RAILROAD CROSSING SAFETY IMPROVEMENTS PROJECT

SYNOPSIS
Staff recommends that the City Council adopt a Resolution amending Oceanside's TransNet Program of Projects to add $5,700,000 in construction-phase funding for the Railroad Crossing Safety Improvement Project and approve a Memorandum of Agreement (MOA) authorizing $5,000,000 in pass-through commercial paper borrowing through SANDAG.

BACKGROUND
On September 10, 2014, the City Council approved a $642,488 Professional Services Agreement with RailPros, Inc., of Irvine for the design of pedestrian and vehicle safety improvements at all five Oceanside railroad crossings in the Coastal Rail Corridor. Construction of these improvements is a prerequisite to Oceanside obtaining approval for a railroad Quiet Zone. RailPros has completed the design plans and specifications, which are currently being reviewed by NCTD.

The City Council also directed staff to make every effort to obtain grant funding for as much of project costs as possible. On November 18, 2015, the City Council accepted a $999,000 hazard elimination grant from the California Department of Transportation for a portion of the railroad crossing safety improvements at Mission Avenue.

ANALYSIS
Funding Requirements
City staff worked with California Public Utilities Commission (CPUC), Caltrans, and North County Transit District (NCTD) staff to review the volume of pedestrian travel, accident histories, and ways to make the five railroad crossings safer.
Pedestrian travel on Mission Avenue qualified the City for a railroad crossing hazard elimination grant pursuant to Section 130 of United States Title 23. The $999,000 grant amount is the maximum allowed. Hazard elimination grant funding is not available for the other four at-grade crossings nor for track communication improvements between crossing points.

Sufficient TransNet funds exist in the current CIP budget to complete design-phase activities, but not project construction. Total construction-phase funding requirements are approximately $6.7 million.

The RTIP amendment lists the following schedule for construction-phase funding:

<table>
<thead>
<tr>
<th>FY</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
<td>Caltrans Hazard Elimination Grant</td>
<td>$999,000</td>
</tr>
<tr>
<td>FY 2017</td>
<td>TransNet (commercial paper borrowing)</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>FY 2018</td>
<td>TransNet (commercial paper borrowing)</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>FY 2019</td>
<td>TransNet (regular allocation)</td>
<td>$700,000</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$6,699,000</td>
</tr>
</tbody>
</table>

Completion of project construction is anticipated in calendar year 2018. The FY 2019 funding is for contractor retentions, post-construction costs and contingencies.

Schedule and Relationship to Quiet Zone

The CPUC and NCTD will closely review the plans this year as the City readies the project for bidding with the goal of awarding a construction contract for all five crossings by the end of calendar year 2016. After the railroad improvements are finished, there is an extensive regulatory review of the completed work before establishment of a Quiet Zone can be realized.

Once a Quiet Zone is established, train engineers will no longer be required to sound a pattern of horn blasts at every Oceanside at-grade crossing. They will still have the option of using the horn if necessary for safety. However, a Quiet Zone designation ends their routine use. Crossing gates will still have audible warnings and train locomotives will still ring bells when arriving and leaving the Oceanside Station.

Need for Commercial Paper Borrowing

Project construction will run from the second half of FY 2017 through FY 2018, and is anticipated to cost $6.7 million. With approximately $1 million available from the hazard elimination grant, staff recommends programming $5.7 million TransNet funds over the next three fiscal years to meet the project’s construction funding requirements. Commercial paper borrowing is not necessary for the full amount of the construction cost, and the difference will be provided by the City’s TransNet revenues from FY 2017 to FY 2019.
Currently, SANDAG predicts Oceanside’s TransNet new revenues to be $4,580,230 in FY 2017 and $4,762,764 in FY 2018. The City also has approximately $9 million in TransNet funds programmed, but not yet drawn, in the current two-year RTIP, which ends on June 30, 2016. These funds are held by SANDAG to reimburse the City for currently-budgeted CIP projects as the City completes them.

Theoretically, the City could fund the Railroad Crossing Safety Improvement project strictly from current TransNet revenue (and the undrawn funds mentioned above) over the next two years, but that would require a radical realignment of current priorities while the project is underway. One example might be a large reduction in the City asphalt overlay program over two years. A better approach is to increase the amount of TransNet funds available to the City through short-term borrowing and repay the principal and interest as the railroad crossing improvements are completed, and for up to three years afterwards. This approach maintains level funding for the City’s current priorities.

The sum borrowed will be rolled into SANDAG’s regular commercial paper program, which is secured by sales tax revenues. Essentially, Oceanside is “piggybacking” on SANDAG’s on-going commercial paper program. The $5 million authorization is a maximum, and Oceanside may draw a lesser amount to match the actual amount needed to make contractor payments and pay related construction costs. SANDAG estimates the interest rate to be 2.5 percent on an annual basis based on the City’s projected construction timing.

Repayment is made directly from the City’s future TransNet allocation over a maximum of five years. The City can revise its repayment schedule with a future TransNet program amendment. Currently, seven of the nineteen City and the County SANDAG member agencies have TransNet commercial paper or bond borrowings.

Approval Documents

The Resolution (Exhibit 2) conveys the City’s request to SANDAG to:

1. Amend the current Regional Transportation Improvement Plan (RTIP) to program $5,700,000 in construction-phase funding from the City’s TransNet Local Street Improvement funds for the Railroad Crossing Safety Improvement Project.

2. Authorize $5,000,000 in commercial paper debt financing to advance the construction of the project faster than would otherwise be possible with the City’s current allocations from the half-cent TransNet sales tax allocation.

The MOA specifies the particular terms and conditions of the proposed debt financing. It is attached as Exhibit 3 in draft form. The City Council is requested to authorize the execution of the final copy of the MOA in substantially the same form as the draft. The reason for this is that the final copy may not be available from SANDAG by the date of this hearing. However, the timeline for the noticing and approval of an RTIP amendment by the SANDAG Board of Directors requires City Council execution of the Resolution attached as Exhibit 2 before March 11, 2016.
FISCAL IMPACT

The Mainline Railroad Crossing Safety Improvement project account (902135400212) currently has a balance of approximately $40,000. This includes an additional appropriation of $80,000 from TransNet Fund account 212.3010 to CIP project account 902135400212.5355.10600, which was approved by the City Council on November 18, 2015, with the hazard elimination grant. TransNet one-half cent sales tax is the funding source. Sufficient funds are available for the current fiscal year’s design-phase activities.

Based on the City’s anticipated construction schedule and a 2.5% annual interest rate, SANDAG staff provided the attached repayment schedule. The estimate in the last column (labeled “Total”) shows interest and fees of $286,459 that will be deducted from the City’s future TransNet allocations through the repayment period ending FY 2022.

Construction-phase funding will be budgeted in the upcoming CIP budget cycle consistent with the available hazard elimination grant ($999,000) and the newly programmed TransNet funds ($5,700,000).

COMMISSION OR COMMITTEE REPORT

The Downtown Advisory Committee (DAC) received an informational update on the Railroad Crossing Safety Improvement Project on May 6, 2015.

CITY ATTORNEY’S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.
RECOMMENDATION

Staff recommends that the City Council adopt a Resolution amending Oceanside's TransNet Program of Projects to add $5,700,000 in construction-phase funding for the Railroad Crossing Safety Improvement Project and approve a Memorandum of Agreement (MOA) authorizing $5,000,000 in pass-through commercial paper borrowing through SANDAG.

PREPARED BY:
Gary Kellison
Senior Civil Engineer

SUBMITTED BY:
Michelle Skaggs Lawrence
City Manager

REVIEWED BY:
Deanna Lorson, Assistant City Manager
Rick Brown, Development Services Director
Scott O. Smith, City Engineer
Hans K. Koger, Public Works Division Manager
Jane M. McPherson, Financial Services Director

Attachments:
1. Loan Repayment Schedule
2. Resolution
3. Draft Memorandum of Agreement
City of Oceanside Capacity Analysis
$5.0 Million Commercial Paper

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
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<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
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<td>$9,275,395</td>
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<td>$11,156,688</td>
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<td>$19,382,970</td>
<td>$12,288,987</td>
</tr>
<tr>
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<td>4,762,764</td>
<td>4,960,211</td>
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<td>5,384,880</td>
<td>30,241,289</td>
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<td>2,000,000</td>
<td>3,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,000,000</td>
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<tr>
<td>CP Principal Repayment</td>
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<td>(875,259)</td>
<td>(1,118,040)</td>
<td>(1,118,040)</td>
<td>(1,118,040)</td>
<td>(652,198)</td>
<td>(5,000,000)</td>
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<td>CP Interest/Other Fees(^3)</td>
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<td>(88,636)</td>
<td>(87,347)</td>
<td>(59,396)</td>
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<td>(3,000,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>RTIP programmed projects</td>
<td>(7,461,200)</td>
<td>(2,811,200)</td>
<td>(2,861,200)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(13,133,600)</td>
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<tr>
<td>Ending Balance</td>
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<td>$10,263,064</td>
<td>$11,156,688</td>
<td>$15,147,575</td>
<td>$19,382,970</td>
<td>$24,110,217</td>
<td>$24,110,217</td>
</tr>
</tbody>
</table>

Notes:
1. Estimated revenues based on proposed February 2016 projections for the next five years, updated on an annual basis. Assumes 100% of estimated revenues are programmed for Congestion Relief projects.
2. Estimated revenues are projected for five years; therefore FY 2022 uses the estimated amount for FY 2021.
3. Interest repayments are calculated at 2.5% for the capacity analysis, but are paid based on actual costs. This includes interest costs and the City’s proportionate share of CP program fees.
RESOLUTION NO.

RESOLUTION OF THE CITY OF OCEANSIDE REQUESTING THE SAN DIEGO ASSOCIATION OF GOVERNMENTS (SANDAG) TO PROVIDE ADVANCE FUNDING THROUGH DEBT FINANCING AND AMENDING THE TRANSNET LOCAL STREET IMPROVEMENT PROGRAM OF PROJECTS TO ADD THE RAILROAD CROSSING SAFETY IMPROVEMENT PROJECT

WHEREAS, on November 4, 2004, the voters of San Diego County approved the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (TransNet Extension Program); and

WHEREAS, SANDAG, acting as the San Diego County Regional Transportation Commission, is responsible for the administration of programs under the TransNet Extension Ordinance, which sets forth permitted uses for revenue from a half-cent transactions and use tax in San Diego County; and

WHEREAS, the TransNet Extension Ordinance provides that SANDAG, acting as the Regional Transportation Commission, shall approve on not less than a biennial basis a multi-year program of projects submitted by local jurisdictions identifying those transportation projects eligible to use transportation sales tax (TransNet) funds; and

WHEREAS, the City of Oceanside was provided with an estimate of annual TransNet local street improvement revenues for fiscal years 2017 through 2022; and

WHEREAS, the City of Oceanside has held a noticed public meeting with an agenda item that clearly identified the proposed list of projects by its authorized legislative body in accordance with Section 5(A) of the TransNet Extension Ordinance and Rule 7 of SANDAG Board Policy 31.

WHEREAS, to accelerate the implementation of the TransNet-funded, SANDAG has established a debt financing program to provide advance funding for eligible projects under the TransNet Extension program; and

WHEREAS, SANDAG requires that an agency receiving proceeds from the TransNet debt financing program shall be responsible for its proportionate share of the ongoing interest and related administrative costs from the date debt is issued until the final principal
and interest amount of the loan are fully repaid; and

WHEREAS, the proposed list of projects subject to this amendment request consists of
a single project: The Railroad Crossing Safety Improvement Project; and

WHEREAS, the Railroad Crossing Safety Improvement Project would benefit from the
availability of advance funding; and

NOW, THEREFORE, the City Council of the City of Oceanside DOES RESOLVE as
follows:

1. That pursuant to Section 2(C)(1) of the TransNet Extension Ordinance, the City
   of Oceanside certifies that no more than 30 percent of its annual revenues shall be spent on
   local street and road maintenance-related projects.

2. That pursuant to Section 4(E)(3) of the TransNet Extension Ordinance, the City
   of Oceanside certifies that all new projects, or major reconstruction projects, funded by
   TransNet revenues shall accommodate travel by pedestrians and bicyclists, and that any
   exception to this requirement permitted under the Ordinance and proposed shall be clearly
   noticed as part of the City of Oceanside’s public hearing process.

3. That pursuant to Section 8 of the TransNet Extension Ordinance, the City of
   Oceanside certifies that the required minimum annual level of local discretionary funds to be
   expended for street and road purposes will be met throughout the 5-year period consistent
   with the most recent Maintenance of Effort Requirements adopted by SANDAG.

4. That pursuant to Section 9A of the TransNet Extension Ordinance, the City of
   Oceanside certifies that it will exact $2,311 currently and $2,357 beginning on July 1, 2016,
   plus all applicable annual increases, from the private sector for each newly constructed
   residential housing unit in that jurisdiction to comply with the provisions of the Regional
   Transportation Congestion Improvement Program (RTCIP).

5. That pursuant to Section 13 of the TransNet Extension Ordinance, the City of
   Oceanside certifies that it has established a separate Transportation Improvement Account
   for TransNet revenues with interest earned expended only for those purposes for which the
   funds were allocated.
6. That pursuant to Section 18 of the TransNet Extension Ordinance, the City of Oceanside certifies that each project of $250,000 or more will be clearly designated during construction with TransNet project funding identification signs.

7. That the City of Oceanside does hereby certify that all other applicable provisions of the Ordinances and SANDAG Board Policy No. 31 have been met.

8. That the City of Oceanside agrees to indemnify, hold harmless, and defend SANDAG, the San Diego County Regional Transportation Commission, and all officers and employees thereof against all causes of action or claims related to the City of Oceanside’s TransNet-funded projects, including the TransNet debt financing.

9. That the City of Oceanside authorizes $2,000,000 in FY 2017, $3,000,000 in FY 2018, and $700,000 in FY 2019 to Project O40 for the Railroad Crossing Safety Improvement Project.

10. That the City Manager is hereby authorized to request advance funding from SANDAG through the TransNet debt financing program in the amount of not to exceed $5,000,000.

11. That the City Manager is hereby authorized to execute any necessary documents relating to the receipt of said funds from SANDAG, including but not limited to a Memorandum of Agreement (MOA) in substantially the same form as Exhibit 3 to the staff report.

12. That the City of Oceanside will be responsible for paying its proportionate share of the commercial paper, interest and administrative costs of the TransNet debt financing program based on the ratio of the amount of financing provided to the City compared to the total debt outstanding for each fiscal year.

13. That SANDAG will deduct said costs from the monthly TransNet tax allocations for the City of Oceanside prior to remitting any remaining TransNet tax proceeds for the City’s projects.

14. That the City of Oceanside will repay to SANDAG the principal amount borrowed according to the Payment Schedule that will be attached to the proposed MOA,
subject to adjustment based on actual amount and timing of reimbursement requests.

15. That the first priority use of the City of Oceanside annual allocation of TransNet revenues shall be repayment of the principal amount borrowed according to the Payment Schedule, subject to adjustment based on actual amount and timing of reimbursement requests and any commercial paper costs, administrative costs and any interest due. The City agrees not to subordinate SANDAG’s lien on the TransNet revenues to any other claim upon these funds.

16. That all of the above funding requests are made in accordance with the requirements outlined in the TransNet Policy.

PASSED AND ADOPTED by the City Council of the City of Oceanside, California this __________ day of March, 2016, by the following vote:

AYES:
NAYS:
ABSENT:
ABSTAIN:

MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

APPROVED AS TO FORM:

CITY ATTORNEY

RESOLUTION OF THE CITY OF OCEANSIDE REQUESTING DEBT FINANCING AND AMENDING THE TRANSNET LOCAL STREET IMPROVEMENT PROGRAM OF PROJECTS FOR THE RAILROAD CROSSING SAFETY IMPROVEMENT PROJECT
MEMORANDUM OF AGREEMENT
BETWEEN SAN DIEGO ASSOCIATION OF GOVERNMENTS, ACTING AS THE SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION AND THE CITY OF OCEANSIDE REGARDING DEBT FINANCING THROUGH THE TRANSNET PROGRAM SANDAG AGREEMENT NO. 5004832

This Memorandum of Agreement (“MOA”) is made and entered into effective as of this ____ day of _____, 2016, by and between the San Diego Association of Governments, acting as the San Diego County Regional Transportation Commission (“SANDAG”) and City of Oceanside (“City”).

RECITALS

The following recitals are a substantive part of this Agreement:

WHEREAS, SANDAG serves as the San Diego County Regional Transportation Commission, and in that role is responsible for the administration of programs under the TransNet Extension Ordinance (Proposition A, November 2004), which sets forth permitted uses for revenues from a ½ cent transactions and use tax in San Diego County (TransNet Extension Program); and

WHEREAS, SANDAG has established a debt financing program to provide advanced funding for eligible projects under the TransNet Extension Ordinance; and

WHEREAS, SANDAG requires that an agency receiving proceeds from the TransNet debt financing program shall be responsible for its proportionate share of the issuance costs, as well as the ongoing interest and related administrative costs from the date the proceeds are issued until the principal amount of the loan is fully repaid; and

WHEREAS, the City wishes to borrow five million dollars ($5,000,000) through the TransNet debt financing program for its Railroad Crossing Safety Improvements Project, or other projects eligible under the terms of the debt financing and applicable SANDAG policies that have been approved in the Regional Transportation Improvement Program (RTIP) and hereinafter called “PROJECTS”; and

WHEREAS, the parties wish to memorialize their agreement in this MOA to carry out the purposes set forth above;
AGREEMENT

NOW THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

SANDAG AGREES:

1. To lend the City five million dollars ($5,000,000) through the TransNet debt financing for the PROJECTS subject to certain conditions set forth below and SANDAG Board Policies concerning TransNet Extension Program loans.

2. SANDAG will transfer the borrowed funds to the City within 30 days following a request for reimbursement of valid expenditures for the PROJECTS.

THE CITY AGREES:

1. The governing body of the City at its March 2, 2016, meeting approved the request to borrow five million dollars ($5,000,000) through the TransNet debt financing program for the PROJECTS.

2. The City agrees to use the funding provided under this MOA solely for the PROJECTS.

3. The City agrees to submit a request for reimbursement with all applicable documentation no more than one time per quarter and in increments of $100,000 and in $1,000 increments after. Any reimbursement request that includes an excess over a $100,000 (or additional increments of $1,000) increment will be carried forward to the next reimbursement request until such time that the next available increment is achieved.

4. The City will pay its proportionate share of the commercial paper issuance costs, and annual debt service costs which include principal and interest payments, and annual administrative costs from the date the debt is issued until the final principal and interest amounts of the applicable commercial paper are fully repaid.

5. Repayment of the principal amount shall commence within three years of the receipt of the proceeds and shall be completed within five years. Repayment of the proceeds may be accomplished by rolling the outstanding amount into a long-term bond issued during the five year repayment period if the opportunity for the conversion exists and is agreed to by SANDAG. In such cases, the City would be responsible for proportionate share of bond issuance costs and annual debt service costs. The repayment of debt, in all cases, is the first priority on the use of the City’s annual TransNet revenues. The accounts may be deducted and the terms of repayment are estimated in Attachment A hereto.

6. The repayment of debt, in all cases, shall be the first priority on the use of the City’s annual TransNet revenues. The City agrees not to subordinate SANDAG’s lien on the TransNet revenues to any other claim upon these funds. The amounts to be deducted and the terms of repayment (if appropriate) are estimated and set forth in the Repayment Schedule, which is Attachment A hereto.
7. The City agrees to indemnify, hold harmless, and defend SANDAG, the San Diego County Regional Transportation Commission, and all officers and employees thereof against all causes of action or claims related to projects financed through funding provided under this MOA.

THE PARTIES MUTUALLY AGREE:

1. That all obligations of SANDAG under the terms of this MOA are subject to the appropriation of the required resources by SANDAG and the approval of the SANDAG Board of Directors.

2. Any notice required or permitted under this MOA may be personally served on the other party, by the party giving notice, or may be served by certified mail, return receipt requested, to the following addresses:

   For SANDAG:  
   401 B Street, Suite 800  
   San Diego, CA 92101  
   Attn: Director of Finance

   For City of Oceanside:  
   300 North Coast Hwy  
   Oceanside, CA 92054  
   Attn: Scott Smith, City Engineer

3. That unless it is amended by the parties in writing, this MOA shall terminate on June 30, 2022 or on such earlier or later date as the parties may agree to in writing.

4. The indemnification provisions of this MOA shall survive termination of the MOA.

5. This MOA shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this MOA, the action shall be brought in a state or federal court situated in the County of San Diego, State of California.

6. All terms, conditions, and provisions hereof shall inure to and shall bind each of the parties hereto, and each of their respective heirs, executors, administrators, successors, and assigns.

7. For purposes of this MOA, the relationship of the parties is that of independent entities and not as agents of each other or as joint venturers or partners. The parties shall maintain sole and exclusive control over their personnel, agents, consultants, and operations.

8. No alteration or variation of the terms of this MOA shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.

9. Nothing in the provisions of this MOA is intended to create duties or obligations to or rights in third parties to this MOA or affect the legal liability of the parties to this MOA to third parties.

10. This MOA may be executed in any number of identical counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument when each party has signed one such counterpart.

11. This MOA may be executed and delivered by facsimile signature, and a facsimile signature shall be treated as an original.
IN WITNESS WHEREOF, the Parties hereto have executed this MOA effective on the day and year first above written.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

GARY L. GALLEGOS
Executive Director

APPROVED AS TO FORM:

Office of General Counsel

CITY OF OCEANSIDE

MICHELLE SKAGGS LAWRENCE
City Manager

APPROVED AS TO FORM:

City Attorney
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5,000,000  286,458  5,286,458
City of Oceanside Capacity Analysis
$5.0 Million Commercial Paper

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Notes:
1. Estimated revenues based on proposed February 2016 projections for the next five years, updated on an annual basis. Assumes 100% of estimated revenues are programmed for Congestion Relief projects.
2. Estimated revenues are projected for five years; therefore FY 2022 uses the estimated amount for FY 2021.
3. Interest repayments are calculated at 2.5% for the capacity analysis, but are paid based on actual costs. This includes interest costs and the City’s proportionate share of CP program fees.
San Diego Association of Governments – TransNet Program

INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

March 9, 2016

AGENDA ITEM NO.: 6

Action Requested: INFORMATION

PROGRESS REPORT ON TransNet MAJOR CORRIDOR PROJECTS File Number 1200100

Introduction

This report provides an overview of the TransNet Early Action Program (EAP) projects in terms of cost control, schedule adherence, industry trends, and performance measures. This overview fulfills the Independent Taxpayer Oversight Committee (ITOC) requirement defined in the TransNet Extension Ordinance and addresses recommendations from the first and second TransNet Triennial Performance Audits to review project and program performance. TransNet EAP projects are designed to improve mobility on the region’s major transportation corridors.

Discussion

The SANDAG TransNet Project Office monitors the progress of the TransNet EAP projects. Project expenditures are tracked against the project budgets approved by the Board of Directors, and critical path project schedules are compared against baseline schedules. The Project Office assesses transportation industry trends, develops performance measures, and operates the TransNet Dashboard reporting system that provides cost, schedule, trend, and performance information for the TransNet EAP. The Dashboard can be accessed at KeepSanDiegoMoving.com.

Schedule Adherence

The Oceanside Station Pass-Through Track project was awarded for construction in January 2016. The transit center connects transit services between San Diego, Orange, Riverside, and Los Angeles counties. Planned improvements include adding a third track and platform to the south of the existing platform.

The final environmental document for the San Dieguito Lagoon Double Track and Platform project was approved in January 2016. This project will replace the nearly 100-year-old wooden trestle San Dieguito Railway Bridge, add a mile of second mainline rail track from Solana Beach to Del Mar, and construct a special events platform at the Del Mar Fairgrounds for North County Transit District (NCTD) COASTER and Amtrak Pacific Surfliner trains.

The one mile-long segment of the Inland Rail Trail project in the City of San Marcos was awarded for construction in November 2015. This is part of a larger segment of the project, and when completed will add seven miles of Class I bikeway passing through San Marcos, Vista, and the County of San Diego.
In December 2015, the draft mitigated negative declaration for the Rose Creek segment of the Coastal Rail Trail was released. The bikeway will fill a two-mile gap in the Regional Bike Network between points north such as Sorrento Valley, University City, and UC San Diego, and points south such as Mission Bay, Pacific Beach, Mission Valley, and Downtown San Diego.

Construction is scheduled to begin in March 2016 for the South Bay Rapid Transit project. The project will provide new Bus Rapid Transit service from the Otay Mesa Border crossing to Downtown San Diego. When completed, South Bay Rapid will span a 21-mile route, connecting residents to employment and activity centers in Downtown San Diego and South Bay.

In November 2015, the State Route (SR) 94/SR 125 South to East Connector project received final environmental clearance. The connector will pass under the existing SR 125, and join eastbound SR 94 between Bancroft Drive and Kenwood Drive.

Additional TransNet EAP project schedule information can be viewed in the TransNet Dashboard. Updated monthly schedules are compared to the baseline schedules, which are established for a given phase at the time the phase is fully funded.

**Cost Control**

A total of $79.5 million was spent on TransNet EAP projects in the second quarter of FY 2016. Expenditures during the second quarter of FY 2014 totaled $147.7 million representing the peak quarter in the ten-year history of the TransNet EAP. There was significant engineering effort on both the Mid-Coast Corridor Transit and Interstate 5 (I-5) North 2 High-Occupancy-Vehicle (HOV) projects. There was significant construction activity on the following projects: I-5/I-8 West to North Connector, I-5/Genesee Interchange and Widening, SR 76 East, I-805 North: 2 HOV Lanes, I-805 South: 2 HOV Lanes and Direct Access Ramp, Blue Line Station Rehabilitation, and South Line Rail Freight Capacity.

Expenditures are remaining within the Board-approved budgeted amounts for all TransNet EAP projects. Charts showing actual expenditures against budgets can be viewed in the TransNet Dashboard.

**Trends**

The average number of bidders on Caltrans projects 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 on Caltrans projects over $5 million for the fourth quarter of 2015 ending December 31, 2015, is 5.3. The average number of bidders remains well above a low of 3.2 bidders experienced during the third quarter of 2006. The Caltrans 12-month construction index is up 13 percent from this time last year representing an increase in the price of construction. The Caltrans index is a broad statewide indicator; SANDAG also is experiencing increases in local prices.

**Transportation Performance Measures**

Based on recommendations provided in both the first and second TransNet Triennial Performance Audits, performance improvements to I-5, I-15, and SR 52 continue to be monitored in the TransNet Dashboard. Vehicle hours of delay are compared to corridor volume measured in vehicle miles traveled. Data from the Caltrans freeway detector system is used to generate the performance charts. These charts can be viewed in the TransNet Dashboard.

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Average Number of Bidders on Caltrans projects more than $5 million