



BOARD OF DIRECTORS
FEBRUARY 25, 2011

AGENDA ITEM NO. 11-02-**4**
ACTION REQUESTED – APPROVE

**TransNet REGIONAL TRANSPORTATION CONGESTION
IMPROVEMENT PROGRAM FEE ADJUSTMENT**

File Number 1500100

Introduction

The Regional Transportation Congestion Improvement Program (RTCIP), an element of the *TransNet* Extension Ordinance, requires the 18 cities and the County of San Diego to collect an exaction from the private sector for each new housing unit constructed in their jurisdiction. The RTCIP has been implemented in the San Diego region since July 1, 2008.

Recommendation

The Board of Directors is asked to approve a 2 percent adjustment to the Regional Transportation Congestion Improvement Program, raising the minimum fee from \$2,081 to \$2,123 beginning July 1, 2011.

The *TransNet* Extension Ordinance requires SANDAG to annually adjust the minimum RTCIP fee amount on July 1 of each year, based on an analysis of construction cost indices, but never less than 2 percent. The purpose of this annual adjustment is to ensure the RTCIP retains its purchasing power to improve the regional arterial system. Staff has evaluated construction cost trends and relevant indices, and based on this analysis, a 2 percent fee adjustment is recommended; this would raise the minimum RTCIP exaction from \$2,081 to \$2,123 beginning July 1, 2011. The Independent Taxpayer Oversight Committee (ITOC) reviewed this proposed RTCIP adjustment at its February 9, 2011, meeting, and there were no comments.

Discussion

Background

The purpose of the RTCIP is to help ensure future development contributes its proportional share of the funding needed to pay for the regional arterial system and related regional transportation facility improvements, as defined in the most recent Regional Transportation Plan adopted by SANDAG. The RTCIP funding programs fall under the responsibility of the 19 local jurisdictions, which have established these programs under the state's Mitigation Fee Act. The jurisdictions must maintain their RTCIP funding programs and comply with specific administrative requirements in order to remain eligible for their *TransNet* local street and roads funding.

Section 9 of the *TransNet* Extension Ordinance requires the RTCIP exaction to be increased annually in an amount not to exceed the percentage increase set

forth in the Engineering Construction Cost Index published by the Engineering News Record (ENR) or a similar cost of construction index. However, the Ordinance also states that in no event shall the increase be less than 2 percent per year.

Analysis of Construction Cost Indices

The Ordinance allows for flexibility in choosing an appropriate index. SANDAG staff evaluated changes recorded in the Engineering Construction Cost Index published by ENR and the Caltrans Construction Cost Index (CCI). Each index collects a different set of cost factors to determine construction cost trends. The ENR construction cost index represents an average from 20 cities across the nation and is based on price changes in four areas: lumber, cement, structural steel, and labor. Over the past year, the ENR construction cost index has increased 3.2 percent. The Caltrans CCI is based on actual transportation project bid prices from throughout the state for earthwork, aggregate, concrete, asphalt, and steel. The Caltrans CCI has not risen, but instead recorded a decline of -18.4 percent over the past year.

Based on staff's evaluation, the Caltrans CCI has more closely tracked the trends SANDAG has been experiencing in its project bid prices over the past year than the ENR index. Staff's evaluation identified two trends that have led to falling prices. First, the effects of the Great Recession are lingering, keeping the demand for some construction materials soft, allowing prices to drift lower over the past year. Second, the number of bids received on each project has remained high, averaging more than six bids per project; this level of competition has provided an incentive for contractors to push back on material suppliers, and identify cost saving measures and innovative ways to lower overall prices for projects in order to submit a competitive cost proposal.

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