



FY 2016 TO FY 2020 TRANSPORTATION 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. 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.

Recommendation

The Transportation Committee recommends that the Board of Directors: (1) approve the FY 2016 Transportation Development Act (TDA) and Federal Transit Administration (FTA) revenue apportionments, and FY 2016 *TransNet* and State Transit Assistance (STA) revenue allocations; and (2) approve the revenue estimates for FY 2017 to FY 2020 for TDA, STA, *TransNet*, and FTA.

Discussion

Summary of FY 2016 to FY 2020 Revenue Estimates

The allocation of these funds is determined both by law and at the discretion of the SANDAG Board of Directors. This report provides the FY 2016 revenue estimates for the Transportation Development Act (TDA), *TransNet*, State Transit Assistance (STA), and the Federal Transit Administration (FTA) formula programs, along with the forecast methodology used to project the estimates for the next four fiscal years. The estimates for each revenue source are summarized below. Information regarding how future-year estimates were derived is detailed in Attachment 6 (Forecast Methodology) and additional information regarding the fund type is detailed in Attachment 7 (Funding Programs).

1. *Transportation Development Act*: The San Diego County Auditor and Controller office is required by state law to provide the estimated apportionment for the upcoming fiscal year before February 1 of each year. The apportionment is developed in consultation with SANDAG and is based on actual sales tax receipts as well as receipt projections. The FY 2016 apportionment of \$137,993,413 is based on a 5 percent increase over the estimated FY 2015 TDA receipt. The FY 2016 apportionment and the FY 2017 to FY 2020 estimates are shown in Attachment 1.
2. *State Transit Assistance*: The State Controller's office is responsible for providing estimates in January of each year. Based on the FY 2016 preliminary estimate, \$24,658,460 is available to the San Diego region. The funding for this program is sales tax generated from diesel fuel. Due to extreme funding fluctuations in the past, SANDAG ceased providing a forecast in FY 2009 given the lack of a good basis to estimate future projections. The introduction of various legislative measures since then has helped to stabilize this funding source. As such, SANDAG is prepared to provide STA forecasts again. The FY 2016 allocation provides a 4 percent increase from FY 2015. Attachment 2 shows the allocation for FY 2016 and FY 2017 to FY 2020 estimates, keeping the revenues flat.

Current statute requires transit agencies to meet certain criteria related to operating efficiencies in order to use STA funds for operations. ABX8-9 (Budget, 2010) and subsequently, Senate Bill 565 (Chapter 341) (DeSaulnier, 2011), suspended these qualifying criteria through FY 2014-2015. Legislation to continue this suspension is expected to be introduced this year. The SANDAG area, as defined under the STA Program, consists of the area outside of the Metropolitan Transit System (MTS) area of jurisdiction. The North County Transit District (NCTD) is the only claimant of STA funds in the SANDAG area. Of the \$24,658,460 allocated to the San Diego region, \$5,984,454 is available for NCTD to claim. The remaining \$18,674,006 is available to MTS.

3. *TransNet*: Estimates are developed by SANDAG based on actual sales tax receipts through the first two quarters of FY 2015. For FY 2016, approximately \$286.8 million is estimated to be available for the entire program (a 5% increase over projected FY 2015), of which approximately \$45.9 million is available for transit purposes. The estimate for FY 2016 to FY 2020 revenues for the entire program is shown in Attachment 3. The *TransNet* Independent Taxpayer Oversight Committee (ITOC) reviewed the estimates at its meeting on February 11, 2015, and had no significant comments related to the estimates. At this meeting, the ITOC also voted to recommend that the Board of Directors forgo the FY 2016 *TransNet* ITOC allocation as there is a sufficient balance remaining to carry over into the next fiscal year. The forfeited ITOC share has been distributed to the remaining programs, as shown in Attachment 3. Final approval of this action will be considered as part of the FY 2016 SANDAG Budget by the Board of Directors in May 2015. For the Transit System Improvements Program, the FY 2016 through FY 2020 estimates are included in Attachment 4.
4. *Federal Transit Administration Formula Programs*: The current federal transportation authorization bill, known as the Moving Ahead for Progress in the 21st Century Act, expires on May 31, 2015. Reauthorization language, including funding levels to provide for a full year's apportionment, has not yet been made available by Congress, so the estimate for FTA formula programs remains the same as in FY 2015 and continues to FY 2020 in order to remain conservative. Attachment 5 provides the FY 2016 Apportionment and FY 2017 to FY 2020 Revenue Estimates.

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- Attachments:
1. Transportation Development Act – FY 2016 Apportionment and FY 2017 to FY 2020 Estimates
 2. State Transit Assistance – FY 2016 Allocation and FY 2017 to FY 2020 Estimates
 3. *TransNet* Program Revenue Estimates – FY 2016 to FY 2020
 4. *TransNet* Revenue Forecast - Transit System Improvements Program – Revenues Estimates FY 2016 to FY 2020
 5. Federal Transit Administration Formula Programs – FY 2016 Apportionment and FY 2017 to FY 2020 Revenue Estimates
 6. Forecast Methodology
 7. Funding Programs

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Transportation Development Act
FY 2016 Apportionment and FY 2017 to FY 2020 Estimates

	FY 2016	FY 2017 Estimate (\$000s)		FY 2018 Estimate (\$000s)		FY 2019 Estimate (\$000s)		FY 2020 Estimate (\$000s)	
		Mid-Range	Low	Mid-Range	Low	Mid-Range	Low	Mid-Range	Low
Total Apportionment^{1,2}	\$137,993,413	\$144,755	\$138,314	\$152,138	\$145,697	\$159,744	\$153,304	\$167,572	\$161,131
Less County Auditor Expenses (PUC 99233.1)	(50,000)	(51)	(51)	(52)	(52)	(53)	(53)	(54)	(54)
Less SANDAG Administration (PUC 99233.1)*	(634,307)	(497)	(474)	(522)	(499)	(731)	(707)	(575)	(550)
Less 3% Planning Funds (PUC 99233.2)	(4,119,273)	(4,326)	(4,134)	(4,547)	(4,354)	(4,769)	(4,576)	(5,008)	(4,816)
Less 2% Bicycle/Pedestrian Funds (PUC 99233.3)	(2,663,797)	(2,798)	(2,673)	(2,940)	(2,816)	(3,084)	(2,959)	(3,239)	(3,114)
Less 5% Community Transit Service (PUC 99233.7)	(6,528,802)	(6,857)	(6,552)	(7,206)	(6,901)	(7,558)	(7,253)	(7,938)	(7,633)
Subtotal	\$123,997,234	\$130,226	\$124,430	\$136,871	\$131,075	\$143,549	\$137,756	\$150,758	\$144,964
Total Available for MTS	88,098,049	92,524	88,406	97,244	93,126	101,990	97,873	107,112	102,995
Less Regional Planning/Capital Projects ³	0	(1,794)	(194)	(194)	(194)	(194)	(194)	(194)	(194)
Less Transferred Functions ⁴	(1,774,130)	(1,863)	(1,780)	(1,958)	(1,875)	(2,054)	(1,971)	(2,157)	(2,074)
Total Community Transit Service	4,545,837	4,774	4,562	5,018	4,805	5,262	5,050	5,527	5,314
Total Available to Claim	\$90,869,756	\$93,641	\$90,994	\$100,109	\$95,862	\$105,004	\$100,758	\$110,287	\$106,042
Total Available for NCTD	35,899,185	37,703	36,025	39,626	37,948	41,560	39,882	43,647	41,970
Less Regional Planning/Capital Projects ³	(600,115)	(741)	(741)	(589)	(589)	(1,206)	(1,206)	(829)	(829)
Less Transferred Functions ⁴	(601,311)	(632)	(603)	(664)	(636)	(696)	(668)	(731)	(703)
Total Community Transit Service	1,852,389	1,945	1,859	2,045	1,958	2,144	2,058	2,252	2,166
Total Available to Claim	\$36,550,148	\$38,276	\$36,540	\$40,418	\$38,682	\$41,802	\$40,066	\$44,339	\$42,604
Total Available for SANDAG:									
Regional Planning/Capital Projects	600,115	934	934	783	783	1,400	1,400	1,022	1,022
Transferred Functions	2,375,441	2,495	2,384	2,622	2,511	2,750	2,639	2,888	2,777
SANDAG Expenses	634,307	497	474	522	499	731	707	575	550
3% Planning Funds	4,119,273	4,326	4,134	4,547	4,354	4,769	4,576	5,008	4,816
Prior Year Carryover	3,468,517								
Total Available to Claim	\$11,197,653	\$8,252	\$7,926	\$8,474	\$8,147	\$9,650	\$9,322	\$9,493	\$9,165
Total Community Transit Service (CTSA)	\$130,576	\$137	\$131	\$144	\$138	\$151	\$145	\$159	\$153
Prior Year Carryover	\$0								
Total Available to Claim	\$130,576	\$137	\$131	\$144	\$138	\$151	\$145	\$159	\$153

*Totals may not add up due to rounding

¹The County Auditor provided the apportionment for FY 2016. The projected estimates for FY 2017 to FY 2020 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 -\$6.4M per year.

²Apportionment distribution is based on the population estimates published by the California Department of Finance (DOF) estimates as of January 2014 - approximately 71% for MTS and 29% for NCTD.

³Represents the local match for federally funded regional planning and transit capital development projects identified in the FY 2016 transit CIP as provided by MTS and NCTD. The projects funded are scheduled to be included as part of the FY 2016 Capital Improvement Program scheduled for Transportation Committee/Board 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. For NCTD, 26.09% of this share is transferred back to NCTD to be used for TDA-eligible purposes.

*Note: The SANDAG Administration cost rises in FY 2016 and in FY 2019 disproportionately due to costs associated with the triennial performance audit. All other annual increases in SANDAG administrative share are consistent with the estimated growth in the TDA.

State Transit Assistance (STA) FY 2016 Allocation and FY 2017 to FY 2020 Estimates (in \$000s)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Regional Discretionary Funds (PUC 99313)					
SANDAG (North County Transit District)	\$4,016	\$4,016	\$4,016	\$4,016	\$4,016
Metropolitan Transit System	<u>\$12,139</u>	<u>\$12,139</u>	<u>\$12,139</u>	<u>\$12,139</u>	<u>\$12,139</u>
<i>Subtotal Discretionary</i>	\$16,155	\$16,155	\$16,155	\$16,155	\$16,155
Operator Formula Funds (PUC 99314)					
SANDAG (North County Transit District)	\$1,968	\$1,968	\$1,968	\$1,968	\$1,968
Metropolitan Transit System	\$6,535	\$6,535	\$6,535	\$6,535	\$6,535
<i>Subtotal Formula</i>	<u>\$8,503</u>	<u>\$8,503</u>	<u>\$8,503</u>	<u>\$8,503</u>	<u>\$8,503</u>
Regional Total	\$24,658	\$24,658	\$24,658	\$24,658	\$24,658
Statewide Total	\$387,798	\$387,798	\$387,798	\$387,798	\$387,798

TransNet Program
Revenue Estimates FY 2016 to FY 2020 (in \$000s)

TransNet Program Revenues	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Estimated Sales Tax Receipts	\$286,773	\$300,825	\$316,167	\$331,976	\$348,243
TransNet Program Allocations					
Administrative Allocations ¹	\$2,868	\$3,008	\$3,162	\$3,320	\$3,482
Independent Taxpayer Oversight Committee ²	\$0	\$401	\$412	\$422	\$433
Bike, Pedestrian & Neighborhood Safety ³	<u>\$5,735</u>	<u>\$6,017</u>	<u>\$6,323</u>	<u>\$6,640</u>	<u>\$6,965</u>
Total off-the-top Programs	\$8,603	\$9,426	\$9,897	\$10,382	\$10,880
Net Available for Subprograms*	<u>\$278,170</u>	<u>\$291,399</u>	<u>\$306,270</u>	<u>\$321,594</u>	<u>\$337,362</u>
Program Allocations					
Major Corridors Program ⁴	\$117,944	\$123,553	\$129,859	\$136,356	\$143,042
New BRT/Rail Operations ⁵	\$22,532	\$23,603	\$24,808	\$26,049	\$27,326
Transit System Improvements ⁶	\$45,898	\$48,081	\$50,535	\$53,063	\$55,665
Local System Improvement ⁷	<u>\$91,796</u>	<u>\$96,162</u>	<u>\$101,069</u>	<u>\$106,126</u>	<u>\$111,330</u>
Total Program Allocations*	<u>\$278,170</u>	<u>\$291,399</u>	<u>\$306,270</u>	<u>\$321,594</u>	<u>\$337,362</u>

*Totals may not add up due to rounding

NOTES:

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

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

²The ITOC allocation is based on the annual increase in CPI beginning with FY 2002, using \$250,000 as the starting base.

³Total of 2% shall be allocated for bicycle facilities.

⁴42.4% 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.

⁶16.5% 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.

⁷33% 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 Revenue Forecast - Transit System Improvements Program***Revenues Estimate FY 2016 to FY 2020 (in \$000s)**

	FY 2016 Proposed	FY 2017 (Estimate)		FY 2017 (Estimate)		FY 2017 (Estimate)		FY 2017 (Estimate)	
	Mid-Range	Mid-Range	Low	Mid-Range	Low	Mid-Range	Low	Mid-Range	Low
Total Available For Transit Purposes ¹ :	\$45,898	\$48,081	\$46,019	\$50,535	\$48,473	\$53,063	\$51,001	\$55,665	\$53,603
Less 2.5% for ADA-related Services	(\$1,147)	(\$1,202)	(\$1,150)	(\$1,263)	(\$1,212)	(\$1,327)	(\$1,275)	(\$1,392)	(\$1,340)
Less 3.25% for Senior Services	(\$1,492)	(\$1,563)	(\$1,496)	(\$1,642)	(\$1,575)	(\$1,725)	(\$1,658)	(\$1,809)	(\$1,742)
Subtotal	\$43,259	\$45,316	\$43,373	\$47,629	\$45,686	\$50,012	\$48,069	\$52,464	\$50,521

MTS Projects And Services:									
Transit Service Improvements (Operations and Supporting Capital)	\$30,735	\$32,196	\$30,816	\$33,840	\$32,459	\$35,533	\$34,152	\$37,275	\$35,894
ADA Services	\$815	\$854	\$817	\$898	\$861	\$943	\$906	\$989	\$952

NCTD Projects And Services:									
Transit Service Improvements (Operations and Supporting Capital)	\$12,524	\$13,120	\$12,557	\$13,789	\$13,227	\$14,479	\$13,917	\$15,189	\$14,627
ADA Services	\$332	\$348	\$333	\$365	\$351	\$384	\$369	\$403	\$388

Regional Discretionary Programs²:									
Competitive Grant Program for Senior Transportation Services	\$1,492	\$1,563	\$1,496	\$1,642	\$1,575	\$1,725	\$1,658	\$1,809	\$1,742

*Totals may not add up due to rounding

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 (-)\$12.9 million for the overall program and (-)\$2 million for the Transit System program

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

**Federal Transit Administration Formula Programs
FY 2016 Apportionment and FY 2017 to FY 2020 Revenue Estimates**

	FY 2015	FY 2016 ²			FY 2017 (\$000s)			FY 2018 (\$000s)			FY 2019 (\$000s)			FY 2020 (\$000s)		
	Carryover ¹	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	\$2,888,268	\$42,483,214	\$0	(\$811,391)	\$42,483	\$0	(\$775)	\$42,483	\$0	(\$775)	\$42,483	\$0	(\$775)	\$42,483	\$0	(\$775)
NCTD	\$990,971	\$18,207,092	(\$2,400,459)	N/A	\$18,207	(\$2,962)	N/A	\$18,207	(\$2,355)	N/A	\$18,207	(\$4,823)	N/A	\$18,207	(\$2,623)	N/A
SANDAG (Vanpool Program) ³	(\$15,768)	\$4,000,000	N/A	\$811,391	\$4,000	N/A	\$775	\$4,000	N/A	\$775	\$4,000	N/A	\$775	\$4,000	N/A	\$775
SANDAG (Capital Projects) ⁴			\$2,400,459			\$2,962			\$2,355			\$4,823			\$2,623	
Total	\$3,863,471	\$64,690,306	\$0	\$0	\$64,690	\$0	\$0	\$64,690	\$0	\$0	\$64,690	\$0	\$0	\$64,690	\$0	\$0
Section 5337 State of Good Repair/High Intensity																
MTS	\$342,000	\$21,681,666	\$0	N/A	\$21,682	\$0	N/A	\$21,682	\$0	N/A	\$21,682	\$0	N/A	\$21,682	\$0	N/A
NCTD	\$160,517	\$9,183,450	\$0	N/A	\$9,183	\$0	N/A	\$9,183	\$0	N/A	\$9,183	\$0	N/A	\$9,183	\$0	N/A
Total	\$502,517	\$30,865,116	\$0	N/A	\$30,865	\$0	N/A	\$30,865	\$0	N/A	\$30,865	\$0	N/A	\$30,865	\$0	N/A
Section 5339 Bus/Bus Facilities⁵																
MTS	\$240,792	\$3,762,917	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
NCTD	\$103,197	\$1,612,679	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Total	\$343,989	\$5,375,596	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A

¹Carryover consists of (1) additional apportionment made available by FTA; and (2) any excess prior year apportionments (when one or more of the 3 agencies did not fully obligate the funds available).

²The Federal Register which provides the FTA apportionment is not yet available, this total represents same apportionment as last year. It should be noted that MAP-21 expires in May 2015 five month before the end of the federal fiscal year. As with prior estimates, future years' apportionments remain unchanged until a new multi-year federal transportation legislation is approved.

³SANDAG and transit agencies have agreed to fully fund the rideshare portion of the regional Transportation Demand Management program in recognition of the vanpool program's contribution to the funding level apportioned to the region. Prior year is reconciled with next year's estimate based on consultation with the transit agencies.

⁴Regional Capital Projects refer to projects and associated funding transferred to SANDAG to implement on behalf of MTS and NCTD based on the draft FY 2016 MTS/NCTD Capital budget. The specific projects and funding recommendation is scheduled to be presented to the Transportation Committee/Board of Directors as part of the FY 2016 Transit Capital Improvement Program at their respective meetings in March, and therefore is subject to change.

⁵Section 5339 is a new program and with MAP-21 expiring in FY 2015, future years are shown as zero until there is notification of continuation of this program. Also, FTA has determined that transit agencies cannot directly apply for these programs. SANDAG and the transit agencies agreed to exchange the Section 5339 for TransNet-MC. This table is for illustrative purposes to show the amount of the exchange, the actual application of the program will be done by SANDAG.

Note:

SANDAG share is based on the estimated costs to operate the regional vanpool program and its estimated increase in future years. The balance of 5307 funds are allocated 70% to MTS and 30% to NCTD. The same 70/30 split applies to the 5337 and 5339 funds (SANDAG does not share in these programs).

Forecast Methodology

SANDAG staff uses a combination of a short- and long-term forecasting methodology to estimate sales tax based on *TransNet* revenues. The short-term forecasts used by SANDAG focus on sales tax receipts for the succeeding three years and are updated quarterly based on a combination of regional economic information and data from the State Board of Equalization (BOE). The SANDAG short-term quarterly sales tax revenue forecasting model replicates the BOE's "advance payment" procedure. The BOE employs an advance payment procedure because not all of the sales tax receipts have been processed at the time BOE sends out sales tax revenue to recipients. To make up the difference between the advance payment and actual sales tax receipts, BOE uses a true up each quarter based on the previous quarter's differences. A key element in determining the advance payment amount per quarter is a sales tax revenue growth rate factor applied to the same quarter from the previous year. The growth rate factor is provided by the California State Department of Finance (DOF). SANDAG pays close attention to this growth rate factor and at times has elected not to use it. The growth rate factor from DOF is influenced by the budget setting process, which does not necessarily represent economic trends and expectations. So, while the SANDAG short-term forecasting methodology utilizes some of the same inputs and variables as BOE such as average historical sales tax revenue receipts, it also includes short-term market variables such as monthly employment growth as well as changes in financial variables such as interest rates to ensure more accurate forecasting process and outcome.

The short-term model produces adequate results, the confidence intervals are (+) or (-) 5 percent using the root mean square deviation method of measuring accuracy. Staff's forecast procedure provides a midpoint estimate with a range of accuracy of approximately (+) or (-) 5 percent per year at the 95 percent level of confidence for *TransNet*. For example, for FY 2016 the *TransNet* revenue estimate for the entire program is projected to be approximately \$286 million, making the range between \$273.9 million at the low end and \$299.7 million at the high end, with 95 percent confidence that the actual revenue amount will be within this range. Staff suggests 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 (\$12.9 million for *TransNet* and \$6.4 million for Transportation Development Act [TDA]) from the midpoint. The \$6.4 million for the TDA confidence interval range is based on the fact that the TDA receipts are approximately half of the *TransNet* receipts.

About every three years, SANDAG also undertakes a longer-term forecasting model, which incorporates the short-term forecast described above, but seeks to take a broader view of the economy to predict larger trends, which ultimately could affect sales tax receipts. Unlike the short-term model, which incorporates variables that are more easily forecasted in the near-term, the SANDAG long-term model uses broader data and trends. The long-term model, Demographic and Economic Forecasting Model, is a simultaneous, nonlinear econometric model designed to forecast population and economic variables for the San Diego region from a set of basic assumptions. In general, the model is a synthesis of two widely used techniques. On the demographic side, the cohort-survival method is used. This method considers such factors as birth rates, death rates, and the age, sex, and ethnic distribution of the resident population to arrive at forecasts of demographic variables. On the economic side, time-series/regression methods are used to estimate economic relationships. The resulting econometric equations provide forecasts of employment, income, and other economic variables based on assumptions about national, state, and local growth

patterns and local inter-industry relationships. The current model's forecasts include data for more than 700 economic and demographic variables for the period 2012-2050. To measure accuracy, SANDAG compares the population forecast to census information as it becomes available. The first SANDAG forecasts were in 1972 and most recent projections are Series 13, the results forecasted by the model have proven adequate and in the range of less than 1 percent to 4 percent different from the actual census count.

Expected Trends

The United States economy recorded a very volatile year during 2014. The growth rate for the nation's total value of goods and services, Gross Domestic Product (GDP) produced during the year, got off to a rocky start and declined 2.1 percent. The second and third quarters picked up dramatically, rising 4.5 percent and 5 percent respectively before slowing to 2.6 percent during the fourth quarter of 2014. After all the volatility, the nation's GDP increased 2.4 percent, which was in line with the slow annual growth rates recorded since the end of the Great Recession. The consensus outlook for 2015 is for GDP growth to exceed 3 percent.

To achieve a GDP growth rate of 3 percent or higher likely requires more jobs in total and more jobs of a higher quality than has been produced over this past year. Job growth during the past year was the highest it has been since 1999. Nationwide, payroll job growth averaged 246,000 jobs per month compared with 196,000 per month the year before, a 25 percent increase. Nearly 3 million jobs were created nationwide during 2014, a growth rate of about 2 percent. The increase in the rate of job production pushed the unemployment rate down to 5.6 percent in December 2014, nearly the same level as before the start of the Great Recession. Locally, the increase in jobs has outpaced the improved national rate. The San Diego region recorded 44,500 new payroll jobs through December 2014 on a year over year basis, a rise of 3.3 percent, more than a full percentage point above the national rate of increase. In addition, the local unemployment rate dropped more than the nation's over the same time period, falling to 5.2 percent, and now is below the national rate for only the second time over the past seven years.

The much improved trend for job growth is somewhat dampened by lingering concerns about the economic recovery and economic growth globally. Additional concerns about the recovery include weakness in wage rate growth and the average number of hours worked. These trends, combined with the types of jobs (part-time, temporary with low pay) that have been created since the end of the recession have contributed to keeping real per capita disposable income stagnant for the past three years. This, in turn, has led to weak growth in consumer spending, which makes up more than 70 percent of the economy and is a primary driver of sales tax revenue. Even the recent decline in gas and energy prices is expected to shift consumer expenditures to different categories after a lag rather than push overall spending up in the near term. Additional economic headwinds are expected from the slowing of economic growth globally and in turn the effect on the trade value of the dollar. Most of the United States' major trading partners are experiencing slower economic growth, including China, Japan, Europe, Mexico, Brazil, and Russia. In turn, the trade value of the dollar is rising, making U.S. goods in these markets more expensive; reducing U.S. exports. In light of these economic headwinds, staff is forecasting an increase in sales tax revenue consistent with the rate of increase experienced during 2014, about 5 percent.

The table below shows actual and projected annual rates of change for *TransNet* revenues. By the end of FY 2014, *TransNet* revenue was above the past peak recorded during FY 2008, consistent with our expectations.

Growth in *TransNet* Sales Tax Receipts

SFiscal Year	% Change	Amount
2010 (Actual)	-8.0%	\$204.2M
2011 (Actual)	8.4%	\$221.3M
2012 (Actual)	7.0%	\$236.9M
2013 (Actual)	4.3%	\$247.2M
2014 (Actual)	5.2%	\$260.1M*
2015 (Projected)	5.0%	\$273.1M*
2016 (Estimate)	5.0%	\$286.8M*
2017 (Estimate)	4.9%	\$300.8M*
2018 (Estimate)	5.1%	\$316.2M*
2019 (Estimate)	5.0%	\$332.0M*
2020 (Estimate)	4.9%	\$348.2M*

*Represents the midpoint of confidence interval range

Funding Programs

Transportation Development Act (TDA): 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 for releasing 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: Transportation Development Act administration policy.

Pursuant to state statute, the County of San Diego Auditor and Controller office has the responsibility for providing the TDA apportionment for the upcoming fiscal year. The County Auditor develops the apportionment in consultation with SANDAG staff and with the transit operators based on actual sales tax receipts and projections. The annual apportionment 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 in February of each year.

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, along with any prior year carryover funds, is available to be claimed by North County Transit District (NCTD) and Metropolitan Transit System (MTS). The balance of current year funds are allocated based upon the population of the service area served by the two transit agencies.

Pursuant to provisions of Senate Bill 1703 (Peace, 2002) and as agreed to 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 funds for 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). The final list of projects and associated funding is included with the transit CIP scheduled for action by the Transportation Committee and Board of Directors in March of each year. An additional apportionment to SANDAG covers those indirect administrative functions 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.

State Transit Assistance (STA): Since its creation in 1971, the STA Program has been an ongoing source of state funding for capital and operating support for public transit agencies. Though the FY 2009-2010 State Budget eliminated the STA Program, it was reinstated as part of the "Gas Tax Swap" agreement (ABx8-6, March 2010), which reconfigured the funding streams that flow into the program. STA is now fully funded by the sales tax on diesel, and can be used for operating and capital purposes.

TransNet: The *TransNet* Extension, a 40-year, half-cent local sales tax transportation funding measure approved by the San Diego 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, Neighborhood Safety Program, the *TransNet* Program is divided into Major Corridor (42.4%), New Bus Rapid Transit/Rail Operations (8.1%), Local System Improvements (33%), and Transit System Improvements (16.5%).

Within the Transit System Improvements, services provided pursuant to the Americans With Disabilities Act (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 agencies' service areas.

ITOC reviews the *TransNet* estimates for the entire program at its February meeting each year. Any significant comments are presented to the Transportation Committee and the Board of Directors.

Federal Transit Administration Formula Programs

Section 5307: Federal Transit Administration (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; and 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. Preventive maintenance and some ADA complementary paratransit service, while recorded as operating expenditures, are considered capital costs for purposes of eligibility.

Section 5337: This new formula-based State of Good Repair Program replaces and enhances the former 5309 Fixed Guideway Modernization Program. Section 5337 is dedicated to repairing and upgrading the nation's rail transit systems along with high-intensity motor bus systems that use High-Occupancy Vehicle Lanes, including Bus Rapid Transit. This program reflects a commitment to ensuring that public transit operates safely, efficiently, reliably, and sustainably so that communities can offer balanced transportation choices that help to improve mobility, reduce congestion, and encourage economic development. Eligible activities include projects to replace and rehabilitate: rolling stock, track, line equipment and structures, signals and communications, power equipment and substations, passenger stations and terminals, maintenance facilities and equipment, operational support equipment (including computer hardware and software), and Transit Asset Management Plan development and implementation.

Section 5339: This new formula-based Bus and Bus Facilities Program provides capital funding to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities. This program replaces the Bus and Bus Facilities Discretionary Program. The FTA has determined that the transit agencies (NCTD and MTS) are not eligible recipients of this program. In order to keep the two transit agencies whole, SANDAG would exchange a like amount of *TransNet*-Major Corridors (MC) funds with Section 5339 to be used toward *TransNet*-MC eligible SANDAG projects. SANDAG plans to evaluate this exchange with the new reauthorization.

As stated above, the Section 5307 Program is based on a number of factors, including data from the Regional Vanpool Program. Over the years, the Regional Vanpool Program has contributed substantially to the overall funding that comes to the region. In recognition of its contribution, the transit agencies have agreed to update the funding level to fully fund the Regional Vanpool Program from the total apportionment. After deducting for the cost of the Regional Vanpool Program, Section 5307 funds are allocated 70 percent for MTS and 30 percent for NCTD. The same 70/30 formula was used to allocate Sections 5337 and 5339 funding between MTS and NCTD. SANDAG does not directly receive funds from Section 5337 or Section 5339.