



**FY 2011 *TransNet* AND TRANSPORTATION
DEVELOPMENT ACT REVENUE REVISIONS AND
FY 2012 TO FY 2016 TRANSIT REVENUE ESTIMATES**

File Number 1500300

Introduction

The transit operators within the San Diego region receive federal, state, and local revenues to support both ongoing operations and capital projects. SANDAG is responsible for the apportionment of these various funds to the transit operators and to the local agencies for the nonmotorized program. 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. This report provides the apportionment and allocation estimates for FY 2012 and future estimates for FY 2013 to FY 2016 as well as a proposed revision to the FY 2011 *TransNet* and Transportation Development Act revenues.

Discussion

Proposed Revisions to FY 2011 Sales Tax Revenues

SANDAG has received revenues for *TransNet* and the Transportation Development Act (TDA) for the first two quarters of FY 2011. The sales tax receipts are better than originally expected, providing the opportunity to adjust this fiscal year's revenue estimates. Revenues received during the first two quarters of FY 2011 are 8.1 percent and 6.7 percent higher than for the same period last year, for *TransNet* and TDA, respectively. This is a trend above the originally expected increase for FY 2011. In light of these trends and following discussions with the transit operators and the County of San Diego, a revision is proposed to the FY 2011 *TransNet* and TDA sales tax estimates to reflect a 6 percent increase from actual FY 2010 receipts. This would be the first projected increase in sales tax revenues after three consecutive years of declines, which started in FY 2008.

In FY 2010, a total of \$204.2 million was received for *TransNet* and \$99.3 million was received for TDA; the proposed 6 percent increase would translate to an expected increase to \$216.4 million for *TransNet* and \$105.2 million for TDA in FY 2011. During 2010, job growth spurred an increase in

Recommendation

The Transportation Committee recommends that the Board of Directors:

1. Approve the revision to the FY 2011 *TransNet* revenue estimate;
2. Accept the revision to the FY 2011 Transportation Development Act (TDA) revenue estimate while maintaining the current apportionment;
3. Approve the FY 2012 allocations for *TransNet* and State Transit Assistance and the apportionments for TDA and Federal Transit Administration (FTA) programs; and
4. Approve the transit revenue estimates for FY 2013 to FY 2016 for TDA, FTA, and *TransNet* programs.

consumer expenditures and taxable sales leading to increases in sales tax receipts. This better than expected increase will likely continue over the coming year, and provides the basis for the proposal to adjust the FY 2011 revenue estimates upward to a growth rate of 6 percent. Although the TDA program experienced a similar growth trend over the same period, staff proposes to keep the FY 2011 apportionment unchanged (\$97.2 million) in order to build and maintain healthy reserves. By recognizing that the actual receipts are in line with a 6 percent growth rate for FY 2011, future years' TDA estimates will be based on the higher than projected revenues of \$105.2 million for FY 2011.

FY 2012 to FY 2016 Revenue Estimates

The allocation of some of these funding sources is determined both by law and at the discretion of the Board of Directors. This report provides the apportionment and allocation estimates for FY 2012 and future estimates for FY 2013 to FY 2016:

1. **Transportation Development Act:** The San Diego County Auditor and Controller office is required by state law to provide an estimated apportionment for the upcoming fiscal year before February 1 of each year. The apportionment is developed in consultation with SANDAG staff and the transit operators and is based on actual sales tax receipts and receipt projections. The County Auditor has projected that \$109,452,344 would be available in FY 2012 for various TDA purposes. Additionally, SANDAG consulted with the Metropolitan Transit System (MTS) and the North County Transit District (NCTD) in determining the FY 2012 apportionment. Future year estimates are done at the discretion of SANDAG. The FY 2010 actual revenues, the proposed revision to the FY 2011 revenues, the FY 2012 apportionment, and the FY 2013 - FY 2016 estimates are shown in Attachment 1. The projection amounts and how they were derived is detailed in the section below under Forecast Methodology.
2. **TransNet:** Estimates are developed by SANDAG based on actual sales tax receipts through the first two quarters of FY 2011. For FY 2012, \$225.1 million is estimated to be available for the entire program, of which \$36 million is available for transit purposes. The FY 2010 actual revenues, the proposed revision to the FY 2011 revenues along with the proposed FY 2012 revenues are shown in Attachment 2. For the Transit System Improvements program, the FY 2010 actual revenues, the proposed revision to FY 2011 revenues, and the estimates through FY 2016 are included in Attachment 3. Future year estimates and how they were derived is detailed in the section below under Forecast Methodology.
3. **Federal Transit Administration (FTA) Formula Programs:** The Federal Register provides the apportionments for the federal programs, including the two FTA formula programs, Section 5307 Urbanized Area and Section 5309 Fixed Guideway Modernization. Currently the government is operating under a Continuing Resolution to March 4, 2011. Based on the Continuing Resolution, it is anticipated that the Federal Fiscal Year (FFY) 2011, which forms the basis for capital projects in FY 2012, would remain the same as FFY 2010. FY 2012 estimates are \$57.8 million for FTA Section 5307 and \$19.7 million for FTA Section 5309 funds. Because a new federal surface transportation bill has not been passed, the future estimates are based on an average historical increase in Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Attachment 4 provides the FY 2012 apportionment and the FY 2013 – FY 2016 estimates.

4. State Transit Assistance: The State Controller's office is responsible for providing the estimates in January of every year. Based on the FY 2012 preliminary estimate, \$20,477,027 is available to the San Diego region. Due to pending state legislation related to the future viability of this program, future year estimates are not provided at this time.

Forecast Methodology

Forecasting is a challenging venture made more difficult with the recent economic turmoil. History and previous experiences may not be good indicators of the course of events over the next few years. This seems to be the position the United States finds itself in. Even though the Great Recession officially ended more than a year and a half ago (June 2009), its impacts are lingering longer than most expected.

Economists have identified three emerging trends influencing the pace of the economic recovery: first, a change in consumer consumption trends as households begin to pay off accumulated debt, save more of their personal disposable income, and reduce or halt the practice of spending built up equity in their assets; second, a tight credit market as commercial banks slowly begin to make new loans under higher credit standards; and third, some economic uncertainty facing major trading partners.

To account for the emerging structural changes taking place in the economy, starting last year staff refined its forecasting methodology that produces the short-term quarterly sales tax revenue estimates. The current methodology focuses on expected job growth, the level of unemployment, and the condition of consumers' balance sheets to forecast sales tax revenue trends.

The latest forecast methodology also requires a different approach to calculating the confidence interval. Our forecast procedure provides a midpoint estimate with a range of accuracy of approximately plus or minus \$13 million per year at the 95 percent level of confidence for *TransNet*. For example, for FY 2012 the *TransNet* revenue estimate for the entire program is approximately \$225.1 million, making the range between \$212.1 million at the low end and \$238.1 million at the high end, with 95 percent confidence that the actual revenue amount will be within this range. We suggest continuing the established practice of using the midpoint of the confidence interval range for the future year projections. The high and low ranges are determined by beginning with the prior year midpoint, applying the estimated growth rate for the current year, and then adding and subtracting the confidence interval range (\$13 million for *TransNet* and \$6.5 million for TDA) from the midpoint. The \$6.5 million TDA confidence interval range is based on the fact that the TDA receipts are approximately half of *TransNet* receipts. The low end revenues are provided for planning purposes.

Expected Trends

The U.S. Department of Commerce Bureau of Economic Analysis reported that the nation's Gross Domestic Product (GDP), a measure of the total value of goods and services produced each year, grew at a quicker pace during the third quarter of 2010 (2.6 percent seasonally adjusted annual rate) than the very slow 1.7 percent recorded during the second quarter. Most economists expect the improved growth trend to carry over into 2011. To help ensure the economy does not suffer a setback similar to the one that occurred during the second quarter of 2010, two additional economic stimulus programs have been implemented. First, the Federal Reserve initiated a new \$600 billion round of "quantitative easing" designed to hold down long-term interest rates; and second, Congress authorized a two percent payroll tax reduction and investment tax credit for 2011

designed to increase consumption and production. These two policy actions are expected to add a half to one full percentage point to GDP growth during 2011. Although the nation's economy, measured by GDP, is expected to grow at or slightly above three percent, this pace is not sufficient to quickly repair the damage caused by the Great Recession.

The consensus forecast for the national economy is for 2011 to be better than 2010. The two stimulus policy actions taken are expected to help ensure this outcome. However, because the stimulus programs expire at the end of the year, 2012 will likely experience a slowdown. The expected economic improvement will be led by job growth both nationwide and locally, with net local job growth of 1 percent to 1.5 percent (approximately 12,000 to 18,000 jobs). The unemployment rate may rise during the first and second quarters of 2011 and then begin to decline slowly, reducing the unemployment rate by one percentage point by the end of 2011. The rising unemployment rate during the first half of 2011 would be due to an insufficient number of new jobs to offset the growth of new entrants to the labor force, as well as people returning to the labor force as job prospects improve.

During 2010, job growth spurred an increase in consumer expenditures and taxable sales leading to increases in *TransNet* sales tax receipts over the most recent three quarters, measured on a year-over-year basis. The increase in sales tax receipts during the first seven months of this fiscal year has been better than expected and will likely continue over the coming year supported by the stimulus policies recently implemented. This better than expected outlook for the remainder of this fiscal year provides the basis for SANDAG to adjust the FY 2011 revenue estimates upward to a growth rate of six percent from FY 2010 actuals, which is a higher projected increase than originally anticipated.

This adjustment to FY 2011 revenue estimates has implications for future revenue forecasts. The table below shows actual and projected annual rates of change for *TransNet* revenues. Although the outlook for sales tax revenue has improved, it is expected to take years before revenues reach prerecession levels. At the new pace the local sales tax receipts will exceed the prerecession level during FY 2014; adjusting for inflation extends this by one year. This slow economic rebound reflects the consensus view that the national unemployment rate may not return to prerecession levels until the 2016-2017 time period.

Growth in *TransNet* Sales Tax Receipts

Fiscal Year	% Change	Amount
2008 (Actual)	-1.4%	\$244.4M
2009 (Actual)	-9.2%	\$222.0M
2010 (Actual)	-8.0%	\$204.2M
2011 (Proposed)	6.0%	\$216.4M
2012 (Proposed)	4.0%	\$225.1M*
2013 (Estimated)	5.5%	\$237.5M*
2014 (Estimated)	6.7%	\$253.4M*
2015 (Estimated)	8.1%	\$273.9M*
2016 (Estimated)	5.2%	\$288.2M*

*Represents the midpoint of confidence interval range

Transportation Development Act

TDA is the major subsidy source that supports the region's public transit operators and nonmotorized transportation projects. TDA comes from a quarter of a percent of state sales tax assessed in the region. SANDAG, as the Regional Transportation Planning Agency, is responsible to release the apportionment of TDA funds each year in conformance with state statute. The transit operators and other member agencies submit their annual TDA claims based on the annual apportionment and in compliance with SANDAG Board Policy No. 027, TDA Administration Policy.

Pursuant to state statute, the County of San Diego Auditor Controller office has the responsibility for providing the TDA apportionment for the upcoming fiscal year. The apportionment for FY 2012 determines the amount of funds available to each agency to claim. SANDAG is required to notify prospective claimants of the apportionment by March 1, necessitating action by the Board of Directors this month.

The County Auditor's office agrees that the anticipated TDA receipts for FY 2011 are consistent with the SANDAG projected growth of six percent. Rather than revising the FY 2011 apportionment, however, the County plans to maintain any excess receipts to offset a negative fund balance from the prior year and start to build prudent reserves for the current year going forward. Based on this, the County agreed to use the SANDAG projection of a four percent increase for FY 2012, which leads to the full amount of \$109.5 million available for apportionment.

The legislative priorities established by state law include certain categories for which TDA funds are taken "off the top." These include the allocation to SANDAG for various planning, programming, and administrative-related expenses, funding of bicycle and pedestrian facilities, and support of community transit services. In addition, the County Auditor receives an allocation based on estimates of its costs to administer the TDA program. The remaining apportionment and prior year carryover funds are available to be claimed by NCTD and MTS. The balance of current year funds are allocated based upon the respective population of the two transit service areas.

Pursuant to provisions of Senate Bill 1703 and as agreed by MTS, NCTD, and SANDAG, regional transit capital projects are implemented by SANDAG with funding transferred from both MTS and NCTD. The amount of transfer of local match for the federal formula funds for the capital projects to be implemented by SANDAG on behalf of MTS is based on the draft five-year transit Capital Improvement Program (CIP). There are no capital transfers for NCTD. The final list of projects and associated funding will be included with the transit CIP scheduled for Transportation Committee and Board of Directors action in March 2011. An additional apportionment to SANDAG covers those indirect administrative functions that are not directly funded by projects. The calculation for the cost of these administrative functions was memorialized in Addenda Nos. 3 and 4 to the Memorandum of Understanding between SANDAG, MTS, and NCTD.

Attachment 1 shows the TDA estimates through FY 2016. These estimates are based on the forecast methodology described above. The proposed sales tax revenue estimate for FY 2011 is the base year for the forecast. Staff is forecasting sales tax revenue growth consistent with *TransNet* percentages as shown in Table 1 above. The 'low' estimates shown in Attachment 1 are based on the lower end of the 95 percent confidence interval, calculated by subtracting approximately \$6.5 million per year from the midpoint forecasted value.

Federal Transit Administration Programs (Sections 5307 and 5309)

FTA 49 USC Section 5307 provides for transit capital and operating assistance in urbanized areas and for transportation-related planning. For areas with populations of 200,000 and more, such as San Diego County, the formula is based on a combination of bus/vanpool revenue vehicle miles, bus/vanpool passenger miles, fixed guideway revenue vehicle miles, and fixed guideway route miles, as well as population and population density. Eligible activities under this program include planning, engineering design, and an evaluation of transit projects and other technical transportation-related studies; capital investments in bus and bus-related activities; construction of maintenance and passenger facilities; capital investments in new and existing fixed guideway systems, including rolling stock, overhaul and rebuilding of vehicles, track, signals, communications, and computer hardware and software. All preventive maintenance and some Americans with Disabilities Act (ADA) complementary paratransit service, while recorded as operating expenditures, are considered capital costs for purposes of eligibility.

Capital projects to modernize or improve fixed guideway systems are eligible for funding under the 49 USC Section 5309 Fixed Guideway Modernization program. Projects include, but are not limited to, the purchase and rehabilitation of rolling stock, track, line equipment and structures, signals and communications, power equipment and substations, passenger stations and terminals, security equipment and systems, maintenance facilities and equipment, operational support equipment (including computer hardware and software), and system extensions. Preventive maintenance also is an eligible cost.

After deducting for the SANDAG Regional Vanpool Program and regional planning (both of which are assumed to grow with the growth in the total FTA formula programs), Section 5307 funds are allocated 70 percent for MTS and 30 percent for NCTD. The same formula was used to allocate the Section 5309 Rail Fixed Guideway funds (SANDAG does not directly receive funds from the Rail Fixed Guideway program). These revenues are used to develop the FY 2012 transit CIP, which is scheduled for Transportation Committee and Board of Directions meetings in March 2011. The CIP identifies projects proposed for funding under the federal program, as well as outline the division of capital projects to be implemented either by MTS, NCTD, or SANDAG.

Attachment 4 shows the federal funds estimated to be available from FY 2012 to FY 2016. As stated earlier, the FY 2012 apportionment is the same as FY 2011, pending a final federal budget. For FY 2013, a two percent increase is proposed to remain conservative, and from FY 2014 to FY 2016, a four percent increase for each year is assumed, which is the average growth over the SAFETEA-LU period.

TransNet

The *TransNet* Extension, the 40-year half-cent sales tax transportation funding measure approved by the voters in 2004, became effective in FY 2009. *TransNet* provides funding for major transportation projects in the region. After deducting costs associated with administrative expenses, the operation of the Independent Taxpayer Oversight Committee (ITOC), and the bicycle/pedestrian program, the *TransNet* program is divided into Major Corridor Projects (42.4%), New Bus Rapid Transit/Rail Operations (8.1%), Local System Improvements (33%), and Transit System Improvements (16.5%). Within the transit share, services provided pursuant to ADA and subsidies for seniors have specific earmarks (2.5% and 3.25%, respectively). The remaining revenues can be used by the transit agencies for operating or miscellaneous capital purposes. Similar to TDA, the transit share between NCTD and MTS is allocated based upon the respective population of the two transit service areas.

Attachment 3 shows the estimates through FY 2016 for the Transit System Improvements program portion of the *TransNet* program. These estimates are based on the forecast methodology described above. As stated above, the sales tax revenue estimate for 2011 (midpoint of the confidence interval range) is the base year for the forecast. Staff is forecasting sales tax revenue growth as shown in Table 1 above. The 'low' estimates shown in the attachment are based on the lower end of the 95 percent confidence interval, calculated by subtracting approximately \$13 million per year from the midpoint forecasted value for the overall *TransNet* program. The effect on the Transit System Improvements program (a subset of the overall *TransNet* program) equates to approximately \$2.1 million each year.

The ITOC reviewed the *TransNet* estimates for the entire program at its February 9, 2011, meeting. There were no significant comments from the members.

State Transit Assistance

After the FY 2010 budget eliminated the State Transit Assistance (STA) program for three years, it was restored in March 2010 through Assembly Bill x8-6 (ABx8-6) and ABx8-9 legislation. The new laws would allow for a steady and consistent source of revenue for transit operators. This legislation also suspended the qualifying criteria requirement to use the funds for operations until FY 2012. The criteria would have prohibited the use of STA for operations if the operator did not meet certain operating efficiencies. The SANDAG area, as defined under the STA program, consists of the area outside of the MTS area of jurisdiction. NCTD is the only claimant of STA funds in the SANDAG area. For the San Diego region, \$20,477,027 is available, of which \$4,919,122 is available for NCTD. The remainder is available and goes directly to MTS.

Although ABx8-6 and ABx8-9 was incorporated into law, Proposition 26 approved by the voters in November 2010 has called into question the legality of this legislation due to the requirement that taxes and fee increases be passed by a two-thirds vote. Depending on the actions of Governor Jerry Brown and the California Legislature during this state legislative session, the future of the STA program remains at risk. As a result, future projections beyond FY 2012 are not provided until the legal issues are resolved.

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Executive Director

- Attachments:
1. Transportation Development Act Revenues – Actuals FY 2010, Proposed Revision to FY 2011, and Estimates FY 2012 through FY 2016
 2. Proposed FY 2011 Revision to Overall *TransNet* Program Budget Revenues
 3. *TransNet* Transit System Improvements Program Revenues – Proposed FY 2011 Revision, and Estimates for FY 2012 through FY 2016
 4. Federal Transit Administration Estimates

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No Budget Impact

Transportation Development Act Revenues - Actuals FY 2010, Proposed Revision to FY 2011, and Estimates FY 2012 through FY 2016

	FY 2010 Actual Revenues	FY 2011 Unchanged Apportionment	FY 2011 Proposed Revenues	FY 2012 Proposed Apportionment	FY 2013 (\$000s)		FY 2014 (\$000s)		FY 2015 (\$000s)		FY 2016 (\$000s)		5-Year Total (\$000s)	
					Estimate (mid-range)	Low	Estimate (mid-range)	Low	Estimate (mid-range)	Low	Estimate (mid-range)	Low	Estimate (mid-range)	Low
Total Apportionment ^{1,2}	\$99,285,508	\$97,182,395	\$105,242,638	\$109,452,344	\$115,472	\$108,972	\$123,209	\$116,709	\$133,189	\$126,689	\$140,115	\$133,615	\$621,437	\$595,437
Less County Auditor Expenses (PUC 99233.1)		(44,000)		(45,000)	(46)	(46)	(47)	(47)	(48)	(48)	(49)	(49)	(235)	(235)
Less SANDAG Administration (PUC 99233.1)*		(359,921)		(374,317)	(537)	(511)	(421)	(395)	(455)	(427)	(629)	(599)	(2,416)	(2,306)
Less 3% Planning Funds (PUC 99233.2)		(2,903,354)		(3,270,991)	(3,447)	(3,252)	(3,682)	(3,488)	(3,981)	(3,786)	(4,183)	(3,989)	(18,564)	(17,786)
Less 2% Bicycle/Pedestrian Funds (PUC 99233.3)		(1,877,502)		(2,115,241)	(2,229)	(2,103)	(2,381)	(2,256)	(2,574)	(2,449)	(2,705)	(2,580)	(12,004)	(11,503)
Less 5%Community Transit Service (PUC 99233.7)		(4,602,081)		(5,184,590)	(5,463)	(5,155)	(5,836)	(5,529)	(6,309)	(6,001)	(6,630)	(6,322)	(29,423)	(28,192)
Subtotal		\$87,395,537		\$98,462,205	\$103,750	\$97,905	\$110,842	\$104,994	\$119,822	\$113,978	\$125,919	\$120,076	\$558,795	\$535,415
Total Available for MTS		61,971,709		69,857,912	73,610	69,462	78,640	74,493	85,012	80,866	89,338	85,192	396,458	379,871
Less Regional Planning/Capital Projects ³		(4,493,603)		(1,497,729)	(4,998)	(4,998)	(10,190)	(10,190)	(6,205)	(6,205)	(4,291)	(4,291)	(27,182)	(27,182)
Less Transferred Functions ⁴		(1,811,719)		(2,042,265)	(2,152)	(2,031)	(2,299)	(2,178)	(2,485)	(2,364)	(2,612)	(2,491)	(11,590)	(11,106)
Total Community Transit Service		<u>3,198,045</u>		<u>3,604,844</u>	<u>3,798</u>	<u>3,584</u>	<u>4,058</u>	<u>3,844</u>	<u>4,387</u>	<u>4,173</u>	<u>4,610</u>	<u>4,396</u>	<u>20,458</u>	<u>19,602</u>
Subtotal		58,864,432		69,922,762	70,258	66,017	70,209	65,969	80,709	76,470	87,045	82,806	378,144	361,185
Total Available to Claim		\$58,864,432		\$69,922,762	\$70,258	\$66,017	\$70,209	\$65,969	\$80,709	\$76,470	\$87,045	\$82,806	\$378,144	\$361,185
Total Available for NCTD		25,423,828		28,604,294	30,141	28,442	32,200	30,502	34,809	33,112	36,581	34,883	162,335	155,543
Less Regional Planning/Capital Projects ³		0		0	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Less Transferred Functions ⁴		(425,849)		(479,122)	(505)	(476)	(539)	(511)	(583)	(555)	(613)	(584)	(2,719)	(2,605)
Total Community Transit Service		<u>1,311,994</u>		<u>1,476,054</u>	<u>1,555</u>	<u>1,468</u>	<u>1,662</u>	<u>1,574</u>	<u>1,796</u>	<u>1,709</u>	<u>1,888</u>	<u>1,800</u>	<u>8,377</u>	<u>8,027</u>
Subtotal		26,309,973		29,601,226	31,191	29,434	33,323	31,565	36,022	34,266	37,856	36,099	167,993	160,965
Total Available to Claim		\$26,309,973		\$29,601,226	\$31,191	\$29,434	\$33,323	\$31,565	\$36,022	\$34,266	\$37,856	\$36,099	\$167,993	\$160,965
Total Available for SANDAG:														
Regional Planning/Capital Projects		4,493,603		1,497,729	4,998	4,998	10,190	10,190	6,205	6,205	4,291	4,291	27,182	27,182
Transferred Functions		2,237,568		2,521,387	2,657	2,507	2,838	2,689	3,068	2,919	3,225	3,075	14,309	13,711
SANDAG Expenses		359,921		374,317	537	511	421	395	455	427	629	599	2,416	2,306
3% Planning Funds		2,903,354		3,270,991	3,447	3,252	3,682	3,488	3,981	3,786	4,183	3,989	18,564	17,786
Prior Year Carryover		3,468,517		3,468,517									3,469	3,469
Total Available to Claim		\$13,462,963		\$11,132,941	\$11,639	\$11,268	\$17,131	\$16,762	\$13,709	\$13,337	\$12,328	\$11,954	\$65,940	\$64,454
Total Community Transit Service (CTSA)		\$92,042		\$103,692	\$109	\$103	\$117	\$110	\$126	\$120	\$133	\$127	\$589	\$564
Prior Year Carryover		<u>\$5,011</u>		<u>\$5,011</u>									\$5	\$5
Total Available to Claim		\$97,053		\$108,703	\$109	\$103	\$117	\$110	\$126	\$120	\$133	\$127	\$594	\$569

¹The County Auditor projects provides the apportionment for FY 2012 based on the higher than anticipated FY 2010 actual receipts. Although the FY 2011 receipt is projected to be 6% higher than FY 2010 actuals (\$105,242,638), the apportionment remains the same in order to build sufficient reserves. The projected estimates for FY 2013 to FY 2016 are based on the growth rate in retail sales as forecasted by SANDAG and excludes interest and prior year excess funds. The low range is based on the 95% confidence interval of -\$6.5M per year which represents the historical trend between actual received and the SANDAG estimate.

²Apportionment distribution is based on the population estimates published by the California Department of Finance estimates as of January 2010 - 70.9% (rounded) or 2,287,701 for MTS and 29.1% (rounded) or 936,731 for NCTD.

³Represents the local match for federally-funded regional planning projects and transit capital development projects identified in the FY 2012 Capital Improvement Program (CIP) (of the \$1,497,729, capital share is \$1,321,411 while the planning share is \$177,318). The FY 2013 to FY 2016 capital projects are still under discussion and will be included as part of the FY 2012 CIP scheduled for Transportation Committee/Board of Directors action at their March meetings. As a result, this amount is subject to change.

⁴Based on Addendums No. 3 and No. 4 to the Master Memorandum of Understanding between MTS, NCTD, and SANDAG.

*Note: The SANDAG Administration cost in FY 2013 and FY 2016 rises disproportionately due to costs associated with the triennial performance audit. All other annual increases in SANDAG administrative share are consistent with growth in the TDA.

Proposed FY 2011 Revision to Overall *TransNet* Program Budget Revenues

<u><i>TransNet</i> Program Revenues</u>	FY 2010	FY 2011				FY 2012
	Actuals	Approved	Proposed	\$ Change	% Change	Proposed
Estimated Sales Tax Receipts	\$204,191,747	\$ 203,528,339	\$ 216,443,252	\$ 12,914,913	6.3%	\$225,100,982
<u><i>TransNet</i> Program Allocations</u>						
Administrative Allocations ¹	\$ 2,041,917	\$ 2,035,283	\$ 2,164,433	\$ 129,150	6.3%	\$ 2,251,010
Independent Taxpayer Oversight Committee ³	335,310	341,892	341,892	-	0.0%	347,711
Bike, Pedestrian & Neighborhood Safety ²	4,083,835	4,070,567	4,328,865	258,298	6.3%	4,502,020
Total off-the-top Programs	\$ 6,461,062	\$ 6,447,742	\$ 6,835,190	\$ 387,448	6.0%	\$ 7,100,741
<u>Program Allocations (net of total revenues less off the top programs)</u>						
Major Corridors Program ⁴	\$ 83,837,811	\$ 83,562,172	\$ 88,873,818	\$ 5,311,646	6.4%	\$ 92,432,101
New BRT/Rail Operations ⁵	16,016,185	15,963,528	16,978,253	1,014,725	6.4%	17,658,020
Transit System Improvements ⁶	32,625,563	32,518,299	34,585,330	2,067,031	6.4%	35,970,040
Local System Improvement ⁷	65,251,126	65,036,598	69,170,661	4,134,063	6.4%	71,940,080
Total Program Allocations	\$197,730,685	\$ 197,080,597	\$ 209,608,062	\$ 12,527,465	6.4%	\$218,000,241

NOTES:

The *TransNet* Extension Ordinance established the rules for the allocation of all Commission revenues. Commission funds are allocated according to the following priorities:

¹ Up to 1% of the annual revenues shall be allocated for administrative expenses, which includes Commission/Board expenses, administrative reserve.

² Total of 2% shall be allocated for bicycle facilities.

³ The ITOC allocation is based on the annual increase in CPI beginning with FY 2002, using \$250,000 as the starting base.

⁴ 42.4% of the total revenues less off the top programs shall be allocated for Major Corridor projects which include transportation mitigation under the Environmental Mitigation program (EMP) and any finance charges incurred.

⁵ 8.1% of the total revenues less off the top programs shall be allocated to operate new rail or bus rapid transit (BRT) services.

⁶ 16.5% of the total revenues less off the top programs shall be allocated for purposes of public transit services including providing for senior and American with Disabilities Act (ADA)-related services.

⁷ 33% of total revenues less off the top programs shall be allocated for local street improvement services, which includes roadway projects, as well as local EMP and smart growth incentive programs.

TransNet Transit System Improvements Program Revenues - Proposed FY 2011 Revision, and Estimates for FY 2012 through FY 2016

	FY 2010	FY 2011	FY 2012	FY 2013 (\$000s)		FY 2014 (\$000s)		FY 2015 (\$000s)		FY 2016 (\$000s)		Total (FY 2012 - FY 2016)	
	Actuals	Proposed	Proposed	Estimate (mid- range)	Low	Estimate (mid- range)	Low	Estimate (mid- range)	Low	Estimate (mid- range)	Low	Estimate (mid- range)	Low
Total Available For Transit Purposes ¹ :	\$ 32,625,563	\$ 34,585,330	\$ 35,970,040	\$ 37,951	\$ 35,870	\$ 40,496	\$ 38,415	\$ 43,779	\$ 41,699	\$ 46,058	\$ 43,977	\$ 204,254	\$ 195,931
Less 2.5% for ADA-related Services	(815,639)	(864,633)	(899,251)	(949)	(897)	(1,012)	(960)	(1,094)	(1,042)	(1,151)	(1,099)	(5,105)	(4,897)
Less 3.25% for Senior Services	(1,060,331)	(1,124,023)	(1,169,026)	(1,233)	(1,166)	(1,316)	(1,248)	(1,423)	(1,355)	(1,497)	(1,429)	(6,638)	(6,367)
Subtotal	\$ 30,749,593	\$ 32,596,674	\$ 33,901,763	\$ 35,769	\$ 33,807	\$ 38,168	\$ 36,207	\$ 41,262	\$ 39,302	\$ 43,410	\$ 41,449	\$ 192,511	\$ 184,667
MTS Projects And Services:													
Available for Transit Service Improvements (Operations and Supporting Capital Improvements)	\$ 21,769,060	\$ 23,114,128	\$ 24,052,948	\$ 25,378	\$ 23,986	\$ 27,080	\$ 25,689	\$ 29,274	\$ 27,884	\$ 30,798	\$ 29,408	\$ 136,583	\$ 131,020
Available for ADA Services	\$ 577,429	\$ 613,107	\$ 638,009	\$ 673	\$ 636	\$ 718	\$ 681	\$ 777	\$ 740	\$ 817	\$ 780	\$ 3,623	\$ 3,475
NCTD Projects And Services:													
Available for Transit Service Improvements (Operations and Supporting Capital Improvements)	\$ 8,980,533	\$ 9,482,546	\$ 9,848,815	\$ 10,391	\$ 9,821	\$ 11,088	\$ 10,518	\$ 11,987	\$ 11,417	\$ 12,611	\$ 12,041	\$ 55,926	\$ 53,646
Available for ADA Services	\$ 238,210	\$ 251,526	\$ 261,242	\$ 276	\$ 261	\$ 294	\$ 279	\$ 318	\$ 303	\$ 335	\$ 319	\$ 1,484	\$ 1,423
Regional Discretionary Programs²:													
Competitive Grant Program for Senior Transportation Services	\$ 1,060,331	\$ 1,124,023	\$ 1,169,026	\$ 1,233	\$ 1,166	\$ 1,316	\$ 1,248	\$ 1,423	\$ 1,355	\$ 1,497	\$ 1,429	\$ 6,638	\$ 6,367

¹The Transit System Services Improvements share is 16.5% of net available revenues. After deducting for ADA and Senior Services, the balance is available for operations and miscellaneous capital projects by the transit agencies.

²The funds are allocated via a call for projects process by SANDAG.

Other Notes:

A. The estimated revenues are based on growth rate in taxable sales as forecasted by SANDAG and excludes interest and prior year excess funds. The low range is based on a 95% confidence interval of -\$13M per year which represents the historical trend between actual received and the SANDAG estimate.

B. Distribution of revenues are based on the 2004 Proposition A Extension: San Diego Transportation Improvement Program and Expenditure Plan.

Federal Transit Administration Estimates

	FY 2011 Carryover ¹	FY 2012 ²			FY 2013 (\$000s)			FY 2014 (\$000s)			FY 2015 (\$000s)			FY 2016 (\$000s)			5-Year Total (\$000s)		
	Apportionment	Apportionment	Regional Capital Projects ³	Regional Planning	Apportionment	Regional Capital Projects ³	Regional Planning	Apportionment	Regional Capital Projects ³	Regional Planning	Apportionment	Regional Capital Projects ³	Regional Planning	Apportionment	Regional Capital Projects ³	Regional Planning	Apportionment	Regional Capital Projects ³	Regional Planning
Section 5307 Urbanized Area Formula Funds																			
MTS	\$ 7,213,927	\$ 38,696,931	\$ (5,285,644)	\$ (705,273)	\$ 39,471	\$ (10,000)	\$ (719)	\$ 41,050	\$ (15,720)	\$ (748)	\$ 42,692	\$ (15,720)	\$ (778)	\$ 44,400	\$ (5,720)	\$ (809)	\$ 206,310	\$ (52,446)	\$ (3,759)
NCTD	3	16,584,399	-	N/A	16,916	TBD	N/A	17,593	TBD	N/A	18,297	TBD	N/A	19,029	TBD	N/A	88,419	TBD	N/A
SANDAG (Planning/Vanpool Program)	29,308	2,518,831	N/A	705,273	2,569	N/A	719	2,672	N/A	748	2,779	N/A	778	2,890	N/A	809	13,429	N/A	3,759
SANDAG (Capital Projects) ³	-	-	5,285,644	-	-	10,000	-	-	15,720	-	-	15,720	-	-	5,720	-	-	52,446	-
Total	\$ 7,243,238	\$ 57,800,161	\$ -	\$ -	\$ 58,956	\$ -	\$ -	\$ 61,315	\$ -	\$ -	\$ 63,768	\$ -	\$ -	\$ 66,319	\$ -	\$ -	\$ 308,158	\$ -	\$ -
Section 5309 Fixed Guideway Modernization																			
MTS	\$ 223,183	\$ 13,791,584	\$ -	N/A	\$ 14,067	\$ -	N/A	\$ 14,630	\$ -	N/A	\$ 15,215	\$ -	N/A	\$ 15,824	\$ -	N/A	\$ 73,528	\$ -	N/A
NCTD	-	5,910,679	N/A	N/A	6,029	-	N/A	6,270	-	N/A	6,521	-	N/A	6,782	-	N/A	31,513	-	N/A
Total	\$ 223,183	\$ 19,702,263	\$ -	N/A	\$ 20,096	\$ -	N/A	\$ 20,900	\$ -	N/A	\$ 21,736	\$ -	N/A	\$ 22,606	\$ -	N/A	\$ 105,040	\$ -	N/A

¹The carryover represents the remaining balance after the award of FTA grants for FY 2011 that can be used toward FY 2012 projects. For the 5307 program, some of the FY 2011 grants have not yet been approved; therefore, the balance is estimated based on available information and is subject to change upon final approval of the grants.

²The federal government is currently operating under a continuing resolution until March 4, 2011; it is anticipated that FFY 2011 (FY 2012 CIP) budget will remain the same as FFY 2010 (however, that may change once there is an official federal budget); for FY 2013 to FY 2016, the estimate increases by 4%. While 4% is the average increase over the SAFETEA-LU period, the future of transportation funding is unknown given the new congressional leadership and the upcoming elections. These estimates are based on historical data and should only be used for planning purposes.

³Regional Capital Projects refer to projects/funding transferred to SANDAG to implement on behalf of MTS. The actual project(s) and associated funding transfer is scheduled to be presented to the Transportation Committee/Board of Directors as part of the FY 2012 Transit Capital Improvement Program at the March meetings, and therefore is subject to change.

Note:

SANDAG planning/vanpool share is based on the total increase in the two formula programs but not less than \$2 million per year. The balance of 5307 funds are allocated between MTS and NCTD based on a historical formula (MTS - 70%; NCTD - 30%). The same 70/30 split applies to the 5309 funds (SANDAG does not share in this program).