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Gary Bonelli, Commissioner
San Diego Unified Port District
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San Diego County Water Authority
Cody Martinez, Chairman
Southern California Tribal Chairmen’s Association
Hon. Marcela Celorio
Consul General, Mexico

Kim Kawada
Chief Deputy Executive Director, SANDAG

SANDAG

BOARD OF DIRECTORS

AGENDA

Friday, March 9, 2018
10 a.m. to 12 noon
SANDAG Board Room
401 B Street, 7th Floor
San Diego

AGENDA HIGHLIGHTS

• REGIONAL HOUSING NEEDS ASSESSMENT
• SANDAG AUDIT COMMITTEE: PUBLIC MEMBERS
• SANDAG INDEPENDENT PERFORMANCE AUDITOR
• OVERVIEW OF PROPOSED 2018 TransNet SHORT-TERM BOND ISSUANCE

PLEASE SILENCE ALL ELECTRONIC DEVICES DURING THE MEETING
YOU CAN LISTEN TO THE BOARD OF DIRECTORS MEETING BY VISITING OUR WEBSITE AT SANDAG.ORG

MESSAGE FROM THE CLERK

In compliance with Government Code §54952.3, the Clerk hereby announces that the compensation for legislative body members attending the following simultaneous or serial meetings is: Executive Committee (EC) $100, Board of Directors (BOD) $150, and Regional Transportation Commission (RTC) $100. Compensation rates for the EC and BOD are set pursuant to the SANDAG Bylaws, and the compensation rate for the RTC is set pursuant to state law.

MISSION STATEMENT

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; makes strategic plans; obtains and allocates resources; plans, engineers, and builds public transit; and provides information on a broad range of topics pertinent to the region’s quality of life.
Welcome to SANDAG. Members of the public may speak to the Board of Directors on any item at the time the Board is considering the item. Please complete a Request to Comment form, which is located in the rear of the room, and then present the form to the Clerk of the Board seated at the front table. Members of the public may address the Board on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Public speakers are limited to three minutes or less per person. The Board may take action on any item appearing on the agenda.

Both agenda and non-agenda comments should be sent to SANDAG via comment@sandag.org. Please include the Board meeting date, agenda item, your name, and your organization. Any comments, handouts, presentations, or other materials from the public intended for distribution at the Board meeting should be received by the Clerk of the Board no later than 12 noon, two working days prior to the meeting. All public comments and materials received by the deadline become part of the official project record, will be provided to the members for their review at the meeting, and will be posted to the agenda file as a part of the handouts following each meeting.

In order to keep the public informed in an efficient manner and facilitate public participation, SANDAG also provides access to all agenda and meeting materials online at www.sandag.org/meetings. Additionally, interested persons can sign up for e-notifications via our e-distribution list either at the SANDAG website or by sending an email request to webmaster@sandag.org.

SANDAG operates its programs without regard to race, color, and national origin in compliance with Title VI of the Civil Rights Act. SANDAG has developed procedures for investigating and tracking Title VI complaints, and the procedures for filing a complaint are available to the public upon request. Questions concerning SANDAG nondiscrimination obligations or complaint procedures should be directed to the SANDAG General Counsel, John Kirk, at (619) 699-1997 or john.kirk@sandag.org. Any person who believes himself or herself or any specific class of persons to be subjected to discrimination prohibited by Title VI also may file a written complaint with the Federal Transit Administration.

In compliance with the Americans with Disabilities Act (ADA), SANDAG will accommodate persons who require assistance in order to participate in SANDAG meetings. If such assistance is required, please contact SANDAG at (619) 699-1900 at least 72 hours in advance of the meeting. To request this document or related reports in an alternative format, please call (619) 699-1900 or (619) 699-1904 (TTY), or fax (619) 699-1905.

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如有需要，我们可以把SANDAG议程材料翻译成其他语言。请在会议前至少72小时打电话（619）699-1900 提出请求。

SANDAG offices are accessible by public transit. Phone 511 or visit 511sd.com for route information. Bicycle parking is available in the parking garage of the SANDAG offices.
1. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

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

REPORTS

+2. REGIONAL HOUSING NEEDS ASSESSMENT (Seth Litchney; Ben Metcalf, California Department of Housing and Community Development)

Ben Metcalf, Director of the California Department of Housing and Community Development, will provide information on the Regional Housing Needs Assessment and its impact on local government housing elements.

+3. SANDAG AUDIT MATTERS (Diane Eidam)*

+3A. SANDAG AUDIT COMMITTEE: PUBLIC MEMBERS

The Board of Directors is asked to approve the proposed supplemental process for the selection of public members on the SANDAG Audit Committee.

+3B. SANDAG INDEPENDENT PERFORMANCE AUDITOR

The Board of Directors is asked to provide direction on the preferred alternative for staffing the SANDAG Independent Performance Auditor position.

+4. OVERVIEW OF PROPOSED 2018 TransNet SHORT-TERM BOND ISSUANCE (André Douzdjian)*

Staff will provide an overview of the proposed bond strategy and financing schedule for the issuance of up to $537.5 million in short-term, fixed-rate bonds to advance implementation of the Mid-Coast Corridor Transit Project funding strategy.
5. CONTINUED PUBLIC COMMENTS

If the five-speaker limit for public comments was exceeded at the beginning of this agenda, other public comments will be taken at this time. Subjects of previous agenda items may not again be addressed under public comment.

6. UPCOMING MEETINGS

The next Board Business meeting is scheduled for Friday, March 23, 2018, at 9 a.m.

7. ADJOURNMENT

+ next to an agenda item indicates an attachment

* next to an agenda item indicates that the Board of Directors also is acting as the San Diego County Regional Transportation Commission for that item
REGIONAL HOUSING NEEDS ASSESSMENT

Introduction

The Regional Housing Needs Assessment (RHNA) process for the sixth housing element cycle (January 1, 2021 – December 31, 2028) is being prepared in conjunction with the development of San Diego Forward: The 2019-2050 Regional Plan (2019 Regional Plan). Senate Bill 375 (SB 375) (Steinberg, 2008) calls for the RHNA process to be coordinated and integrated with the 2019 Regional Plan.

The RHNA process has three main components:

- RHNA Determination – In consultation with SANDAG, the California Department of Housing and Community Development (HCD) determines the regional housing needs for each housing cycle, known as the RHNA Determination. The RHNA Determination includes a total number of housing units that the region needs to plan for, broken down into four income categories: very-low-, low-, moderate-, and above-moderate-income. The RHNA Determination is based upon the California Department of Finance population estimates, SANDAG regional growth forecast, headship and vacancy rates, housing overcrowding rate, and household size.

- RHNA Plan – In collaboration with the 19 local jurisdictions and stakeholders, SANDAG is responsible for formulating a methodology for allocating a share of the RHNA Determination to each city and the County of San Diego in four income categories. The result of this process is the RHNA Plan.

- RHNA – The RHNA is each local government’s regional housing needs allocation, which is required to be addressed in local housing elements.

Discussion

Consultation and Review

Pursuant to Government Code Sections 65584(b) and 65584.01(c), HCD is required to consult with SANDAG to create the RHNA Determination.

As discussed with the Board of Directors on December 15, 2017, SANDAG will use the Department of Finance population projection as the source of the total population for the upcoming Regional Growth Forecast. The same population projection will be used for the 2019 Regional Plan and RHNA process. As such, SANDAG review and consultation with HCD likely will focus on the other
assumptions that form the RHNA Determination, which include household formation rates, vacancy rates, and persons per dwelling unit. SANDAG staff will compare assumptions to past and current trends and compile other relevant data to help inform the consultation process. The information will be shared with the Regional Planning Technical Working Group, Regional Planning Committee, and Board of Directors. Based upon the review and input received, SANDAG staff will consult with HCD on the RHNA Determination. The Government Code allows HCD to accept or reject information provided by SANDAG or modify its methodology based on the consultation.

HCD Director Ben Metcalf will attend the Board of Directors meeting to discuss the RHNA process and HCD’s role in implementing recent housing legislation. It is anticipated that SANDAG will be provided with the final RHNA Determination for the sixth housing element cycle later in the spring of 2018.

**Next Steps**

Staff will return to the Regional Planning Committee and Board of Directors later this year to present the final RHNA Determination and begin the process to develop the RHNA Plan with all 19 jurisdictions.

KIM KAWADA
Chief Deputy Executive Director

Attachment: 1. RHNA Schedule

Key Staff Contact: Seth Litchney, (619) 699-1943, seth.litchney@sandag.org
### Draft Timeline for Preparing the Regional Housing Needs Assessment for the Sixth Housing Element Cycle

March 2018

<table>
<thead>
<tr>
<th>Anticipated Date</th>
<th>Anticipated Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spring 2018</td>
<td>SANDAG consults with the California Department of Housing and Community Development (HCD) on the <strong>Regional Housing Needs Assessment (RHNA) Determination</strong></td>
</tr>
<tr>
<td>Spring 2018</td>
<td>HCD provides <strong>RHNA Determination</strong> for the San Diego region</td>
</tr>
</tbody>
</table>
| May 2018 through February 2019| - SANDAG develops the **RHNA Plan** (methodology and allocations) with Regional Planning Technical Working Group, stakeholders, the Regional Planning Committee, and the SANDAG Board of Directors  
                                  | - SANDAG prepares **Draft RHNA** for incorporation into the Draft San Diego Forward: The 2019-2050 Regional Plan (2019 Regional Plan)          |
| February – April 2019         | SANDAG releases the Draft 2019 Regional Plan (combined Draft Regional Transportation Plan, Sustainable Communities Strategy, and **RHNA**)         |
| October 2019                  | SANDAG adopts the Final 2019 Regional Plan                                                                                                       |
| April 2021                    | Housing elements due by local jurisdictions (18 months after the adoption of the 2019 Regional Plan)                                             |
Introduction

On December 15, 2017, the Board of Directors approved Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities, which established the SANDAG Audit Committee, composed of two Board members and three public members.

Discussion

On January 5, 2018, the application for public members of the Audit Committee was posted to the SANDAG website for a 30-day period. Outreach consisted of the issuance of a press release, social media posts, articles in two issues of the monthly rEgion newsletter, and development of a dedicated Audit Committee web page on the SANDAG website (sandag.org/AuditCommittee). In addition, a letter from SANDAG Chair Terry Sinnott was distributed to Board members asking them to solicit applicants, and requests were sent to the SANDAG financial audit firm, San Diego Chapter of Certified Public Accountants, San Diego Chapter of the Institute of Internal Auditors, and Chief Financial Officer’s Roundtable asking them to promote the opportunity among their members. As of January 29, 2018, the Audit Committee website had more than 550 page views from 219 unique devices.

Proposed Supplemental Process

SANDAG received only two public member applications to serve on the Audit Committee. The Audit Committee Public Member Screening Committee determined that the low number of responses requires a supplemental process to obtain additional applicants, as per Board Policy No. 039. The Screening Committee recommendation is to re-advertise for a six-week period and substantially increase the public outreach, as described in Attachment 1.

In accordance with Board Policy No. 039, public member applicants must possess independence, experience, and technical expertise, including but not limited to knowledge of accounting, auditing, and financial reporting. Applicants also must meet minimum professional standards, which include ten years of experience as a certified public accountant, a certified internal auditor, or ten years of other professional accounting, auditing, financial, or legal experience in audit management.

Recommendation

The Board of Directors is asked to approve the proposed supplemental process for the selection of public members on the SANDAG Audit Committee.
Next Steps

Pending action by the Board of Directors, the application materials would be reposted to the SANDAG website at sandag.org/AuditCommittee from March 9 to April 20, 2018, and the Audit Committee Public Member Outreach Plan would be implemented.

KIM KAWADA
Chief Deputy Executive Director

Attachment: 1. Final Draft of the Audit Committee Public Member Outreach Plan

Key Staff Contact: Diane C. Eidam, (916) 300-2267, diane.eidam@sandag.org
Objective:

To increase the applicants for public members of the SANDAG Audit Committee

Proposed Plan/Deliverables:

The following is a proposed plan to help guide public outreach activities for the extended solicitation of public members for the SANDAG Audit Committee. A comprehensive summary of these activities would be developed at the conclusion of the outreach effort to aid in future solicitations.

Refine existing materials and develop new materials with a consistent theme of “make a difference in the San Diego region,” including:

- press releases
- fliers for distribution with target organization meeting materials
- spot pieces for newsletters, including the SANDAG rEgion newsletter
- email blasts
- social media, including Facebook, Twitter, Instagram, and LinkedIn

Target the following organizations:

- SANDAG stakeholder/working group meetings
- Member agencies – city councils/Board of Supervisors (work through City Managers and County Administrative Officer)
- San Diego Chapter of CalCPA (California Certified Public Accountants)
- San Diego Chapter of the Institute of Internal Auditors
- Governmental Financial Officers Association
- San Diego Chief Financial Officers Forum
- Accounting and Financial Women’s Alliance
- San Diego Bar Association
- San Diego Lawyers Club
- Association of Corporate Counsel
- Economic Development Corporations throughout the region
- Chambers of Commerce throughout the region
- Rotary Clubs throughout the region
- San Diego Taxpayers Association
- MIT Enterprise Forum of San Diego
- Connect
- Executives’ Association of San Diego
Advertisements – Develop and place advertisements for publication weekly throughout the application period. Included below are recommended publications:

- Asian Journal
- Voice and Viewpoint
- Daily Transcript
- San Diego Business Journal
- Spanish El Latino and/or La Prensa
- UT San Diego

Website Updates – Update sandag.org/AuditCommittee and the featured project box on the SANDAG website home page to re-open the application period.

Community Calendars – Post notices about the application period in the community event calendar sections of print, television, and online news organizations. Additionally, notices could be posted on municipal websites, in community newsletters, and on the websites of elected officials.

Social Media – Use existing social media outlets (SANDAG Facebook, Twitter, Instagram, and LinkedIn pages) to announce the application period and post weekly.

Media/Regional or Organizational Articles – Submit material to groups listed above for placement in their print and electronic newsletters, and other membership communications.

Summary Report – A comprehensive summary of outreach will be prepared prior to the conclusion of this phase of the project. This will include a summary of activities, along with an assessment of what worked well and what can be improved moving forward.

Proposed Timeline:

<table>
<thead>
<tr>
<th>Action Item</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Refine existing and develop new material, with a consistent theme of “make a difference in the San Diego region.”</td>
<td>February 15 – March 9, 2018</td>
</tr>
<tr>
<td>2. Work with targeted organizations to identify opportunities to deploy message</td>
<td>February 15 – March 9, 2018</td>
</tr>
<tr>
<td>3. Post the re-opened application period to the SANDAG website</td>
<td>March 9, 2018</td>
</tr>
<tr>
<td>4. Issue initial press release and social media</td>
<td>March 9, 2018</td>
</tr>
<tr>
<td>5. Coordinate with target organizations’ meeting and newsletter dates as well as arrange membership email blasts</td>
<td>March 9 – April 19, 2018</td>
</tr>
<tr>
<td>6. Promote in community event calendars, media/regional organizational newsletters, and social media weekly posts</td>
<td>March 9 – April 15, 2018</td>
</tr>
<tr>
<td>7. Final promotional blast before application due date of April 20, 2018</td>
<td>April 17, 2018</td>
</tr>
</tbody>
</table>
Introduction

Assembly Bill 805 (AB 805) (Gonzalez Fletcher, 2017) requires the appointment of an Independent Performance Auditor. While AB 805 provides the scope of authority and responsibilities of the Independent Performance Auditor, it does not provide guidance on how to staff the Independent Performance Auditor position. Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities, provides the Board of Directors the flexibility to hire an employee to serve as the Independent Performance Auditor or to outsource the position with a consulting firm (Attachment 1).

Discussion

*Potential Benefits and Risks to Outsourcing the Independent Performance Audit Function*

The Association of Local Government Auditors (ALGA) is a professional organization committed to supporting and improving local government auditing through advocacy, collaboration, education, and training, while upholding and promoting the highest standards of professional ethics. The organization was a resource to the City of San Diego when the City embarked on the creation of its Office of the City Auditor, upon which the SANDAG Independent Performance Auditor is modeled.

ALGA published a resource to guide decision making related to outsourcing the audit function. The following list of potential benefits and risks, as they apply to SANDAG, is based on that publication, Guidance on Outsourcing, which discusses the following potential benefits and risks to outsourcing.

*Potential Benefits*

- Gaining expertise – a contractor may have specialized skills or knowledge.
- Use of resources – a consultant may be able to invest more in equipment, training, and development than is possible in-house.
- Management focus – contracting for support services may free the government agency’s managers to focus on core processes.
- Cost savings – economies of scale may be achieved through contracting.

Recommendation

The Board of Directors is asked to provide direction on the preferred alternative for staffing the SANDAG Independent Performance Auditor position.
Potential Risks

- Diluted control – the government agency may have less authority for defining the mission or directing the means by which the service is delivered. (This would be mitigated by the Audit Committee’s adoption of an annual audit plan, which could include defining the goals/purposes of individual audits.)

- Higher spending – the transaction costs can be higher than anticipated or diluted control can lead to mission creep. Lack of competition also can lead to opportunism.

- Reputational vulnerability – actions of agents outside the government agency’s direct control can expose the government agency to risk.

- Diminished capacity – the government agency can lose skilled employees once it decides to contract for services, thereby becoming dependent on the contractor and reducing its negotiating position. (This would apply to SANDAG if the agency chose to eliminate its existing internal auditing functions as a result of contracting out the Independent Performance Auditor position.)

Although the ALGA list of potential benefits does not address the issue directly, a benefit of using a consulting firm versus in-house SANDAG auditors is that a consulting firm likely would have a deeper bench of employees with varied skill sets and availability that would allow the firm’s services to be scalable and varied in a way that might not be possible with SANDAG in-house auditors.

The ALGA list also does not discuss conflict of interest matters. The language in AB 805 could create an organizational conflict of interest for a consulting firm. AB 805 states that “the auditor shall prepare annually an audit plan and conduct audits in accordance therewith.” In essence, the consultant could recommend on an annual basis its own level of effort and corresponding compensation. To avoid a situation where the auditing firm would be in a position to provide biased advice on the scope of its own services in order to increase its profits, the Audit Committee and Board of Directors would need to have someone without potential financial conflict and bias conduct a substantive intervening review of the audit firm’s recommended audit plan. This type of conflict does not occur with an in-house auditing team because there is no financial advantage to a public employee in recommending any particular audit plan and budget.

Estimated Costs

In anticipation of establishing the Independent Performance Auditor position, SANDAG commissioned a base salary study of ALGA member agencies in California that report to an audit committee, board, or council. The survey revealed that 12 agencies had in-house audit staff and one contracted out for services (Attachment 2).

The base salary study determined that the annual base salary maximum for hiring an employee for the independent performance auditor is between $193,068 and $195,504 (which aligns most closely with SANDAG’s Class 33). The annual fully loaded cost for the independent performance auditor is estimated to be $311,696.

For the purposes of comparing the costs of internally staffing an independent performance auditor versus hiring a consultant, staff priced the independent performance auditor position using fully loaded rates, as follows:
<table>
<thead>
<tr>
<th>Classification</th>
<th>Annual Cost of Full-time Staff Position</th>
<th>Annual Cost of Full-time Consultant Equivalent</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Performance Auditor</td>
<td>$311,696</td>
<td>$431,276</td>
<td>38%</td>
</tr>
</tbody>
</table>

**Additional Staff**

AB 805 and Board Policy No. 039 gives the Independent Performance Auditor the authority to appoint and remove personnel necessary to execute the affairs of the position. This means the Independent Performance Auditor would determine the number of staff positions that would be required to support audit activities.

SANDAG currently has an operating internal audit function consisting of a Principal Internal Management Auditor and two part-time retired annuitants that focus on financial and administrative procedure reviews. Depending on the needs of the agency and the scope of the Independent Performance Auditor’s activities, the Board of Directors would need to determine whether to retain the existing SANDAG internal audit function or eliminate these staffing positions and direct the associated resources to the Independent Performance Auditor’s operations. The Board does not have the authority to direct the Independent Performance Auditor to assimilate existing audit staff.

To provide the Board with additional data to inform the discussion, staff priced subordinate audit classifications, as follows:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Annual Cost of Full-time Staff Position</th>
<th>Annual Cost of Full-time Consultant Equivalent</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management Auditor</td>
<td>$182,247</td>
<td>$256,878</td>
<td>42%</td>
</tr>
<tr>
<td>Associate Management Auditor</td>
<td>$120,911</td>
<td>$212,656</td>
<td>76%</td>
</tr>
</tbody>
</table>

Based on the analysis, the cost of outsourcing the Independent Performance Auditor and audit staff positions exceeds the cost of in-house staff by a wide margin.

**Next Steps**

Pending action by the Board of Directors, the first meeting of the Audit Committee is anticipated to occur in June 2018. The Audit Committee’s first order of business would be filling the Independent Performance Auditor position, contingent upon approval by the Board.

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1 The costs of staff positions were developed based on the base salary study and existing SANDAG classifications and pay ranges for internal staff. The costs of consultant equivalent positions were developed based on the most recent Independent Taxpayer Oversight Committee performance and financial audit procurements.
The Draft FY 2019 SANDAG Program Budget includes $380,000 for the existing internal audit functions and $253,000 for the new Independent Performance Auditor. Any additional funding needed to support audit functions based on Board direction would be proposed to come from Contingency Reserve funds.

KIM KAWADA
Chief Deputy Executive Director

Attachments: 1. SANDAG Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities
2. ALGA Member Agency List

Key Staff Contact: Diane C. Eidam, (916) 300-2267, diane.eidam@sandag.org
AUDIT POLICY ADVISORY COMMITTEE AND AUDIT ACTIVITIES

1. Purpose

The purpose of this policy is to specify the functions of the Audit Committee and the SANDAG independent performance auditor.

2. Governance and Role of the Audit Committee

2.1. The Audit Committee shall be overseen by the SANDAG Board of Directors and shall govern itself in accordance with Public Utilities Code Sections 132351.4 and 132354.1, and the policies and procedures applicable to all SANDAG Policy Advisory Committees.

2.2. Membership of the Audit Committee shall be as set forth in Board Policy No. 002: Policy Advisory Committee Membership. The Audit Committee shall consist of five voting members with two members of the Board of Directors and three members of the public, all of which shall be appointed by the Board of Directors. Due to the qualification requirements and selection process described in this policy, Audit Committee members and alternates shall be selected according to the processes below.

2.3. The Chair of the Board will select which members of the Audit Committee will hold the Chair and Vice Chair positions on the Audit Committee every two years or whenever a position is vacant.

2.4. The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities and provide a forum for pursuing the opportunities for improvements in operations, financial reporting and internal controls identified through the agency’s audit products.

3. Authority of the Audit Committee

3.1 The Audit Committee may hear items within the subject areas of audits, internal controls and investigations into fraud, waste, or impropriety, and may be asked to provide actions or recommendations on other matters within the Audit Committee’s purview. The responsibilities of the Audit Committee include:

3.1.1 Recommend to the Board which firm to contract with to conduct the annual financial statement audits.

3.1.2 Meet with management and the independent performance auditor to review and discuss SANDAG’s annual financial statement audits, internal control reports and other audits performed by external auditors.

3.1.3 Review and oversee the implementation of corrective action to address noted audit deficiencies.
3.1.4 Based on the Board’s direction regarding whether to hire an individual or firm, recommend to the Board which individual or firm to hire to carry out independent performance auditor responsibilities.

3.1.5 Recommend to the Board the annual compensation of the independent performance auditor.

3.1.6 Oversee the work of the independent performance auditor in preparing and issuing audit and investigative reports and other audit, review or attest activities.

3.1.7 Approve the annual audit plan after discussion with the independent performance auditor pursuant to Public Utilities Code Section 132354.1(b), and make recommendations to the Board regarding the budget needed to carry out the annual audit plan of the independent performance auditor.

3.1.8 Monitor the implementation of the annual audit plan and provide an annual report to the Board.

3.1.9 Monitor the implementation of corrective action identified in audit and investigative reports and inform the Board when corrective action is insufficient or untimely.

3.1.10 Conduct the independent performance auditor’s annual performance evaluation against performance measures established and adopted by the Audit Committee.

3.1.11 Vote on whether to remove the independent performance auditor for cause including, but not limited to incompetence, dishonesty, unethical behavior, violation of state or federal laws, or failure to maintain required professional certifications; such removal being subject to an approving vote by two-thirds of the Audit Committee and the Board.

3.1.12 Recommend internal control guidelines to be adopted by the Board to prevent and detect financial errors and fraud based on the internal control guidelines developed by the State Controller pursuant to Government Code Section 12422.5 and the standards adopted by the American Institute of Certified Public Accountants.

4. Selection of Audit Committee Members

4.1 The Board members serving on the Audit Committee shall be appointed by the Board using the procedures in this subsection 4.1.

4.1.1 The two Board members and any Board member alternates serving on the Audit Committee shall be recommended for appointment by the Chair of the Board. The Chair of the Board shall select Board members to recommend to the Board based on the following criteria:

4.1.1.1 The Board member shall have served on the Board for at least three years;

4.1.1.2 The Board member shall have a basic understanding of the role of the Audit Committee; and
4.1.3 The Board member shall express a willingness to work through the Audit Committee to pursue opportunities for improvements in operations, financial reporting, and internal controls identified through the agency’s audit products.

4.1.2 The Board members recommended by the Chair of the Board shall be subject to approval by a majority vote of the Board.

4.1.3 Audit Committee members shall serve until their successors are appointed. In the event that the Board member who has been appointed to serve on the Audit Committee is no longer a primary or alternate member of the Board of Directors, the position shall be considered vacant. If and when vacancies in the voting membership of the Audit Committee occur, the same selection process as outlined above shall be followed to select a replacement.

4.1.4 Board members appointed to the Audit Committee shall serve a term of two years. At the completion of a term, eligible incumbent members will need to apply for reappointment for another term. In no case shall any member serve more than five years on the Audit Committee.

4.2 The public members serving on the Audit Committee shall be appointed by the Board using the procedures in this subsection 4.2.

4.2.1 Whenever there is a vacancy for a public member seat on the Audit Committee, application forms will be made available on the SANDAG website for persons interested in applying for an Audit Committee position. Applications shall be due within 30 days after the application forms are posted. Only candidates who submit an application by the deadline will be considered.

4.2.2 Applicants shall possess the independence, experience, and technical expertise necessary to carry out the duties of the Audit Committee. This expertise includes, but is not limited to, knowledge of accounting, auditing, and financial reporting. The minimum professional standards for public members shall include at least ten years of experience as a certified public accountant or as a certified internal auditor, or ten years of other professional accounting, financial, or legal experience in audit management.

4.2.3 The candidates shall be recommended by a majority vote of a screening committee composed of a member of the Board selected by the Chair of the Board, the chief financial officer or finance director of a SANDAG member agency, and at least one outside financial expert appointed by the other two members of the screening committee and confirmed by the Board. Persons serving on the screening committee shall sign a declaration establishing that they do not have a conflict of interest.

4.2.4 The screening committee may interview one or more of the candidates. The screening committee shall submit its recommended nominee(s) for the position(s). The screening committee also may nominate alternates from among the applicants.

4.2.5 In the event that the screening committee is unable to recommend any of the applicants for any or all positions, or an insufficient number of applications have been received, the screening committee may recommend a supplemental process, subject
to Board approval. The constraints set forth in the normal nomination process shall not be mandated to apply to the supplemental process.

4.2.6 The public members nominated by the screening committee shall be subject to approval by a majority vote of the Board.

4.2.7 Audit Committee members shall serve until their successors are appointed. If and when vacancies in the voting membership of the Audit Committee occur, the same selection process as outlined above shall be followed to select a replacement to fill the remainder of the term.

4.2.8 Public members appointed to the Audit Committee shall serve a term of two years. At the completion of a term, eligible incumbent members will need to apply for reappointment for another term. In no case shall any member serve more than five years on the Audit Committee.

5. Selection of Independent Performance Auditor

5.1 The independent performance auditor shall serve a two-year term and shall be selected on the basis of qualifications and experience, which include, but are not limited to:

5.1.1 At least ten years of experience performing audits under Government Audit Standards;

5.1.2 At least five years of management experience;

5.1.3 A Bachelors or higher degree in business, public administration, finance, accounting or a related field; and

5.1.4 Possession of a Certified Public Accountant or Certified Internal Auditor license or certificate.

6. Scope of Authority and Responsibilities of Independent Performance Auditor

6.1 The independent performance auditor shall annually prepare an audit plan and conduct audits in accordance therewith and perform those other duties as may be required by the Board or as provided by the California Constitution and general laws of the state. The independent performance auditor shall follow Government Auditing Standards.

6.2 All officers and employees of SANDAG shall furnish to the independent performance auditor unrestricted access to employees, information, and records, including electronic data, within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts, and methods of business required to conduct an audit or otherwise perform audit duties. It is also the duty of any consolidated agency officer, employee, or agent to fully cooperate with the auditor, and to make full disclosure of all pertinent information, with the exception of information that is protected by law from disclosure.

6.3 The independent performance auditor shall prepare a proposed budget and submit it to the Audit Committee for a recommendation to the Board of Directors for its approval 180
days prior to the beginning of each fiscal year or as otherwise requested by the Director of Finance.

6.4 The independent performance auditor shall have the power to appoint, employ, and remove assistants, employees, and personnel as deemed necessary for the efficient and effective administration of the affairs of the independent performance auditor. The independent performance auditor may prescribe the duties, scope of authority, and qualifications of employees and consultants overseen by the independent performance auditor. The independent performance auditor's authority shall be subject to the annual audit plan and the budget approved by the Board, SANDAG rules and policies related to the management and hiring of SANDAG employees and consultants, and the scope of the independent performance auditor's purview as determined by the Board.

6.5 The independent performance auditor may investigate any material claim of financial fraud, waste, or impropriety within SANDAG and for that purpose may summon any officer, agent, or employee of the consolidated agency, any claimant, or other person, and examine him or her upon oath or affirmation relative thereto. The independent performance auditor will conduct investigations generally following the procedures recommended by the Association of Certified Fraud Examiners' Fraud Examiners Manual for any allegations of financial fraud, waste or impropriety. Prior to questioning any person under oath, the independent performance auditor shall advise the members of the Audit Committee of that intention, seek legal counsel from the Office of General Counsel or outside counsel under contract to SANDAG regarding the relevant legal issues, and document the reasons why the questioning must be done under oath instead of by some other form of affirmation.

6.6 The independent performance auditor shall coordinate audit functions such that there is no duplication of effort between the audits undertaken by the independent performance auditor and audits undertaken by the Independent Taxpayer Oversight Committee.

6.7 All SANDAG contracts with consultants, vendors, or agencies will be prepared with an adequate audit provision to allow the independent performance auditor access to the entity's records needed to verify compliance with the terms specified in the contract.

6.8 Results of all audits and reports shall be made available to the public in accordance with the requirements of the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of the Title 1 of the Government Code). Final versions of formal reports also shall be posted on the SANDAG website.

6.9 All materials or services needed by the independent performance auditor shall be procured using an open and competitive basis with solicitation of proposals from the widest possible number of qualified firms as prescribed by SANDAG's procedures for procurement. The scope of work of all such consultant work shall be subject to approval by the independent performance auditor prior to any such solicitation.

Adopted December 2017
ALGA Member Agency List

1. City of San Diego Office of the City Auditor
2. City of San Jose
3. Inland Empire Utilities Agency
4. LACMTA-OIG
5. City of Palo Alto
6. Orange County Office of the Performance Audit Dir.
7. San Diego Unified Port District
8. City of Sacramento
9. County of San Diego
10. Orange County Transportation Authority
11. Los Angeles Fire and Police Pensions
12. Santa Clara Valley Transportation Authority*
13. Southern California Association of Governments

*Audit Staff Contracted Out
OVERVIEW OF PROPOSED
2018 TransNet SHORT-TERM BOND ISSUANCE

Introduction

On October 27, 2017, the Board of Directors approved the 2016-2017 Major Corridors TransNet Plan of Finance update, which anticipated the issuance of up to $537.5 million in fixed-rate, tax-exempt municipal short-term bonds to continue advancing the Mid-Coast Corridor Transit Project. Staff will provide an overview of the proposed strategy and financing schedule for the planned 2018 bond issuance.

Discussion

To carry out the Board’s direction to continue implementation of the TransNet Early Action Program, SANDAG would need to return to the bond market in spring 2018 to issue up to $537.5 million in short-term, fixed-rate, tax-exempt bonds. With the assistance of the financial advisor to SANDAG, Public Financial Management (PFM), staff has competitively procured the services of an external team of investment banking firms, bond counsel, and disclosure counsel to assist with the 2018 bond transaction. SANDAG staff and the external team currently are drafting the appropriate bond documents to be brought back for review and approval by the Board of Directors later this month.

The memorandum from PFM (Attachment 1) provides further detail regarding the proposed 2018 bond issuance.

Next Steps

Presentation of final bond documents associated with the issuance of up to $537.5 million in new short-term bonds is scheduled for the March 16, 2018, Transportation Committee and March 23, 2018, Board of Directors, meetings. Pending approval of the bond documents by the Board, closing of the 2018 transaction is scheduled for April 2018.

KIM KAWADA
Chief Deputy Executive Director

Attachment: 1. Memorandum from PFM dated February 22, 2018

Key Staff Contacts: André Douzdjian, (619) 699-6931, andre.douzdjian@sandag.org
Ray Major, (619) 595-5668, ray.major@sandag.org
Jose Nuncio, (619) 699-1908 jose.nuncio@sandag.org
Memorandum

To: SANDAG Board of Directors
From: Peter Shellenberger, PFM Financial Advisors LLC
       Darren Hodge, PFM Financial Advisors LLC
Re: 2018 Short-Term Notes

INTRODUCTION

PFM Financial Advisors LLC ("PFM"), as the financial advisor to SANDAG, has worked with SANDAG staff to provide an update on the proposed Series 2018 Short-Term Notes ("Series 2018 Notes"). As outlined in the latest plan of finance, SANDAG needs approximately $560 million in note proceeds to fund expenses and reimburse expenditures associated with the Mid-Coast Corridor Transit Project. SANDAG already has used 2016 bond proceeds and will potentially use Commercial Paper proceeds to finance Mid-Coast Corridor Transit Project costs. As such, a portion of the proposed note proceeds may be used to reimburse the 2016 bond fund and refinance a portion of outstanding Commercial Paper.

The proposed 2018 financing will consist of tax-exempt, fixed-rate notes and will be issued in April amid what is anticipated to be a favorable interest rate environment. Presented below are a brief market overview and an update on the anticipated financing.

MARKET UPDATE

For the purpose of tracking municipal interest rates over time, we use the AAA Municipal Market Data Index ("AAA MMD"), which serves as the benchmark against which most tax-exempt, fixed-rate transactions are priced. The chart below tracks the 3-year maturity over the past ten years. The 3-year maturity is a good proxy for the final maturity on the proposed Series 2018 Notes. Although rates have risen over the past year, the current market still provides a favorable borrowing environment amid volatility.
As shown in the chart above tax-exempt interest rates remain at low levels. The current 3-year AAA MMD yield is 1.67%, 0.68% above its ten-year average.

OVERVIEW OF SERIES 2018 SHORT TERM NOTES

SANDAG conducted a competitive RFP process to select the underwriting and legal team. The underwriters selected for the transaction include Citigroup Global Markets Inc., Wells Fargo Securities, and Bank of America Merrill Lynch. Bond Counsel is Orrick, Herrington & Sutcliffe LLP and Disclosure Counsel is Norton Rose Fulbright. SANDAG, its financial advisor, banking team, and legal team kicked-off the Series 2018 Notes financing on January 11, 2018, and discussed timing, execution, and related matters. The team has worked over the following months to prepare documents, rating agency presentations, and other materials in preparation for the sale.

Size and Structure: As noted earlier, the Series 2018 Notes are being sold to fund capital expenses and reimburse SANDAG for prior expenditures associated with the Mid-Coast Transit project. The proposed notes are to be sold as traditional tax-exempt, fixed-rate notes, taking advantage of low borrowing costs in today’s market. The notes are secured by a subordinate lien on TransNet sales tax revenues, below SANDAG’s outstanding senior lien bonds and on parity with the Commercial Paper program. SANDAG will repay interest on the notes with TransNet revenues, while the principal amount is expected to be repaid by a draw on SANDAG’s Junior Subordinate Lien TIFIA loan in FY 2021.

As the Series 2018 Notes are secured by a subordinate lien pledge on TransNet sales tax revenues, should the TIFIA loan not be used or be able to be drawn upon at maturity of the notes, SANDAG will need to fund repayment of the Series 2018 Notes through other available sources such as tax-exempt bonds, additional short-term notes or sales tax revenues, among other options, or any combination thereof.

The Series 2018 Notes are expected to be sold with a 6-month call feature, allowing SANDAG to call the notes 6 months before the stated maturity date, without penalty. This call feature provides flexibility to structure the maturity of the notes 6 months after the expected draw on the TIFIA loan. This provides SANDAG flexibility and time to respond should there be some delay in accessing the TIFIA loan. If there is no delay, SANDAG will exercise the 6-month call option and repay the bonds on the call date with the draw upon the TIFIA loan. The notes would not be sold with a Debt Service Reserve Fund.

The par amount of the Series 2018 Notes is expected to be the full amount of $537,480,000 authorized under the TIFIA loan agreement. In the current low interest rate environment, the notes will generate “premium” and total project fund proceeds are expected to be approximately $570 million.

Annual senior lien debt service on outstanding senior lien bonds (i.e., not including the proposed Series 2018 Notes, commercial paper or the undrawn TIFIA loan) is currently $105.3 million. Interest on the proposed Series 2018 Notes is expected to be an additional $21.5 million annually through 2021 (when the TIFIA loan is draw to repay the notes) on the second, subordinate lien. When including commercial paper (also on the second lien), annual debt on the combined senior and second lien will be approximately $133.3 million through 2021. Using FY 2017 sales tax
revenues, this results in senior lien coverage of 2.70 times and combined senior and subordinate coverage of 2.13 times. This is considered strong debt service coverage from a credit rating perspective.

Given the principal amount of the Series 2018 Notes is expected to be repaid with a draw on the TIFIA loan, the principal amount of the Series 2018 Notes is not included in the following debt service graph. Instead, the full amount of the TIFIA loan and its expected repayment schedule is included.

The financing team will continue to work with SANDAG as we approach pricing to evaluate any structural adjustments that would benefit SANDAG. The structure described above is what is currently anticipated, but is subject to change.

**Rating Agency Strategy:** SANDAG currently maintains short-term ratings supporting the commercial paper program on the subordinate lien. With the issuance of 3-year notes (i.e., the proposed Series 2018 Notes), SANDAG will request long-term ratings on these new subordinate lien obligations. While often referred to as “short-term,” investors purchasing 3-year notes expect to see long-term ratings.

SANDAG will approach S&P and Fitch to provide ratings on the Series 2018 Notes. Two ratings are consistent with market standards for similar credits and also SANDAG’s recent approach on its last two Senior Lien Sales Tax Revenue Bonds. Two ratings will also help improve the marketability of the notes. In connection with securing long-term ratings on the subordinate lien, SANDAG and its financing team are updating certain terms and covenants within the legal documents to better reflect market demand and rating agency criteria for such borrowings.

**Documents and Schedule:** The SANDAG legal team has drafted documents in connection with the 2018 Notes. These include: the Subordinate Indenture, First Supplemental Subordinate Indenture, Resolution, Preliminary Official Statement, and Note Purchase Agreement. These documents will be presented for Board approval at the March 23, 2018, Board meeting.

Following Board approval and upon receipt of the ratings, SANDAG and its financing team will release the Preliminary Official Statement and embark on a marketing strategy prior to pricing the
bonds. The current schedule has pricing slated for early April with the closing later that month; however, the financing team will continuously evaluate market conditions and will remain flexible with respect to when to enter the market.

**Summary:** The 2018 Notes have an estimated All-In True Interest Cost (“All-In TIC”) of approximately 1.92% in today’s market. Combined senior and subordinate lien debt service would increase from $111.8 million to $133.3 million through 2021 (until the notes mature). Audited FY 2017 sales tax revenues was $284.5 million, resulting in estimated annual debt service coverage of 2.70 times on senior lien obligations and 2.13 times on combined senior and subordinate lien obligations. This is strong coverage and should support high ratings on the subordinate lien.
Building California’s Future

180,000 new homes needed annually
Annual New Housing Permits 1955-2016

Rent vs. Renter Income

% Change in Rent
% Change in Renter Income

Source: California Housing Partnership analysis of 2000 Decennial Census and 2005-2014 American Community Survey 1 year data. 2001-2004 and 2015-2016 are an estimated trend. Median rent and renter income are inflation adjusted to 2014 dollars. Graphic recreated by HCD.

CA 2017 Housing Package
Enacted September 29, 2017

• Streamlined approvals
• Greater enforcement
• Preservation
• Permanent funding
Outreach and Public Participation

- March - April: Key Stakeholder Interviews & Small Facilitated Focus Groups
- May - June: Spring Conference Participation
- July and Ongoing: Public Regional Forums
- December: Informational Website Launched with Contact Email
- January - February: Public Noticing & Workshops for Guidelines, NOFA, and other Technical Assistance Documents

SB 35

- Streamlined approval process
- Development must be on infill site and comply with existing zoning
- Development must provide at least 10% of units for lower-income families and pay construction workers prevailing wage
- Only applies in jurisdictions that have fallen behind in RHNA progress
Effective: Jan 2018  
SB 35  
Determination: Winter 2017/18
Guidelines: Summer 2018

• Land zoned for housing can accommodate new development.

• Stronger justification needed when non-vacant sites used to meet housing needs.
New Amendments to Housing Accountability Act

AB 678/167

Effective: Jan 2018

TA Memo: Fall 2018

AB 678/167
Increased Enforcement For State Housing Laws – AB 72

• Authorizes enforcement of Housing Element Law

• Enables HCD to refer any violations to Attorney General

Effective: Jan 2018

AB 72
New Funding: 
SB 2 and SB 3

SB 2 Building Jobs and Homes Act

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2 and beyond</th>
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<tbody>
<tr>
<td><strong>State-Administered</strong></td>
<td><strong>State-Administered</strong></td>
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<tr>
<td>50% Planning Grants*</td>
<td>50% Homeless Programs</td>
</tr>
<tr>
<td>* 5% for Technical Assistance</td>
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<tr>
<td><strong>Locally-Administered</strong></td>
<td><strong>State-Administered</strong></td>
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<tr>
<td>70% Affordable Housing</td>
<td>15% middle-income rental</td>
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<td>5% production incentive</td>
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<td>10% farmworker housing</td>
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SB 2 Building Jobs and Homes Act – Year 1 funds

- Stakeholder Outreach • Winter/Spring 2018
- Guideline Development • Summer 2018
- Planning Grant Technical Assistance • Summer 2018
- Homeless NOFA • Fall 2018
- Planning Grant NOFA • Spring 2019

Year 1 fees collected throughout 2018

SB 3 Veterans and Affordable Housing Bond Act
(subject to voter approval)

- $1.5 billion Multifamily housing
- $450 million Transit-oriented development and infill infrastructure
- $450 million CalHome and the BEGIN program
- $300 million Joe Serna Farmworker Housing
- $300 Million Local Housing Trust Fund Matching Grant
SB 3

Ballot: Nov 2018

Initial NOFA: Winter 2018/19

Initial Awards: Summer 2019

HCD Affordable Housing Opportunities
First Half of 2018

- Veterans Housing & Homelessness Prevention program
  - Notice of Funding Availability April / $75 million
- Emergency Solutions Grant
  - Notice of Funding Availability May / $26 million
- HOME / National Housing Trust Fund
  - Notice of Funding Availability April / $63 million
- Mobilehome Park Rehabilitation & Resident Ownership Program
  - Over the Counter / $43 million
HCD Ongoing Efforts

- Homeless Coordinating and Financing Council
- Ongoing Recovery Support
- Register Your Mobilehome California
- Strategic Plan & Business Process Improvement

Regional Housing Needs Assessment (RHNA)
Goals of Regional Housing Needs Assessment (RHNA)

- Increase housing supply & mix of housing types, tenure & affordability
- Promote improved intraregional jobs-housing relationship
- Encourage efficient development patterns (the State “planning priorities”). Promote infill development, socioeconomic equity, & protection of environmental & agricultural resources.
- Balance disproportionate household income distributions

RHNA Determination Method for the Region Example
(HCD to COG)

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<th></th>
<th>Description</th>
<th>Value</th>
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<tr>
<td>1</td>
<td>(DOF) Projected Population: December 31, 2026 (Demographic Research Unit)</td>
<td>2,700,000</td>
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<tr>
<td>2</td>
<td>(DOF) Projected Households</td>
<td>1,005,000</td>
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<tr>
<td>3</td>
<td>(HCD) Less: Occupied Units Projection Period</td>
<td>-890,000</td>
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<tr>
<td>4</td>
<td>(HCD) Household Growth: 10 Year Projection Period</td>
<td>115,000</td>
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<tr>
<td>5</td>
<td>(HCD) Adjustment increase for typical housing unit replacement, vacancy AND overcrowding factors</td>
<td>+5,000</td>
</tr>
<tr>
<td>6</td>
<td>(HCD) RHNA Determination</td>
<td>120,000</td>
</tr>
</tbody>
</table>
COG must consider these 10 factors:

1. Existing and projected jobs and housing relationship.
2. Housing opportunities and constraints (inadequate capacity of infrastructure/services) (availability of suitable land) (preserved/protected/prime agricultural land).
3. Distribution of household growth assumed for comparable period of RTP.

5. County-city agreement to direct growth toward city.
6. Loss of publicly assisted housing units.
7. High housing cost burdens.
8. Farmworker housing needs.
9. Housing need generated from private or public university.
10. Other factors adopted by COG.
Housing Element Process

Engage with the public to consider

- Housing Needs
- Available Land and Financial Resources
- Development Barriers

Evaluate Effectiveness of Past Programs

Develop Programs w/ Quantified Objectives ("Action Plan")
Overview of Proposed 2018 TransNet Short-Term Note Issuance

Board of Directors Item 4  |  March 9, 2018

2018 Bond Financing Team

- San Diego County Regional Transportation Commission
  - Kim Kawada, Chief Deputy Executive Director
  - Andre Douzjian, Finance Director
  - Jose Nuncio, TransNet Department Director
  - John Kirk, General Counsel
  - Ray Major, Chief Economist and Technical Services Director
- Financial Advisors, Public Financial Management
  - Peter Shellenberger, Managing Director
  - Darren Hodge, Director
- Bond Counsel, Orrick, Herrington & Sutcliffe, LLP
  - Mary Collins, Partner
  - Devin Brennan, Partner
- Disclosure Counsel, Norton Rose Fulbright, LLP
  - Victor Hsu, Partner
  - Russ Trice, Partner
- Senior Underwriter, Citigroup
  - Chris Mukai, Director
  - Ron Merino, Director
2018 Note Issuance Presentation

1. Why we need to issue new short-term notes
2. Size, structure, and projected debt service
3. Credit rating on subordinate lien
4. Various draft bond documents that will be reviewed
5. Calendar of events

Highest Level of Spending 2018-2020

Mid-Coast Corridor Project Expenditures By Year

- Actual Expenses
- Projected Expenses


$Millions

$-50 $100 $150 $200 $250 $300 $350 $400 $450 $500
Size, Structure, and Projected Debt Service

- Issuance of up to $537.5M
- All-in true interest cost of ~1.92%
- Annual interest cost of ~$21.5M
- Expected maturity of 2021
- Taken out by TIFIA loan

Credit Rating Agency Reviews

- Current high credit ratings on SANDAG senior debt
  - Current ratings
    - Standard & Poor’s: AAA
    - Fitch: AAA
    - Moody’s: Aa2
  - Currently no long-term ratings on subordinate lien
    - Anticipated ratings
      - Standard & Poor’s
      - Fitch
      - (Moody’s: No rating)
2018 Note Documents for Review

- The Resolution authorizes issuance of the 2018 notes and approves the following documents:
  - Official Statement
  - Subordinate Indenture
  - First Supplemental Subordinate Indenture
  - Note Purchase Agreement
  - Continuing Disclosure Agreement

Next Steps

- March 16 – Transportation Committee review of note documents and recommendation to Board
- March 23 – Board review and approval of note documents
- March 23 – Post Official Statement
- Week of March 26 – Marketing of the notes
- Week of April 2 – Pricing
- Week of April 16 – Close