

San Diego Association of Governments

FY13–FY15 Triennial Performance Audit of the San Diego Association of Governments (SANDAG)

AUDIT REPORT



in association with



May 2016

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EXECUTIVE SUMMARY

Triennial performance audits of Regional Transportation Planning Agencies (RTPAs) are required by the Transportation Development Act (TDA) of 1971. California Public Utilities Code (PUC) Section 99246 requires that regional transportation planning agencies responsible for administering state TDA funds contract for an independent triennial performance audit. This report represents the State-mandated performance audit of the San Diego Association of Governments (SANDAG) in its role as the regional transportation planning agency for San Diego County. The performance audit covers Fiscal Years 2013, 2014, and 2015—the period from July 1, 2012, through June 30, 2015.

The FY13–FY15 performance audit of the San Diego Association of Governments meets state requirements. The TDA triennial performance audit of SANDAG covers:

- Compliance with applicable sections of the California Public Utilities Code
- Progress to implement prior performance audit recommendations

Pursuant to Section 99246(a) of the California Public Utilities Code, this audit serves as a high-level management report that evaluates SANDAG’s effectiveness and efficiency with respect to the following functions:

- TDA administration and management
- Claimant relationships and oversight
- Transportation planning and regional coordination
- Marketing and transportation alternatives
- Grant applications and management

SANDAG is in compliance with TDA requirements for RTPAs and has taken appropriate steps to implement prior audit recommendations. SANDAG is in full compliance both with California PUC requirements for regional transportation planning agencies and with respect to enforcing rules regarding operator farebox recovery requirements. SANDAG has fully implemented one of the three prior audit recommendations, partially completed another, and anticipates implementing a third recommendation in the near future.

Prior Recommendation 1: SANDAG and FACT should work together to review the scope of FACT’s contractual responsibilities and to identify and pursue additional funding sources to support its activities as the CTSA.

- Compliance finding: Partially completed.
- Actions and results: SANDAG and FACT are continuing to work together to develop a revised agreement that better reflects the current SANDAG goals and objectives for the CTSA and include concrete performance measures.

Recommendation 2: SANDAG should consider providing, and requiring the operators to provide, management responses to audit recommendations.

- Compliance finding: Completed.
- Actions and results: SANDAG received approval of the prior audit reports from the Board of Directors in July 2013. The board agenda packet included a staff report summarizing the performance audit findings from all three audits and included an attachment containing audit recommendations and agency management responses. Each responsible agency provided written responses to their respective recommendations and intent to implement them.

Recommendation 3: SANDAG should work with NCTD and MTS to identify and develop opportunities to define fare policies to enhance connectivity between the two operating agencies and with other connecting providers of public transportation services, such as Amtrak and Metrolink.

- Compliance finding: Not implemented.
- Actions and results: SANDAG has budgeted for a fare study in the FY 2016 Overall Work Program to address this prior recommendation. In the OWP, a fare study will be conducted to address simplifying the fare structure and assessing the need for future fare changes to maintain regional farebox recovery rates.

SANDAG effectively accomplishes its TDA responsibilities.

- TDA Administration – Since consolidation pursuant to SB 1703, SANDAG is solely responsible for TDA administration in the region. SANDAG’s Board Policy 27 governs its administration of TDA funding. Policy 27 was last updated in October 2013; the current version includes the modifications recommended by the previous performance audit. A section dedicated to TDA administration is on SANDAG’s website where documents relevant to TDA claimants are available, including SANDAG’s TDA Claim Manual (last updated in April 2009), current TDA claim forms, revenue estimates, the Caltrans TDA Statutes and California Codes of Regulations, and SANDAG Board Policy 27, along with previous audit reports. The TDA Claim Manual provides guidance for all San Diego County claimants of TDA funds. A review of the manual showed it is resourceful with detailed explanation of the administrative process undertaken by SANDAG.

SANDAG complies with the Memorandum of Understanding and its amendments defining the functions and responsibilities among itself, MTS, and NCTD in implementing SB 1703. The flow and transfer of TDA funds among the three entities is guided by each agency’s function provided in the MOU and the administrative management by SANDAG.

- Claimant Relations and Transit Productivity Oversight – SANDAG administers the regional Productivity Improvement Program as part of its statutory responsibility. SANDAG tracks TDA performance indicators on a continual multiyear basis and progress toward implementing prior operator performance audit recommendations through its operator TDA claim forms. SANDAG prepares the Quarterly Transit Performance Monitoring Reports that are presented at the quarterly Regional Short Range Transit Planning Task Force meetings. Representatives from each transit system attend the meetings and partake in the discussion of the report results and productivity measures. The operators also provide updates on service changes and planning activities. SANDAG tracks TDA performance indicators using quarterly data provided by the operators that form multiyear trends as well as economic indicators that can impact the performance measures.
- Transportation Planning and Regional Coordination – SANDAG is responsible for comprehensive and integrated transportation planning in San Diego County. It completed several key planning documents, including most notably *San Diego Forward: The Regional Plan* adopted by the SANDAG Board of Directors on October 9, 2015. The plan serves to guide the region’s transportation development over the next 35 years and sets the region’s sustainable communities strategies and performance measurement and monitoring objectives. The plan merges the update for the Regional Transportation Plan and its Sustainable Communities Strategies with the update for the Regional Comprehensive Plan (RCP).
- Marketing and Transportation Alternatives – The region’s transit operators retain primary responsibility for marketing their respective transit services. SANDAG manages the iCommute program to assist commuters with ride-matching services and a number of other traveler information services and to assist local businesses to help them develop commuter benefit programs. SANDAG also leads the promotion of the Compass Card, the regional fare card, through the 511 free phone and web service that consolidates San Diego’s regional

transportation information into a one-stop resource. The agency remains a key source of marketing data for alternative transportation options.

- Grants Applications and Management – SANDAG, NCTD, and MTS are all eligible recipients of federal grants. SANDAG allocates funding and programs projects in the TIP. SANDAG, NCTD, and MTS are each grantees and responsible for submitting their own grant applications and managing their own grants, consistent with the annual apportionments approved by the SANDAG Board.

Three recommendations are offered for SANDAG’s consideration.

- Recommendation 1: As a carryover from the prior SANDAG performance audit for full implementation, SANDAG and FACT should continue working together to review and update the scope of FACT’s contractual responsibilities and to identify and pursue additional funding sources to support its activities as the CTSA. SANDAG’s contract will more accurately depict FACT’s growing responsibilities as the CTSA for San Diego County and further distinguish FACT’s CTSA activities. SANDAG, under its obligation in state law as the custodian of TDA funds for the county, will also have increased transparency and improved oversight prior to the allocation of TDA revenue. In addition, SANDAG and FACT will increase capacity through partnership to further pursue alternative transportation funding for CTSA activities.
- Recommendation 2: As a carryover from the prior SANDAG performance audit for full implementation, SANDAG should work with NCTD and MTS to identify and develop opportunities to define fare policies to enhance connectivity between the two operating agencies and with other connecting providers of public transportation services, such as Amtrak and Metrolink. The last several performance audits have included recommendations to the effect that SANDAG, NCTD, and MTS should work together to coordinate transit service delivery strategies and fare policies to enhance connectivity. The three agencies have made progress in improving connectivity (e.g., by linking the operators’ service delivery objectives and targets to goals and objectives in the Coordinated Plan). A fare study is budgeted in the FY 2016 Overall Work Program, and implementation of the fare study will help meet recommended actions.
- Recommendation 3: SANDAG should update Policy No. 27 and the SANDAG TDA Claim Manual to address the statutory changes to the TDA implemented by Senate Bill 508, and inform all TDA claimants of these changes. New legislation (SB 508) was passed in October 2015 that significantly modifies several provisions of TDA including farebox recovery, claims for funds, and STA qualifying criteria for transit operators. The TDA manual should be updated to reflect the various changes implemented in SB 508. SANDAG should communicate these changes to the claimants including the transit operators and the local jurisdictions (for bicycle and pedestrian safety education programs) and determine what implication, if any, the changes might have on their respective systems.

SECTION I: INTRODUCTION

Triennial performance audits of regional transportation planning agencies are required by the Transportation Development Act (TDA). California Public Utilities Code (PUC) Section 99246 requires that regional transportation planning agencies (RTPAs) responsible for administering State TDA funds contract for an independent triennial performance audit. CH2M HILL was selected by the San Diego Association of Governments (SANDAG) to conduct the triennial performance audit of SANDAG for Fiscal Years 2013, 2014, and 2015, the period from July 1, 2012, through June 30, 2015.

This audit serves as a high-level management report that evaluates the effectiveness and efficiency of SANDAG with respect to the following functions:

- Administration and management of its responsibilities as the RTPA
- Claimant relationships and oversight
- Transportation planning and regional coordination
- Marketing and transportation alternatives
- Grant applications and management

In addition, TDA audits are required to assess compliance with applicable sections of the California PUC regarding TDA Local Transportation Funds (LTF) and State Transit Assistance (STA) funds and progress to implement prior audit recommendations.

The scope of the RTPA performance audit is set by the Caltrans Performance Audit Guidebook. The audit is intended to meet three primary SANDAG objectives for the conduct of the TDA triennial performance audit:

- Determine whether SANDAG is complying with the TDA rules and regulations
- Identify areas where the TDA administrative process may be improved
- Suggest improvements to the TDA administrative process which would be meaningful and cost-beneficial

The performance audit specifically includes RTPA activities in the following areas:

- Administrative processes, including those related to TDA fund administration and claims, and conformance to requirements of the Government Code, Public Utilities Code, and California Code of Regulations
- Responsibilities and authorities with respect to the TDA administrative process
- Claim approval processes for TDA and STA funds
- Regional systems for monitoring and reporting transit system performance
- Efforts to coordinate and improve transit services through transfer policies, fare policies, short-range planning, and marketing efforts

The findings, conclusions, and recommendations presented in this report are based on analysis and review of information provided by several sources. Documents and files reviewed include:

- SANDAG Transportation Development Act Claim Manual
- TDA claim forms, claim instructions, approval resolutions, and Board Policy 27
- TDA revenue estimates and projections
- *San Diego Forward: The Regional Plan*

- FY 2014–2018 Coordinated Plan
- Memorandums of Understanding between SANDAG, the San Diego Metropolitan Transit System (MTS), and the North County Transit District (NCTD)
- Agreement between SANDAG and Full Access and Coordinated Transportation (FACT)
- Regional Short Range Transit Planning Task Force meeting agendas and minutes, and Board Policy 18
- Quarterly Transit Performance Monitoring Reports
- Annual Budget and Overall Work Program
- Grant Implementation Guide
- Social Services Transportation Advisory Council (SSTAC) meeting agendas and minutes, and public hearings on transit needs
- Annual audited financial reports
- Employee evaluation and goal plan
- Organization chart
- FY10–FY12 Triennial Performance Audit of SANDAG

SANDAG's TDA administrative functions and its effectiveness as the RTPA were discussed with SANDAG management and staff, the Consolidated Transportation Services Agency (CTSA), and the transit providers. SANDAG management and staff interviewed for the audit include:

- Executive Director
- Chief Deputy Executive Director
- General Counsel
- Principal Management Internal Auditor
- Department Director of Finance
- Department Director of Land Use and Transportation Planning
- Department Director of Mobility Management and Project Implementation
- Department Director of Administration
- Department Director of Communications
- Principal Legislative Analyst
- *TransNet* Department Director
- Principal Technology Program Manager
- Principal Regional Planner, Transit Planning
- Principal Regional Planner, Active Transportation and Rail Planning
- Principal Regional Planner, Long Range Transportation and Binational Planning
- Principal Regional Planner, Land Use Planning and Coordination
- Principal Regional Planner, Transportation Demand Management
- Senior Regional Transit Planner

- Associate Regional Planner
- Regional Planner I
- Finance Manager
- Financial Programming Manager
- Budget Program Manager
- Associate Accountant
- Contracts and Procurement Manager
- Human Resources Manager
- Senior Human Resources Analyst

In addition to SANDAG staff, transit operator staff members were asked to provide input regarding the audit of SANDAG as the regional transportation planning agency when they were interviewed for the operator audits.

The remainder of this performance audit report is organized in the following sections:

II. Overview, which describes, from a transit perspective, SANDAG’s accomplishments and challenges during the audit period.

III. Compliance Review, which includes compliance with TDA requirements and the status of recommendations made by the previous performance audit.

IV. Functional Review, which addresses the RTPA activities performed by SANDAG.

V. Consolidated Transportation Services Agency, which discusses the roles and responsibilities of Full Access and Coordinated Transportation (FACT) as the CTSA.

VI. Conclusions and Recommendations, which highlights audit period findings and results and outlines significant opportunities for SANDAG to improve effectiveness in performing its RTPA responsibilities.

SECTION II: OVERVIEW

SANDAG’s primary TDA-related responsibilities during the audit period were regional transportation planning, coordination, programming, project development, and construction. The San Diego Association of Governments was formed in 1966 to oversee and coordinate planning for the region. With the passage of Senate Bill (SB) 1703, the San Diego Regional Transportation Consolidation Act, in 2002, SANDAG was reorganized and assigned responsibilities for all transportation planning (excluding annual transit service planning), funding allocation, project development, and construction in the San Diego region, a transition that has been completed.

In the area of regional transit planning, every two years SANDAG has been coordinating with the transit operators and stakeholders to update the Coordinated Plan that provides a five-year blueprint for the implementation of public transit and social service transportation concepts described in the long-range Regional Transportation Plan (*San Diego Forward: The Regional Plan*). The Coordinated Plan is unique in that it combines SANDAG’s regional requirement for a Short-Range Transit Plan with the federal requirement for a Coordinated Plan into one concise planning document. The combination of transit and social service transportation provides an opportunity to evaluate all available transportation services in the region.

SANDAG’s other transit-related responsibilities during the audit period included public participation, productivity monitoring, legislative relations, and marketing and financial data collection and distribution. SANDAG continues to refine its regional responsibilities with MTS and NCTD in development of a coordinated regional transit system. Transit capital project programming and implementation are within SANDAG’s purview to administer and manage on behalf of the transit operators. SANDAG also maintains a close working relationship with state-level agencies including the California Air Resources Board (CARB) and the California Department of Transportation (Caltrans). SANDAG continues to gather annual demographic and socioeconomic data and associated market-related data. The agency provides annual financial information that helps operators forecast their revenue and develop their budgets.

SANDAG has several responsibilities with respect to TDA administration in the region. These responsibilities include:

- Updating the TDA Claims Manual, as needed
- Distributing TDA instructions and procedures and reports of apportionments to all claimants
- Maintaining data on apportionments, allocations, and claims
- Assisting claimants in preparing claims and amendments
- Reviewing claims and amendments for eligibility, compliance, and funding
- Preparing reports to the SANDAG Board for approval
- Preparing and updating allocation instructions and payment schedules for the County Auditor
- Providing for the conduct of the TDA triennial performance audits
- Preparing performance productivity reports and monitoring results
- Soliciting feedback through public hearing and other means on the transportation needs of seniors, individuals with disabilities, and individuals of limited means

SANDAG supplied evidence of its overall compliance with TDA as demonstrated by procedure documents on the SANDAG TDA website,¹ the operator TDA claim files, the TDA claim submittal letters,

¹ <http://www.sandag.org/index.asp?projectid=17&fuseaction=projects.detail>

and the SANDAG Board resolutions assessing operators' performance improvement efforts and approving TDA claims.

Since Fiscal Year 2003 when SANDAG incorporated the Metropolitan Transit Development Board (MTDB) Productivity Improvement Program (PIP) into its TDA Claim approval process, the PIP has become an important instrument for ensuring compliance with PUC Section 99244.² At that time, SANDAG assumed the responsibility for monitoring operators for consistency with planning and transit productivity objectives. The PIP is a process involving SANDAG's regular analysis of performance indicators and development of multiyear trends using data provided by the operators. SANDAG closely evaluates performance trends for each of the six TDA-mandated performance indicators (including farebox recovery) as well as a composite index that equally weights the six indicators. This evaluation is done on a quarterly basis, measured relative to annual productivity targets. Quarterly reports are generated and reviewed by the Regional Short Range Transit Planning Task Force, which includes representatives from the operators, MTS, and NCTD, as well as the region's Consolidated Services Transportation Agency, FACT.

SANDAG serves a number of roles in the San Diego region in addition to designation as the consolidated agency for regional decision-making. The agency carries out various responsibilities that are either mandated by federal or state law or regulation, or delegated to SANDAG through local agreement. The following are among the numerous SANDAG transportation designations and responsibilities:

- Federally designated Metropolitan Planning Organization (MPO) – As the MPO, SANDAG administers federal transportation funding and must meet federal comprehensive planning requirements to receive federal funds. Comprehensive planning requirements include development of a Long Range Transportation Plan and a biennial update of the Transportation Improvement Program (TIP) covering a five-year program of projects
- State-designated Regional Transportation Planning Agency (RTPA) – As the RTPA, SANDAG administers TDA funding in the region.
- State-designated and voter-approved Regional Transportation Commission – As the RTC, SANDAG administers *TransNet*, the half-cent sales tax for transportation, and oversees and ensures delivery of all *TransNet*-funded projects
- State and locally designated Congestion Management Agency (CMA) and Freeway Service Patrol administration.
- State-designated tolling authority for highway toll facilities in San Diego County.
- Locally designated council of governments to provide a public forum for regional decision-making to a broad range of topics pertinent to the region's quality of life.

SANDAG's non-transportation designations and responsibilities include Co-Lead Agency for Air Quality Planning (with the San Diego County Air Pollution Control District), Regional Census Data Center, Integrated Waste Management Task Force, housing needs determination, and area-wide clearinghouse to review projects with regional impacts under the California Environmental Quality Act and the National Environmental Policy Act.

With its broadened scope and administration of *TransNet*, SANDAG has accelerated its capital program. A significant portion of SANDAG's staff time is devoted to the delivery of the *TransNet* program. In efforts to initiate the *TransNet* Early Action Program (EAP), SANDAG has already delivered several *TransNet*-funded projects and is working on additional projects while maximizing *TransNet*'s transparency. Transit projects delivered during the audit period include the first of three new *Rapid*

² With the consolidation pursuant to SB 1703, the Metropolitan Transit Development Board became the Metropolitan Transit System.

services that began service on the Interstate 15 (I-15) corridor in June 2014. The implementation of the EAP shows the commitment of most anticipated *TransNet* funding during the remaining life of the current sales tax measure, leading SANDAG to evaluate a possible additional sales tax measure. The projects can be tracked through SANDAG's www.keepsandiegomoving.com site with its *TransNet* dashboard application. SANDAG generates high-level reports for *TransNet* projects that measure progress, budget, and work schedule completion. Projects that do not meet targeted dates of completion (for progress, budget, and schedule) are deemed as red lights and are presented to the Executive Team for review and discussion.

SANDAG achieved important accomplishments during the audit period. The agency was able to continue its strong working relationships with the region's operators, realize continued successes in winning grant funding, and make progress with *TransNet* capital projects.

- SANDAG made successful changes to its organization chart. New departments were created to enhance operations and increase programming and funding efficiencies, while other departments and positions were shifted to enable staff to be better cross-trained in working on teams and enhancing internal communications in project delivery. The Chief Deputy Executive Director position was filled from a promotion within the agency.
- SANDAG's transit capital project development work continued its significance during the audit period. This included the three new *Rapid* lines—*Rapid* 215 between San Diego State University and downtown San Diego, *Rapid* 235 between Escondido and downtown San Diego, and *Rapid* 237 between Rancho Bernardo and UC San Diego; completion of the Gilman Transit Center at UC San Diego serving MTS and NCTD bus routes, SuperLoop, *Rapid*, and campus shuttles; continued work on the 11-mile Mid-Coast Corridor Transit Project, which will extend trolley service from the Old Town Transit Center to UC San Diego and University City; and continued NCTD Coaster track improvements.
- SANDAG, working with the U.S. Department of Transportation, local partners, and Caltrans, delivered the Integrated Corridor Management (ICM) system, which coordinates incident and congestion management across jurisdictions and modes of travel, including I-15 freeway, local streets, and transit.
- SANDAG relaunched the regional traveler information system under the banner of 511, enabling the commuting public to make the best travel choice that results in reduced congestion, influences mode shift, and thus reduces energy consumption.
- SANDAG approved the Regional Bike Plan Early Action Program (Bike EAP), a \$200 million initiative to expand the bike network countywide and finish high-priority projects within a decade.
- SANDAG commenced construction of major highway projects including the Interstate 5 (I-5)/Genesee Avenue Interchange Project, Segment 1 of State Route (SR) 11, the SR 76 East Segment between South Mission Road and the SR 76/I-15 interchange, and the I-5/I-8 Connector Project, and completed other projects including the I-805 HOV/Carroll Canyon Road Extension Project and the I-15 Mira Mesa Direct Access Ramp and Miramar College Transit Station.
- SANDAG worked closely with MTS, NCTD, Amtrak, and several other agencies to plan and manage improvements to the LOSSAN corridor between San Diego, Orange, and Los Angeles counties. Improvements include double tracking, positive train control, and other system enhancements.
- SANDAG fully implemented the Compass Card and transferred the program to MTS. SANDAG and the transit operators transitioned monthly passes and other fare instruments to the Compass Card.
- Updates to key transportation documents were completed:
 - Merged the RTP/SCS and RCP into the completed document *San Diego Forward: The Regional Plan*.

- Adopted final environmental documentation for the Mid-Coast Corridor Transit Project, with Federal Transit Administration (FTA) permission granted to enter the engineering phase.
- Updated the Coordinated Plan for San Diego County addressing unmet transit needs.
- Gained California Coastal Commission approval of the North Coast Corridor Public Works Plan Resource Enhancement Program.

SANDAG continues to monitor capital projects' budgets to ensure timely completion and to address any issues that may arise. SANDAG conducts an annual *TransNet* Plan of Finance review that updates the latest project cost estimates, revenue forecasts and cashflow needs. These reviews allow the SANDAG Board of Directors to make adjustments to the capital program to ensure sufficient funding is available when needed to complete its capital program.

SECTION III: COMPLIANCE REVIEW

The TDA compliance review assesses RTPA compliance with state mandates. This section provides a review of SANDAG’s compliance with the requirements of the Transportation Development Act for regional transportation planning agencies. SANDAG is the state-designated Regional Transportation Planning Agency and its performance audit includes an assessment of compliance with relevant TDA requirements in California Public Utilities Code Sections 99231–99401.5 and California Code of Regulations Section 6662. The compliance assessment also reviews SANDAG’s efforts to address prior performance audit recommendations.

Compliance Assessment

SANDAG is in compliance with PUC and California Code of Regulations (CCR) requirements, as specified in the *TDA Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, issued by the California Department of Transportation Division of Mass Transportation in September 2008. These requirements oblige RTPAs to:

- Review claims to ensure that funds dispersed do not exceed allocations.
- Adopt rules for review of Article 3 pedestrian and bicycle facilities claims.
- Establish a Social Services Transportation Advisory Council (SSTAC).
- Make “reasonable efforts” findings regarding productivity improvements prior to approving increases in TDA funding for operators. This includes reviewing progress to implement prior audit recommendations at least annually, prior to approval of TDA funds.
- Ensure that claimants submit an annual report to the California State Controller.
- Conduct performance audits of SANDAG, MTS, and NCTD every three years, including:
 - Notifying the State regarding completion of performance audits and transmitting a copy of the RTPA audit.
 - Including required compliance reviews in transit operator audits.
- Adopt rules and regulations for revenue ratios.
- Adopt criteria for evaluating Article 4.5 community transit service claims.
- Allocate STA funds for mass transportation purposes only.
- Allocate STA 99314.3 funds to transit operators.
- Conduct an annual public hearing to gain input from transit-dependent and transit-disadvantaged persons.
- Conduct an independent fiscal audit and transmit it to the State Controller.

Compliance for each requirement has been assessed as follows:

- Fully compliant
- Partially compliant, with additional actions required to achieve full compliance
- Not applicable

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
PUC Section 99231	All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund moneys apportioned to that area.	Compliant: SANDAG did not allocate more Local Transportation Fund monies than were apportioned to San Diego County for each year of the performance audit period as verified by comparison of apportionment findings to actual allocations. Actual claims may exceed apportionments as a result of claims against carryover balances from the preceding year. Revised claims have been made and approved by SANDAG for shifting the same total amount of LTF between operations and capital.
PUC Sections 99233 & 99234	The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.	Compliant: SANDAG's Policy 27, last amended in October 2013, defines the procedures for administering TDA funds. SANDAG's <i>Transportation Development Act Claim Manual</i> , updated April 2009, provides further detail and serves as a guidebook for claimants. Chapter 3 of the manual describes the process for submitting claims for bicycle and pedestrian projects. Policy 27, the TDA Claim Manual, and the TDA claim forms are all available on SANDAG's TDA website (http://www.sandag.org/index.asp?projectid=17&fuseaction=projects.detail). The agency allocated portions of the 2 percent of eligible LTF funds to bicycle and pedestrian projects during the audit period. During the prior audit period, the annual call for projects process was delayed due to the adoption of the Regional Bicycle Plan. Once the plan was adopted, according to Resolution 2013-09, the amount held in reserve was allocated to various local jurisdictions through a Call for Projects process and approved by the Board in September 2012. Later, according to Resolution No. 2014-19, SANDAG claimed the funds for a regional bicycle facilities project in June 2014.
PUC Sections 99238 & 99238.5	The RTPA has established a social services transportation advisory council (SSTAC). The RTPA must ensure that there is a citizen participation process which includes at least an annual public hearing.	Compliant: The Social Services Transportation Advisory Council (SSTAC) held annual public hearings to gain input from transit-dependent and transit-disadvantaged persons. The public hearings are mandated through PUC Section 99238.5 for a public participation process. The meetings were held in the SANDAG offices in downtown San Diego, and via video conference from the office of North County Transit District in Oceanside. Hearings were held on 9/17/12, 9/16/13, and 11/17/2014. In addition, bimonthly SSTAC meetings include a public comment period at the beginning of each meeting.

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
<p>PUC Section 99244</p>	<p>The RTPA has annually identified, analyzed and recommended potential productivity improvements that could lower the operating costs of those operators that operate at least 50 percent of their vehicle service miles within the RTPA's jurisdiction. Recommendations include, but are not limited to, those made in the performance audit.</p> <ul style="list-style-type: none"> • A committee for the purpose of providing advice on productivity improvements may be formed (not required). • The operator has made a reasonable effort to implement improvements recommended by the RTPA, as determined by the RTPA, or else the operator has not received an allocation that exceeds its prior year allocation. 	<p>Compliant: SANDAG's Policy 27 and <i>Transportation Development Act Claim Manual</i> describe the agency's responsibilities with regard to identifying and recommending potential productivity improvements. Policy 27 states that performance improvement is best measured over a multiyear time frame that focuses on longer-term trends. Performance recommendations are divided into two categories: (1) performance improvement recommendations; and (2) performance audit recommendations. Each claimant is required to provide sufficient information in their TDA claim. Per SANDAG instructions, the transit claimants' performance improvement information is not included in the TDA claim, but forwarded directly to SANDAG's Planning Department. The Board resolution approving the annual claims makes a finding that the transit claimants have made reasonable efforts to implement productivity improvement recommendations.</p> <p>SANDAG Board Policy 18 establishes a requirement for annual and quarterly monitoring of transit performance for both MTS and NCTD operations. Six performance indicators are evaluated for the quarterly review, which are consistent with the annual performance measures required by the TDA. These indicators are tracked for 13 quarters to provide year-over-year trends as well as quarter-to-quarter changes in performance. SANDAG staff develop quarterly reports for distribution and discussion at the Regional Short Range Transit Planning Task Force meetings.</p>
<p>PUC Section 99245</p>	<p>The RTPA has ensured that all claimants to whom it allocates TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year (December 30). However, the responsible entity may grant an extension of up to 90 days, as it deems necessary.</p>	<p>Compliant: SANDAG provided letters to the State Controller to verify timely submittals of annual certified fiscal and compliance audits for MTS and NCTD.</p>

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
PUC Sections 99246 & 99248	The RTPA has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA money, and to the RTPA within 12 months after the end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to the operator for that or subsequent fiscal years until the audit was transmitted.	Compliant: SANDAG contracts for triennial performance audits of its activities and of the activities of the operators in its jurisdiction. Performance audit requirements are discussed in Appendix C of SANDAG's <i>Transportation Development Act Claim Manual</i> . The previous audit and the current audit both include the required calculations and assessments. The previous audits of SANDAG, MTS, and NCTD were submitted to SANDAG in June 2013, within 12 months after the end of the triennium.
PUC Section 99246(c)	The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPA has certified in writing to the Director that the performance audits of operators located in the area under its jurisdiction have been completed.	Compliant: The FY10–FY12 performance audits were completed in June 2013 and submitted to the California Department of Transportation.
PUC Section 99246(d)	<p>The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247.</p> <p>The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2.</p>	<p>Compliant: The current triennial performance audits of MTS and NCTD include the required five key performance measures.</p> <p>Both transit operators included in the performance audit program provide service to the general public and are not precluded from employing part-time drivers or contracting service during peak hours.</p>
PUC Sections 99270.1 & 99270.2	The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and new urbanized areas.	Compliant: Chapter 4 of SANDAG's <i>Transportation Development Act Claim Manual</i> and SANDAG's Policy 27 include the revenue ratios that must be met by MTS and NCTD.

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
PUC Section 99275.5	The RTPA has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	<p>Compliant: SANDAG's criteria and regulations for the evaluation of Article 4.5 claims are described in Chapter 5 of the <i>Transportation Development Act Claim Manual</i> and in Sections 7 and 11 of SANDAG Policy 27.</p> <p>As permitted by TDA, SANDAG allocates 5 percent of annual LTF revenue (after allocations for planning, administration, and pedestrian and bicycle projects) for community transit services. A maximum of 2 percent of Article 4.5 funds are available to the CTSA (FACT). A TDA 4.5 Fund Eligibility Worksheet is prepared by the claimants to determine the maximum eligibility for operating funds and anticipated fare revenue ratio with and without local support. Per eligibility requirements in Section 7.2(3) of Policy 27 for Article 4.5, the claimant must meet a 10 percent farebox recovery ratio. Local support may be included toward meeting the farebox ratio. There is no farebox recovery standard for FACT, as its CTSA services do not include direct operations. SANDAG is working with FACT to develop updated eligibility criteria.</p>
PUC Sections 99310.5 & 99313.3 & Proposition 116	State Transit Assistance (STA) funds received by the RTPA are allocated only for transportation planning and mass transportation purposes.	<p>Compliant: STA guidelines are included in Chapter 8 of SANDAG's <i>Transportation Development Act Claim Manual</i> and in SANDAG Policy 27. In the San Diego region, claims for STA formula funds are filed by eligible Article 4 operators for public transportation purposes and by eligible Article 4.5 claimants for community transit services. The formula is consistent with the allocation made by the State Controller, which is on a population basis. MTS is apportioned STA funds directly from the State for allocation to eligible operators within the MTS area. STA funds for NCTD are apportioned to SANDAG, which then allocates them to NCTD for the area outside of the MTS area.</p>
PUC Section 99314.3	The amount received pursuant to Public Utilities Code, Section 99314.3, by each RTPA for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office.	<p>Compliant: The formula for allocating STA funds is described in Chapter 8 of SANDAG's <i>Transportation Development Act Claim Manual</i>. The STA funds under this PUC section are allocated according to the ratio of total revenue for each operator in the area under SANDAG's jurisdiction during the prior fiscal year to the total revenue of all operators in the state during the prior fiscal year.</p>

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
<p>PUC Section 99401.5</p>	<p>If TDA funds are allocated to purposes not directly related to public or specialized transportation services, or facilities for exclusive use of pedestrians and bicycles, the transit planning agency has annually:</p> <ul style="list-style-type: none"> • Consulted with the Social Services Transportation Advisory Council established pursuant to PUC Section 99238 • Identified transit needs, including: <ul style="list-style-type: none"> – Groups who are transit-dependent or transit-disadvantaged – Adequacy of existing transit services to meet the needs of groups identified – Analysis of potential alternatives to provide transportation services • Adopted or reaffirmed definitions of “unmet transit needs” and “reasonable to meet” • Identified the unmet transit needs and those needs that are reasonable to meet • Adopted a finding that there are not unmet transit needs; that there are no unmet transit needs that are reasonable to meet; or that there are unmet transit needs including needs that are reasonable to meet <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p>	<p>Not applicable: Under the provisions of Section 99232, jurisdictions within San Diego County are not eligible to claim Article 8 funds for local street and road improvements. Therefore, the unmet transit needs process described in PUC Section 99401.5 is not applicable. However, as described earlier in this compliance matrix, an annual hearing is held during a SSTAC meeting each September to meet the requirements of PUC Section 99238.5 to address the unmet transit needs of the SSTAC’s constituent groups. Each hearing item is documented and followed up with the appropriate staff and agency.</p>

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
CCR Section 6662	The RTPA has caused an audit of its accounts and records to be performed for each fiscal year by the county auditor, or a certified public accountant. The RTPA must transmit the resulting audit report to the state controller within 12 months of the end of each fiscal year, and it must be performed in accordance with the Basic Audit Program and Report Guidelines for California Special Districts prescribed by the state controller. The audit shall include a determination of compliance with the Transportation Development Act and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county, or other agency. The RTPA must maintain fiscal and accounting records and supporting papers for at least four years following fiscal year close.	<p>Compliant: The SANDAG financial audits are performed by independent auditors under contract to SANDAG and are conducted in accordance with the Government Auditing Standards issued by the US Comptroller General. Audit reports were transmitted to the State Controller within 12 months of the end of each fiscal year:</p> <p>FY 13: December 16, 2013 FY 14: December 5, 2014 FY 15: December 14, 2015</p>

Prior Audit Recommendations

SANDAG has implemented key elements of the three prior performance audit recommendations, but continued work is needed for full compliance with two of them.

Prior Audit Recommendation 1: SANDAG and FACT should work together to review the scope of FACT’s contractual responsibilities and to identify and pursue additional funding sources to support its activities as the CTSA.

Compliance Finding: Partially completed.

SANDAG Actions: Since the date of the original contract execution date with the CTSA, FACT’s role has expanded beyond its contractual role as the region’s CTSA. SANDAG recently commissioned a study to evaluate whether FACT, serving as the CTSA, was meeting the obligations of its agreement with SANDAG. Preliminary findings from the study determined that FACT is generally meeting its CTSA obligations, but because the agreement has become outdated and the original scope of work was vague, it was recommended that SANDAG design an updated agreement in collaboration with FACT that better reflects the current SANDAG goals and objectives for the CTSA and include concrete performance measures. SANDAG is in the process of designing an updated agreement that is focused on specific CTSA activities and that will be consistent with current strategies including those in the Coordinated Plan update. SANDAG will work with FACT to clearly review and clarify the scope of the CTSA contract. Additionally, SANDAG will continue to work closely with FACT on a regular basis to help identify additional funding sources to support FACT’s CTSA-related activities. Performance measures for a CTSA are also being explored, some of which are suggested in this audit as part of the carryover of this prior recommendation for full implementation.

Prior Audit Recommendation 2: SANDAG should consider providing, and requiring the operators to provide, management responses to audit recommendations.

Compliance Finding: Completed.

SANDAG Actions: Shortly following the completion of the prior performance audits in June 2013, SANDAG forwarded the MTS and NCTD audits to the respective operators and requested management responses to the audit recommendations. SANDAG received approval of the audit reports from the Board of Directors in July 2013. The board agenda packet included a staff report summarizing the performance audit findings from all three audits and included an attachment containing audit recommendations and agency management responses. Each responsible agency provided written responses to their respective recommendations and intent to implement them. SANDAG found that this prior recommendation, though not required by law, demonstrates a general understanding of the recommended items and will systematically initiate action (if needed) on the proposed recommendation. As part of the annual TDA claim (Form B of the claim), the operators submit actions taken to implement the recommendations. SANDAG monitors the transit operators' progress toward implementing their TDA audit recommendations through the Short Range Transit Planning Task Force, and brings findings to the Board of Directors annually through the resolution approving the TDA claims. SANDAG presents its Transit Productivity Improvement Program to the SANDAG Board and, among the attachments, provides the operator statement of efforts made to implement performance audit recommendations. This update provides a check on the action status to implement prior recommendations as a condition of MTS and NCTD receiving TDA funds.

Prior Audit Recommendation 3: SANDAG should work with NCTD and MTS to identify and develop opportunities to define fare policies to enhance connectivity between the two operating agencies and with other connecting providers of public transportation services, such as Amtrak and Metrolink.

Compliance Finding: Not implemented.

SANDAG Actions: As the agency currently responsible for setting the regional fare policy, SANDAG works regularly with the operators to discuss opportunities to coordinate service delivery and enhance regional connectivity. SANDAG has budgeted for a fare study in the FY 2016 Overall Work Program (OWP) to address this prior recommendation. In the OWP, a fare study will be conducted to address simplifying the fare structure and assessing the need for future fare changes to maintain regional farebox recovery rates. This is contained in task number 2 under Short-Range Transit Service Activities of the Transit Service Planning Group Program. This recommendation is carried forward in this audit for implementation.

SECTION IV: FUNCTIONAL REVIEW

SANDAG's RTPA functions were reviewed as part of the triennial performance audit. The functional review covers SANDAG's role and performance in the following areas:

- RTPA administration and management
- Claimant relationships, including transit productivity oversight
- Transportation planning and regional coordination
- Marketing and transportation alternatives
- Grant applications and management.

Together with the compliance review in Section III, the functional review provides the basis for recommendations offered for SANDAG's consideration in Section V and meets the three primary SANDAG objectives for the RTPA TDA triennial performance audit:

- Identify areas where the TDA administrative process may be improved
- Determine whether SANDAG is complying with the TDA rules and regulations
- Suggest improvements to the TDA administrative process which would be meaningful and cost-beneficial

Each of the functional areas is discussed in this section.

Administration and Management

The SANDAG Board of Directors consists of 21 elected officials, including two from the City of San Diego, two from the County of San Diego, and one from each of the remaining 17 incorporated cities. Nine additional advisory members sit with the Board but do not have voting privileges. Agencies/jurisdictions with advisory representatives include Imperial County, the California Department of Transportation, MTS, NCTD, the US Department of Defense, the San Diego Unified Port District, the San Diego County Water Authority, the Southern California Tribal Chairmen's Association, and the Consul General of Mexico. The SANDAG Board of Directors, which meets twice monthly, has five standing committees (Executive, Transportation, Regional Planning, Borders, and Public Safety). The first board meeting each month is a policy meeting held on the second Friday, followed by a business meeting held on the fourth Friday. Various working groups and advisory committees are also formed and meet on particular topics such as biking and walking, environment, transportation, and land use and regional growth.

Each year, the Office of General Counsel solicits requests from staff and leadership for any suggested changes to board policies or bylaws and reviews these documents to determine if updates or changes should be recommended to the Board of Directors. The SANDAG bylaws were amended twice during the audit period in March 2014 and November 2014. Changes were made to reflect the elimination of the Second Vice Chair position effective for the calendar year 2015 leadership selection process and to allow implementation of a supplemental process when applicant ineligibility does not allow the Nominating Committee to recommend any applicant for a leadership position. Shortly after the audit period, in December 2015, the Board of Directors approved the reinstatement of the Second Vice Chair position, recognizing the depth and complexity of issues facing SANDAG in the coming years and the commensurate workload on board leadership necessary to address those issues.

The Board's voting structure is designed to ensure that its actions reflect the interests of the majority of jurisdictions and the regional population. Consent items require only a majority of the unweighted tally vote (i.e., one vote per agency). Board actions require majorities of both the unweighted tally and the weighted (by population) vote. Each jurisdiction's weighted votes are recomputed every July 1.

Jurisdiction	Tally	Weight	Jurisdiction	Tally	Weight
Carlsbad	1	3	Lemon Grove	1	1
Chula Vista	1	8	National City	1	2
Coronado	1	1	Oceanside	1	5
County of San Diego	1	16	Poway	1	1
Del Mar	1	1	San Diego	1	40
El Cajon	1	3	San Marcos	1	3
Encinitas	1	2	Santee	1	2
Escondido	1	5	Solana Beach	1	1
Imperial Beach	1	1	Vista	1	3
La Mesa	1	2	TOTAL	19	100

The Transportation Committee, which advises the SANDAG Board on policy issues related to transportation, is one of four standing policy advisory committees created by SB 1703.³ The Transportation Committee assists in the preparation of transportation planning documents, including *San Diego Forward: The Regional Plan* and the Coordinated Plan, and oversees the schedules, cost, and scope of transportation projects undertaken by SANDAG. The Transportation Committee approves the budget development guidelines provided to MTS and NCTD to assist them in preparing their annual budgets and also approve the annual TDA allocations.

The Transportation Committee is made up of nine voting board members representing:

- East County
- North County Coastal
- North County Inland
- South County
- City of San Diego Mayor or Councilmember
- County of San Diego Supervisor
- MTS
- NCTD
- San Diego County Regional Airport Authority

SANDAG made significant changes to the organization during the audit period to create greater efficiencies as the agency undertakes additional project implementation responsibilities and more complex regional coordination and planning. SANDAG shifted positions and technical groups between existing departments, created new departments, and hired a new Chief Deputy Executive Director from within the agency to replace the former chief deputy who retired. The current organization provides exposure for staff to more aspects of SANDAG's operations and cross-training as project team members crossing departmental disciplines. Project delivery of large capital investments under aggressive schedules required by SANDAG's Early Action Program are overseen by trained project managers who have created better documentation of standard processes.

Significant to the organization was the creation of the *TransNet* Department, which consolidates transportation programming and funding oversight. This department combines staff pulled from the Mobility Management and Finance departments and is responsible for coordinating the annual five-year revenue forecast including TDA funds, *TransNet* sales tax revenue, and federal formula funds; processing TDA claims and authorizing payment; and programming funding for major transportation projects through

³ SANDAG's fifth standing committee, the Public Safety Committee, was not required under SB 1703 but SB 1703 does authorize SANDAG to appoint other standing committees as needed.

the Transportation Improvement Program. Both the *TransNet* and Finance departments follow SANDAG Policy 27 that lays out the procedures for administration of TDA.

As the RTPA, SANDAG is responsible for allocating TDA funds to the region's 18 cities, the County, and transit operators. SANDAG's Board serves as the approving body for Transportation Development Act claims. In February each year, SANDAG prepares the annual apportionments and the five-year estimate of transit revenues. The SANDAG Board adopts the resolutions allocating TDA funds: Articles 3, 4, 4.5, and 8 funds,⁴ Planning and Administration funds, and STA funds allocated to NCTD. The MTS STA allocation is made directly to MTS by the State. Pursuant to passage of SB 508 in October 2015, which makes changes to the farebox recovery calculation and the method used to conduct the STA efficiency test, SANDAG should update its policy and notify the operators of these changes in how the TDA claims will be reviewed. MTS, NCTD, and FACT, serving as the CTSA for the County, prepared their own TDA claims and submitted them to SANDAG. Claims are submitted electronically for more efficient processing by the operators, either by CD or electronic e-mail submittal. The relatively small amount of LTF available for the CTSA is approved by the transit planning group that manages the agreement with FACT. Monthly cash flow payments are set up by the Finance Department upon approval of the claims by the SANDAG Board and instructions submitted to the County Auditor/Controller. The Finance Department also compares financial audit figures supplied by the local jurisdictions against SANDAG figures for accuracy.

As part of the resolution for Article 4, the Board is required to make a “reasonable efforts” finding with respect to operator actions to achieve stated performance targets, including PUC Section 99244. SANDAG makes this assessment by reviewing a combination of performance trends and performance against productivity improvement recommendations. Central to the Productivity Improvement Program (PIP) is the Quarterly Transit Performance Monitoring Program that focuses on shorter-term historical trends, the Coordinated Plan that sets transit performance goals and links current performance with future strategies for the next five years, and the TDA claims submitted by MTS and NCTD that include operators' budgeted data and responses to triennial performance audit recommendations. The PIP report, discussed further in this chapter, is composed of four elements: performance improvement recommendations, performance measures for each operator, reasonable efforts findings regarding operators' steps to improve productivity, and operators' steps taken to implement triennial audit recommendations. The reasonable efforts finding is based primarily on the operating trends resulting from the required TDA performance measures and the audit response recommendations.

The Productivity Improvement Program includes all of the performance measures explicitly stated in the state TDA Manual Section 99246(d). Additionally, SANDAG tracks multiyear trends since it is recognized that steps taken by the transit agencies to improve system performance may take several years to be fully realized. For example, the PIP for FY 2011 included the evaluation of the following TDA performance measures over a three-year (12-quarter) period:

- Operating Cost per Passenger (adjusted for annual inflation) – measures cost-effectiveness
- Operating Cost per Revenue Hour (adjusted for annual inflation) – measures cost-efficiency
- Passengers per Revenue Hour – measures service productivity
- Passengers per Revenue Mile – measures service productivity
- Revenue Hours per Employee – measures labor productivity
- Farebox Recovery Ratio – measures service cost-efficiency

These performance indicators are measured separately for each fixed-route service (MTS Trolley, MTS Bus, NCTD Sprinter, NCTD Coaster, and NCTD Breeze Bus) and Americans with Disabilities Act (ADA) paratransit services operated by the two agencies.

⁴ Although SANDAG is prohibited by TDA law to allocate Article 8 funds for streets and roads, claims under this article section are made by MTS for express bus service and Coronado ferry service.

The indicators help in assessing whether the agency is obtaining the desired results from the system and whether overall performance is improving based on regional strategies and/or service operation plans. The indicators are also designed to help the transit operators determine where improvements can be made. These improvements can be incorporated into each operator's Service Improvement Plan, which is submitted to SANDAG and included in the Coordinated Plan that is updated by SANDAG.

In addition to the three-year performance monitoring conducted with annual TDA claim submittals, the triennial performance audits provide improvement recommendations for the transit agencies. These recommendations, and the associated MTS and NCTD action plans to implement them, are identified in the operators' TDA claims and reviewed by SANDAG for the Productivity Improvement Program.

Personnel Management

SANDAG employees comprise full- and part-time staff as well as limited-term employees and interns. Limited-term employees are treated as benefitted full-time employees, the primary difference being that their work term is set at between one and three years to work on specific projects. Along with part-time employees, these competitive employment positions provide SANDAG with a level of employment flexibility as the agency continues to evolve. Of the total SANDAG roster of approximately 370 employees, about 220 are full-time, with the balance spread among limited-term and part-time employees and interns. The culture at SANDAG is based on cross-training and communications, which offer professional development from working on projects and serve as factors that determine both employee and agency success. Performance evaluations are conducted annually around the month of June, with pay for performance incentives available. Agency-wide strategic goals are used to establish the employees' own personal goals that tie back to the agency's goals. Other performance criteria flow down based on the agency and personal goals including areas of emphasis, competency development, and professional development that are used to provide more specific evaluation factors for the employee in meeting the desired professional job responsibilities. A two-part evaluation method is used to measure success factors determined through the employee's competencies and goal setting that match those of the agency.

Transit Productivity Oversight

SANDAG continues to use the Productivity Improvement Program to oversee MTS's and NCTD's efforts to improve their productivity. SANDAG's TDA Claim Guidelines specify that operators filing claims for Article 4 funds must respond to productivity improvement recommendations in three areas:

- Performance trends measuring productivity (passengers per revenue hour), service efficiency (operating cost per passenger and farebox recovery ratio), quality of service (on-time performance and percentage of completed trips), and service effectiveness (passengers per population)
- Productivity improvement recommendations developed by the operators
- Triennial performance audit recommendations.

Operators file quarterly data reports with SANDAG that include service statistics such as revenue hours and miles, as well as financial information including operating costs and fare revenues. SANDAG uses this quarterly statistical data to calculate performance indicators and analyze performance trends over the last 12 quarters. The program clearly shows performance trends over time, and allows particular milestone dates such as service and fare changes to be identified relative to those trends. This performance monitoring program has been incorporated into the annual Coordinated Plan's performance monitoring chapter.

These performance measures, together with the operator's reports on efforts to implement productivity improvements and performance audit recommendations, make up the PIP that is evaluated annually as part of the TDA claim approval process. SANDAG uses this information, together with the forecast

revenue estimates that provide the TDA apportionment amounts for each jurisdiction, as well as *TransNet* funds and FTA grant revenue, to make the required findings for Article 4 allocations including that operators have made reasonable efforts to implement improvements. Without the reasonable efforts finding, an operator's allocation cannot exceed its prior year allocation. Likewise, if the farebox recovery ratio does not meet the minimum permitted, SANDAG must debit the difference in fares to achieve an acceptable farebox recovery ratio from the operator's allocation in the third year (CCR Section 6633.9).

Transit Needs Analysis

In compliance with TDA, SANDAG holds its annual public hearing to solicit feedback on the transportation needs of seniors, individuals with disabilities, and individuals of limited means. SANDAG staff requested clarification on the regulations informing this process. PUC Section 99238 requires a Social Services Transportation Advisory Council to be formed by each transportation planning agency. The section spells out the role for the SSTAC should there be the unmet transit needs process under PUC Section 99401.5, which SANDAG is not required to conduct. The section also indicates the SSTAC's participation in identifying unmet needs and advising on other related matters which do not have to occur as part of the unmet transit needs process under PUC Section 99401.5.

The unmet transit needs process described under PUC Sections 99401.5 and 99401.6 is only required in counties where there may be street and road allocations from TDA. In counties with a population of at least 500,000 in 1970, TDA prohibits any allocation to streets and roads. Because San Diego County surpassed the population minimum, SANDAG is not required to undertake the unmet transit needs process described in those PUC sections. Large urban counties not required to undertake the unmet needs process under Section 99401.5 are not required to reaffirm the definitions of unmet needs or adopt a resolution.

On the other hand, PUC Section 99238.5 requires that each transportation planning agency such as SANDAG hold at least one annual public hearing to solicit transit needs regardless of the unmet needs process under Section 99401.5. In counties prohibited from making street and road allocations, or that have historically allocated all TDA funds for transit, agencies have held an annual public hearing and collected input on transit needs. There is no need for a separate unmet transit needs hearing under PUC Section 99401.5.

The SSTAC is be utilized during the public hearing to the extent possible, to help organize, participate in, or market the hearing, and/or other participatory actions. The comments received from the public hearing are shared with the full SSTAC and the transit operators, and serve as a planning tool for consideration and consistency with the operator's short-range transit plan. In the case of SANDAG, the SSTAC is very involved in the public hearing process in which the hearing is held during a SSTAC meeting each September. Public comment is also received online. SANDAG staff organize the comments into a spreadsheet list of items and provide follow up to each comment by the November meeting. Follow-up is made with the commenter, within SANDAG departments for clarification or further information, or with the transit operator for consideration. If the comment warrants significant attention, SANDAG will create an agenda item of its own to address the comment.

In addition to the transit needs hearings, SANDAG staff engage the SSTAC in a broader discussion of transportation. Meetings are held every other month to cover a variety of regular agenda topics including service updates by MTS, NCTD, and FACT; development of the Coordinated Plan; status updates of grants; and appointments of members. Members are provided a complimentary transit pass to attend meetings and are able to voice their comments in a more inviting forum. A significant new activity has been for SSTAC members to meet individually with SANDAG engineers to view construction project plans and allow the members to make suggestions and offer ideas that accommodate special transportation needs. SANDAG staff bridged the relationship between the SSTAC and engineering to foster cooperative efforts during the construction phases.

Planning and Regional Coordination

In its role as the regional transportation planning agency for San Diego County, SANDAG annually allocates millions of dollars in federal, state, and local funds for the regional transportation network. SANDAG's responsibilities include the development of a variety of regional transportation planning and funding documents. During the audit period, SANDAG developed and adopted several transportation planning documents, including the Regional Plan, an update to the Coordinated Plan, and the next Regional Transportation Improvement Program. Each of these plans is discussed in greater detail below.

- *San Diego Forward: The Regional Plan* was adopted by the SANDAG Board of Directors on October 9, 2015. It combines the big-picture vision for how the region will grow over the next 35 years with an implementation program to help make that vision a reality. It integrates the Regional Transportation Plan (RTP), the Sustainable Communities Strategy (SCS), and the Regional Comprehensive Plan (RCP) into one document to chart the region's future growth and transportation investments. The Regional Plan is updated every four years.

While the previous 2050 RTP/SCS was current at the time of adoption, the data in the RCP was almost 10 years old and conditions had changed significantly. The RCP no longer reflected important developments that had occurred in the region, such as the economic downturn, loss of funding for redevelopment, and a stronger emphasis on public health and social equity in the SANDAG planning process. Additionally, the RCP did not address more recently adopted statewide climate legislation such as Assembly Bill 32 and Senate Bill 375. In anticipation of updating the RCP, SANDAG conducted a scoping process in late 2011 and early 2012 and sought input from the SANDAG Board of Directors, other SANDAG working groups, community-based organizations, and various stakeholders. Input from those meetings revealed an opportunity to merge the region's two primary planning documents. In May 2012, the SANDAG Board of Directors directed staff to combine the RCP and the Regional Plan into one comprehensive planning document for the region. Also new to the regional planning process in shaping the Regional Plan update was the integration of public health and formulation of a Public Health Stakeholders Working Group.

The Board accepted the vision and goals for the Regional Plan in May 2013. SANDAG used project evaluation criteria and network performance measures informed by the plan goals as elements of a multistep process to evaluate and prioritize transportation projects in the development of the revenue constrained multimodal transportation network. The Board approved the final project evaluation criteria in October 2013. The plan performance measures were used to compare multimodal network scenarios and aided the Board in the selection of a preferred network of transportation projects for the Regional Plan.

SANDAG implemented a comprehensive public outreach and involvement program. Early in the planning process, the agency developed a Public Involvement Plan to guide the public outreach program. Per Government Code Section 65980(b)(2)(E), public involvement plans for individual projects must draw upon the SANDAG Public Participation Plan, which serves as a guiding framework. The Public Participation Plan was adopted by the SANDAG Board of Directors in December 2012, and the Public Involvement Plan was subsequently adopted in February 2013. The Public Involvement Plan included six main approaches for implementing the strategies in coordination with key milestones in the development of the plan. The six approaches were:

- Research
- Public information
- Face-to-face interactions
- Community-based partnership network
- Web-based interactive communications

- Media

SANDAG leveraged the community-based partnership network to reach out to underrepresented populations who might not otherwise become involved in the planning process. The network provided a culturally relevant structure for developing local protocols, crossing language barriers, and structuring meetings. The partnership network was developed through competitive contracts awarded by SANDAG with a primary goal to engage and encourage diverse, inclusive, and active public participation from stakeholders in specific communities (e.g., low-income, seniors, minorities, persons with disabilities, and other identified populations). Twelve community-based organizations formed the partnership network.

SANDAG also developed a Tribal Consultation Plan to ensure that tribal nations have a voice in the decision-making process. The plan included a set of information sessions to clarify the current RCP and Regional Plan elements, a survey to all tribal nations on the issues of importance to them, a set of policy workshops on the resulting priority areas, the development of a position paper that outlines the tribal perspective on regional issues based on the results of the workshops, and a Regional Tribal Summit between SANDAG and the Southern California Tribal Chairmen’s Association (SCTCA).

The Regional Plan was developed in a format tailored for the general public audience. The main chapters describe the outcomes of the technical analysis and the impacts to the region in an easy-to-read format with the text enhanced with informative graphics, maps, and photographs. Detailed technical work was placed in the appendices section of the plan. Because of the required number of separate technical topic areas addressed in the Regional Plan, three primary analyses are included in the plan, with the remaining supporting work included in electronic format. The required documentation contained in the appendices includes:

- Transportation projects, costs, and phasing
- Air quality planning and transportation conformity
- Sustainable Communities Strategy documentation and related information

A separate Quick Guide document provides a condensed user-friendly version to the main plan, and is printed in both English and Spanish. All Regional Plan documentation is available on a companion website to the SANDAG website (<http://www.sdforward.com/>).

- SANDAG’s Policy 18 requires an update, no less often than every two years, to the *Regional Short-Range Transit Plan* and the *Coordinated Public Transit-Human Services Transportation Plan*. SANDAG’s Coordinated Plan addresses both these requirements as well as transit performance improvements as required by the Transportation Development Act.

The Coordinated Plan provides a five-year blueprint for the implementation of public transit and social service transportation concepts described in the long-range *San Diego Forward: The Regional Plan*. A prominent theme in the current Coordinated Plan is to further define the administration and implementation of MAP-21 in regard to specialized transportation grant programs, such as FTA Section 5310, Enhanced Mobility for Seniors and Individuals with Disabilities. The Coordinated Plan not only helps to identify transportation-disadvantaged population groups but also works to address the specific travel needs of each group. While past plans have focused on a passenger-first perspective toward planning, this plan addresses a more holistic view of what services will meet the population’s needs as a whole over the next five years.

The Coordinated Plan allows the distribution of local funding for projects targeted at seniors (through the Senior Mini-Grant program), which was created through *TransNet*. The plan

describes the procedures to be followed under the various grant program competitive processes and provides an overview of the monitoring and reporting requirements that follow project funding. A Regional Service Implementation Plan is also included to help ensure annual transit operational changes are consistent with longer-range regional transportation goals included in the long-range Regional Plan. A performance monitoring program complete with goals, policies, and specific transit performance measures is contained in the Coordinated Plan.

The Coordinated Plan is prepared in collaboration with MTS, NCTD, Caltrans District 11, the SANDAG SSTAC, and FACT (the CTSA for San Diego County), as well as with input from social service agencies, citizens, stakeholders, and transportation service providers. Serving as the transit operator Short Range Transit Plan, the Coordinated Plan provides a framework for transit system development over a five-year horizon and reflects the direction for service development described in the Regional Plan. The community outreach program included five outreach meetings in both the urban and rural areas of the region and one focus group, and satisfied the federal requirements to ensure diverse public input in determining local transportation needs.

- Metropolitan Planning Organizations, such as SANDAG, are required by federal law to develop and implement a Regional Transportation Improvement Program (RTIP) every four years; however, the State has been updating the RTIP every two years. The RTIP is a multiyear, multibillion-dollar program of proposed projects for major highway, arterial, transit, and bikeway projects. Any transportation project funded with federal or state funds or by *TransNet* must be included in an approved RTIP. During the audit period, SANDAG developed the 2014 RTIP. The latest RTIP update, for the period FY 2015–FY 2019, was approved by the SANDAG Board of Directors in September 2014 and implements the long-range Regional Plan. The 2014 RTIP/2015 FSTIP received federal approval on December 15, 2014. Member agencies are able to propose changes to the RTIP using ProjectTrak, which is an online public website application program allowing users to view and search the most up-to-date versions of federally approved projects included in the SANDAG RTIP. Multiple RTIP amendments are processed and adopted by the SANDAG Board as conditions change, including a release of air quality conformity determinations by the US Department of Transportation, in consultation with US Environmental Protection Agency, and SANDAG’s subsequent conformity analysis.

SANDAG also conducts studies and surveys to assist SANDAG, the transit providers, and other stakeholders in the transportation community to better understand and meet the region’s needs. During the audit period, completed projects include:

- San Ysidro Intermodal Transportation Study was accepted by the SANDAG Transportation Committee in June 2014. The study identifies a concept for a potential future multimodal Intermodal Transportation Center (ITC) in the vicinity of the San Ysidro Port of Entry and includes a financial feasibility analysis and strategies for development of the ITC.
- SANDAG, in cooperation with MTS and NCTD, conducted an onboard survey on all fixed bus, train, and trolley routes in the region from February through November 2015 in order to inform transit planning and focus on trip behavior and demographics. Interviewers with tablet computers asked randomly selected passengers questions about their transit trips.
- Project design for the East County Bus Maintenance Facility was completed in December 2013. Construction began in the fall of 2014 and is expected to be completed by summer 2016. The project expands the existing site to include a compressed natural gas fueling station to improve operational efficiency and reduce air pollution, as well as update existing buildings, including the bus wash and administration offices.
- The Kearny Mesa Rapid Safe Routes to Transit project provides safer, more comfortable access for people who walk and bike between transit stops and workplaces, lunch spots, and nearby residences. Conceptual planning for the project is complete and was funded in whole through a

grant awarded by the Strategic Growth Council. Final design and construction for these improvements is estimated to cost \$1–\$1.5 million.

Coordinating policy committees support SANDAG’s transit planning, oversight, and support activities. A combination of standing and ad hoc working committees has been established to advise SANDAG’s Transportation Committee. These committees provide elected officials, member agency staff, the public, and other community representatives an opportunity to participate in the regional programs under SANDAG’s purview. During the audit period, the policy committees include:

- The Regional Short Range Transit Planning Task Force, which comprises planning staff from SANDAG, MTS, NCTD, and FACT, is responsible for providing input to and reviewing the Coordinated Plan, overseeing the transit service Performance Improvement Program, and developing regional transit service policies and plans.
- The Cities/County Transportation Advisory Committee advises on regional road system projects, including prioritizing project funding requests and making recommendations to the Transportation Committee.
- The Mid-Coast Corridor Transit Project Working Group provides input on the Mid-Coast Corridor Transit Project purpose and need, alternatives for consideration in the environmental review process, the draft environmental document, and the draft public involvement plan.
- The Active Transportation Working Group assists with planning for and supporting the development of local and regional improvements for active transportation modes (bicycling and walking).
- The Bayshore Bikeway Working Group was established to promote improvements to the 26-mile bikeway around San Diego Bay. Members include the Metropolitan Transit System.
- The LOSSAN Corridor Agency is not a committee per se, but it does provide direct counsel to SANDAG’s Transportation Committee. An amendment to the LOSSAN joint powers authority (JPA) was approved where staffing of the JPA was transferred from SANDAG to the Orange County Transportation Authority and both SANDAG and NCTD participate as member agencies.

As evidenced by the various committees established by SANDAG, all modes of transportation are represented, as are all levels of decision-making (local, state, and federal).

Marketing and Transportation Alternatives

SANDAG plays a limited role in transit marketing in the region, delegating those responsibilities to the operators. SANDAG’s Policy 18 assigned marketing responsibilities largely to the transit operators, with market research activities and regional branding development to be shared by SANDAG and the operators. SANDAG continues to spearhead regional transit data collection efforts as exemplified by the recent onboard survey on all fixed bus, train, and trolley routes in the region.

SANDAG runs San Diego County’s 511 advanced traveler information service. Information is available both through an automated phone system and by using the 511 website (<http://511sd.com/>). The website offers the latest transit news including service changes, quick links to schedules, a transit trip planner, motorist aid, and real-time traffic conditions.

SANDAG’s other most prominent marketing initiative is iCommute, the regional commuter assistance program. Powered by SANDAG and in cooperation with the 511 transportation information service, iCommute is the Transportation Demand Management (TDM) program for the San Diego region. iCommute encourages use of transportation alternatives to help reduce traffic congestion and greenhouse gas emissions. Commuting alternatives offered under iCommute include:

- Carpool/Vanpool Partner Matching – iCommute maintains a database of commuters looking for ride-sharing partners. SANDAG has helped fund a network of park-and-ride lots adjacent to major freeways and with easy access to the carpool or express lanes.

- Regional Vanpool Program – Through iCommute, SANDAG offers \$400 monthly subsidies to groups of commuters to offset the cost of vanpooling. The vans are leased from SANDAG designated vendors. The program has experienced strong growth, especially on the I-15 corridor, and there are over 700 vanpools in operation today. SANDAG has a goal of 736 vanpools by the end of FY 2016.
- Employer Outreach Program – SANDAG offers assistance to employers with setting up commuter benefit programs for their employees.
- Try Transit Pilot Program – This pilot program offers eligible employees a complimentary one-month Compass Card pass for rides on MTS and NCTD services. The program has had limited success.
- Guaranteed Ride Home – In the event of an emergency, this SANDAG program ensures carpool and vanpool participants, bicyclists, pedestrians, and transit riders can get a ride home in a taxi or rental car at no cost. The program provides three emergency rides home annually. To be eligible, the participant must have a valid iCommute account and must pre-register with iCommute.
- Bike locker and information program – SANDAG manages bike lockers at over 60 transit stations and park-and-ride lots in the region. Most locations offer mechanical lockers, but more stations are featuring electronic bike lockers. Bike lockers can be accessed for a \$25 key deposit and are available on a first-come, first-served basis to commuters who register with iCommute. SANDAG also provides a regional bike map, bike buddy matching services, and organizes bike commuting promotion and education events.
- iCommuteSD website – The website (<http://www.icommutesd.com/>) provides information and access to commuter services such as trip planning tools, ridematching, bike lockers, guaranteed ride home, transit information, and various ongoing marketing initiatives.

In fiscal year 2015, iCommute participants had a positive impact on traffic, the environment, and public health in the San Diego region. SANDAG statistics showed the following benefits:

- \$78,357,539 saved on vehicle operating costs
- 12,295,259 calories burned by walking and biking
- 136,371,150 vehicle miles not traveled
- 72,627 tons of carbon dioxide (CO₂) emissions avoided

SANDAG staff share and obtain ideas with others on TDM measures through SANDAG's participation in a national MPO TDM exchange, a Southern California TDM exchange, Association for Commuter Transportation, and a national TDM electronic listserv. A significant improvement in SANDAG's management of the TDM program is a new customer relationship management (CRM) software by salesforce.com that helps manage and analyze customer data using dashboards with the goal of improving business relationships and assisting in customer retention. The software will replace an Excel-Access database program. Also, SANDAG sponsors and promotes individual marketing campaigns such as Rideshare Month and Bike to Work Day. The anticipated next step in promoting alternative transportation options is for SANDAG to develop a regional mobility hub strategy that will integrate shared mobility services, amenities, and urban design enhancements that improve access to transit and increase mobility choices.

Bicycle and pedestrian needs are considered and funded in the transportation planning process. The *TransNet* extension ordinance specifically requires that "all new projects, or major reconstruction projects, funded by revenues provided under this Ordinance shall accommodate travel by pedestrians and bicyclists, except where pedestrians and bicyclists are prohibited by law from using a given facility or where the costs of including bikeways and walkways would be excessively disproportionate to the need or probable use." Additionally, *TransNet* provides 2 percent of its funding for bicycle and pedestrian transportation projects, funds which are a valuable source of matching funding for the dedicated TDA-LTF bicycle and pedestrian money.

SANDAG administers both *TransNet* and TDA funding through its claim process. SANDAG allocated 2 percent of eligible TDA-LTF funds to bicycle and pedestrian projects annually during the audit period. As described earlier in the TDA compliance section, the annual call for projects process was delayed due to the adoption of the Regional Bicycle Plan. Once the bicycle plan was adopted, the amount held in reserve was allocated to various local jurisdictions through a Call for Projects process for various non-motorized projects and approved by the Board in September 2012. Later, SANDAG claimed the funds for a regional bicycle facilities project in June 2014. *Riding to 2050, The Regional Bike Plan*, adopted in 2010, establishes a network of regional bikeway corridors for intercommunity bicycle travel and proposes a comprehensive set of programs to support bicycling in order to make the bicycle a practical means of transportation in the region.

Technical Services

SANDAG's Technical Services unit provides information technology support, carries out SANDAG's model development and modeling support, provides GIS data and services, provides data analysis and technical assistance to SANDAG's transit planners and the transit operators, and is responsible for county demographic and economic forecasts. The unit consolidates most of SANDAG's IT-intensive functions and provides important support services for transit planners and operators.

- Technical Services is responsible for overseeing model development, modeling procedures, and data collection and for operation of the regional transportation demand model. The unit oversees the traffic microsimulation application with the travel demand model, the next-generation activity-based transportation model and a land-economics urban model.
- Technical Services develops, maintains, and documents a set of models for estimating and forecasting demographic and economic activity in the San Diego region. The unit produces a set of annual demographic and economic estimates for the region and inputs for the Regional Growth Forecast as needed. It manages the Data Surfer online data warehouse for the San Diego region that provides census, estimate and forecast information, and reports based on the user's specific needs.
- Technical Services is working with the Intelligent Transportation Systems group to increase the functionality of the Performance Measurement System (PeMS) which includes arterial and transit modules. These modules will serve as the regional platform/vehicle to analyze and assess arterial and transit performance data. These improvements will supplement the SANDAG transit performance monitoring program over the next several years by providing the ability to gather, track, and analyze real-time transit data.

Intelligent Transportation Systems

ITS services are provided under the Operations Department and are geared toward a regional transportation development system. Services are generally divided into three components: IT project planning, project implementation and regional technology standardization, and long-term operations support after transferring the project to the local agency. The Compass Card regional fare project is one example of an ITS product having gone through the three phases. Project development teams are formed around the IT project, which draws on expertise from different SANDAG departments and other agencies. The ITS group provides a home for the systems that are developed and lends its support to the local agencies receiving the IT project to operate.

Grant Applications and Management

As the RTPA, SANDAG's responsibilities potentially include providing technical assistance to MTS and NCTD as they apply for funding from non-TDA sources, such as FTA grants, non-TDA state grants, and grants or appropriations from local government sources such as *TransNet*. These activities may also

include coordination of grant applications in the region, information sharing, and review of operator compliance with grant terms.

For federal grants, SANDAG is responsible for allocating funding and performing the responsibilities of the Metropolitan Planning Organization. Each agency (i.e., SANDAG, NCTD, and MTS) is a direct grantee and is responsible for submitting its own grant applications and following all federal requirements. SANDAG, as the MPO, provides the concurrence for each grant by agency. The transit agencies are responsible for programming the projects in the RTIP. Each year, the SANDAG Board approves the federal formula funds as well as the annual Transit Capital Improvement Program of projects that will be included in the upcoming grant.

If funding was available for discretionary grants, SANDAG would program the funds and provide lobbying and legislative support for the operating agencies. SANDAG's legislative staff provide assistance to sponsor, support, and monitor legislation pertinent to SANDAG's position on issues, and maintain a presence for the agency on leadership roundtables in Southern California and statewide. SANDAG is also an applicant for federal grants and creates teams to generate funding applications, including Transportation Investment Generating Economic Recovery (TIGER) grants for regional projects such as a bridge replacement in the LOSSAN corridor.

For state grants, SANDAG's role depends on the program. SANDAG lends assistance as needed for state grants such as the relatively new Active Transportation Grant Program (ATP) applied for by local jurisdictions serving as the grantees. The first cycle of ATP projects was awarded by the California Transportation Commission in December 2014. For the three ATP cycles, SANDAG compiled a list of completed and active projects, including four such grants that were awarded to SANDAG as the grantee during the first cycle.

In recognition of the ever-growing and more complex process of *TransNet*/SANDAG grant administration and funding requiring coordination and collaboration across the agency, SANDAG established a multidisciplinary Grants Coordination Team, led by the Principal Planner for Land Use Planning and Coordination. Three Principal Planners are responsible for the five SANDAG grant programs:

- *TransNet* Active Transportation Grant Program
- *TransNet* Environmental Mitigation Program: Land Management Grant Program
- *TransNet* Environmental Mitigation Program: Land Acquisition Grant Program
- *TransNet* Smart Growth Incentive Program
- Specialized Transportation Grant Program

The Grants Coordination Team developed a Grant Implementation Guide in June 2014 that is an informational resource for project coordinators, project managers, contract analysts, finance managers, and other staff involved in the administration and oversight of approved SANDAG grants. The guide describes general roles and responsibilities for best practices in grant administration through 27 steps that cover four major phases of grant program implementation: (1) development and release of the Call for Projects; (2) award of the grant funding; (3) implementation and administration of the grant following the award; and (4) performance monitoring of and periodic reporting on the grant.

The coordination and collaboration emphasized for effective grant administration carries over to finance and to contracts and procurement. During grant implementation, the project manager works with the Finance Department to establish SANDAG project numbers for approved projects and to track the financial accounting. Once the grant project has been programmed in the RTIP, the project manager then works with contracts staff to establish a seven-digit agreement number for each of the approved grant projects. The contract number is an assigned agreement number that corresponds to a particular grantee's contract documents. SANDAG is considering procurement of a contract management system to address deficiencies in the current database system and the growing importance of contracts and procurement management while meeting all applicable regulations. Because of current database

inadequacies, there have been challenges in keeping up with contractor data such as updating personnel rates and matching them with on-call personnel task orders and invoicing. Improvements have been made, however, to better streamline the approval process.

Federal transportation regulatory agencies such as the Federal Highway Administration (FHWA), Federal Railroad Administration (FRA), and FTA have imparted more regulations on contracts which affect the efficient delivery of projects and staff resources. This includes the Office of Management and Budget Super Circular, 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, applicable to new awards and additional funding increments of existing awards made on or after December 26, 2014. A SANDAG Super Circular Working Group composed of staff from each department impacted was created to review SANDAG policies and procedures and establish updates as necessary to remain in compliance with the new rules. The super circular impacts grants management in several forms including reviewing cost and price analysis procedure and forms, and providing training to contracts staff.

SECTION V: CONSOLIDATED TRANSPORTATION SERVICES AGENCY

Full Access and Coordinated Transportation (FACT) was founded in 2005 and designated by SANDAG as the Consolidated Transportation Services Agency (CTSA) for San Diego County. SANDAG selected FACT as the CTSA after a competitive selection process in 2006. FACT's role as the CTSA is to facilitate coordination of transportation services in San Diego County to reduce gaps in transportation.

FACT is a nonprofit entity with a mission statement "to assist San Diego County residents with barriers to mobility to achieve independence through coordination of transportation services." As stated in its annual Business Plan, FACT does the following:

1. Coordinates transportation resources and services
2. Acts as mobility manager for San Diego County
3. Advocates on behalf of the transportation disadvantaged
4. Educates stakeholders about transportation needs
5. Identifies and secures funding for services
6. Operates transportation efficiently and under agency contracts
7. Manages transportation brokerage

The 2006 contract between SANDAG and FACT specifies the scope of work that FACT implements under the CTSA designation by SANDAG. The scope of work in Exhibit A of the contract includes the following:

- Fulfilling the intent of the Social Service Transportation Improvement Act (California Government Code Section 15951)
- Providing comprehensive information and referral assistance on transportation to transportation-disadvantaged populations
- Maintaining an active advisory council for the CTSA that can serve as a forum for local agencies to coordinate and disseminate information on specialized transportation
- Participating in the development of the Coordinated Public Transit-Human Services Transportation Plan
- Ensuring the STRIDE website content is current (the database and web-based referral system has since integrated into FACT's website and is no longer referred to as STRIDE)
- Submitting an annual certified fiscal audit and State Controller's Report to SANDAG and to the State
- Submitting quarterly operating statistics if the CTSA provides service directly
- Submitting an annual update to the strategic business plan to SANDAG
- Ensuring proper make-up of the governing board according to the scope of services
- Expanding a coordination pilot project beyond North County

The scope of FACT's contract with SANDAG was broadly written to encompass the intent of California's Social Service Transportation Improvement Act as well as to encourage FACT, which was then a new organization, to expand its transportation coordination services. The contract also encourages FACT to seek out additional funding sources and to continue to expand its mobility management activities beyond its immediate responsibilities to SANDAG. However, as FACT's services have evolved, the generalities in the scope have warranted a review of the contract by SANDAG. For example, FACT provides direct

operations through its brokerage services; as such, the contract requires FACT to submit quarterly statistics of its operations to SANDAG. In addition, FACT would be required to submit an annual State Controller's Report of its operations. It has been understood by both FACT and SANDAG that the direct operations portion of FACT's services is not part of the CTSA function in spite of the CTSA agreement specifying reporting of certain operations. Therefore, the agreement language does not appear consistent with FACT CTSA responsibilities. Other CTSA responsibilities such as travel training and joint procurement and maintenance are not being undertaken by FACT as these activities are less likely to be effectively implemented given the current environment of specialized transportation in the county. Other CTSA activities are a higher priority and are being pursued first. These provisions, as well as others, are being reviewed by SANDAG with an anticipated new agreement that will be developed and will meet SANDAG's current program objectives and performance measurement for the CTSA.

FACT is governed by a board that seats up to 11 regular positions as well as two ex-officio positions. Currently the board has seven members; new members are appointed by the board with the exception of one member who is a representative from the Transportation Committee, an advisory committee of the SANDAG Board of Directors. The FACT board has appointed two advisory committees—the Council on Access and Mobility (CAM) and the Technical Advisory Committee (TAC). The Executive Director, TAC, and CAM report to the board. In practice, CAM acts as more of a forum for specialized transportation providers (to share best practices with each other, etc.) than as an advisory council to FACT.

The agency currently employs an Executive Director, Grants Management Analyst, Service Development Manager, Accountant/Bookkeeper, Office Manager, and Mobility Coordinators (combination of full-time and part-time). FACT's primary CTSA function is to make transportation service referrals through a comprehensive database of participating public transportation agencies, social services agencies, faith-based organizations, and specialized transportation services. This database was established by SANDAG in 2001 and was transferred to FACT upon its designation as a CTSA. The database lists about 150 different service providers and is updated as needed as conditions change for the participating agencies. FACT indicated about 15 to 20 providers account for most of the referrals. There are transportation services available for the general public and services available only to individuals enrolled in the transportation provider's program.

The referrals can be accessed through the "Find A Ride" search tool on the FACT website (<http://www.factsd.org/>) or by calling FACT's toll-free number on weekdays. A step-by-step guide in learning to use the search tool is available as a link on the website, as well as a general contact module and a phone number for questions. FACT's Mobility Coordinators provide toll-free telephone referrals that match the appropriate transportation service with the unique needs of the customer. In 2014, FACT provided an average of 148 monthly telephone referrals to other existing transportation services for clients in San Diego County.

The Mobility Coordinators evaluate callers' needs and provide the referrals based on their experience in working with the agencies capable of meeting the specific need. FACT does not have control over the outcomes of the referrals. Customers are asked to call FACT back if the referral does not serve the rider's needs so that another referral can be made, but the action also acts as a feedback mechanism as to how well the referral service is working. FACT will also ask the referral agency about who has contacted them, and has issued customer survey cards for feedback, but the lack of rider response, combined with staffing shortages, prevents meaningful data collection on the referral system. FACT will install customer relationship management (CRM) software in the near future as part of a technology procurement. The software will help with managing and analyzing customer data using dashboards with the goal of improving business relationships and assisting in customer retention.

In 2012, FACT established a pool of transportation vendors to procure trips competitively when FACT is unable to find customers suitable transportation through referrals to other existing services. These vendors constitute the brokerage, which is a non-CTSA service and includes for-profit, nonprofit, and social services transportation providers. If a senior's needs cannot be met by any of the available services, FACT will provide the ride through a brokerage model using RideFACT. RideFACT is funded by

the *TransNet* Senior Mini-Grant and New Freedom Programs and is a subsidized, demand-response, curb-to-curb transportation service offered to seniors in all cities in San Diego County seven days a week. The brokerage model promotes sustainable and cost-effective transportation in the county. FACT uses contractors in its brokerage that compete among one another, resulting in lower rates charged for the service. FACT currently has 10 brokerage contractors, as well as taxi partners. The list below shows the brokerage contractors over the past several years. AAA Transport (AAA) has been the largest provider of trips by volume over the three-year audit period.

List of Transportation Contractors in the FACT Brokerage

AAA Transport	Pacific Limo
Abu Ganti	Renewing Life
Alpha Project	Safety First
Assisted Multicare	SOL
Care 4 U Mobility	Transit Van Shuttle
CityLink	Venture
Coordinated Fleet Services	Yellow Cab
Fun, Love & Care	YF
Open Road	Transit Van Shuttle

FACT's brokerage has made it possible to purchase trips at a low cost for other agencies. FACT established service contracts with other agencies to increase the efficiency of trips and ensure the sustainability of projects. FACT charges an administrative fee for this service. Between Fiscal Years 2013 and 2015, FACT began providing contracted transportation services through its brokerage for the following agencies:

- FY 2013 – Poway Adult Day Health Care Center
- FY 2014 – City of Oceanside Senior Transportation Van Service, San Diego County Office of Education Foster Youth Student Transportation, and LIFT Paratransit Service (NCTD/First Transit)
- FY 2015 – ElderHelp of San Diego (Seniors-A-Go-Go)

Contracted transportation services to these agencies are provided by the vendors in the brokerage. Contracted trips increased from 9,300 in FY 2014 to 14,500 in FY 2015 before showing signs of a ridership decline after the audit period.

In addition to the contracted trips described above, select statistics are shown below for FACT activities during the audit period.

FACT Activity, FY 2012–13 through FY 2014–15

Activity	FY 2012–13	FY 2013–14	FY 2014–15
External referrals	2,242	1874	1450
FACT website hits	14,143	15,433	19,372
RideFACT one-way trips (not including contracted trips)	6,623	11,922	10,275
Average distance per one-way trip (miles)	11.9	11.5	11.7

Activity	FY 2012–13	FY 2013–14	FY 2014–15
Cost per one-way trip*	\$20.35	\$18.85	\$18.09

*Cost is monthly average for the fiscal year based on Board of Directors retreat PowerPoint presentation, March 2016.

Source: FACT

Accomplishments and Challenges

Among FACT’s accomplishments during the audit period are the following:

- Submitted an annual Business Plan update covering the next five-year period
- Maintained database and web-based referral system
- Expanded transportation service to include contracted service
- Expanded RideFACT into Valley Center, Alpine, and Camp Pendleton North
- Provided transportation resource data to 2-1-1 San Diego to be combined into a consolidated database
- Hired a consultant to conduct on-site inspection of FACT’s brokerage vehicles as well as driver and vehicle records
- Completed a comprehensive compliance program and Title VI plan
- Collaborated with MTS to donate 10 retired vehicles from the MTS Access fleet to local nonprofits
- Leased 10 vehicles purchased with FTA Section 5310 Program funds to local nonprofits
- Awarded 12 new minivans during a recent FTA Section 5310 grant program cycle

FACT coordinates with California State University, San Marcos, to conduct paid promotional studies using four-student research teams for a semester. In 2013, a study was conducted of customer satisfaction and industry benchmarking to enhance customer assistance and outreach. The purpose of the \$1,500 project was to test and implement customer surveys for FACT customers, research the industry and benchmark comparable transportation coordination and brokerage systems, and develop recommendations to improve the customer service experience.

The report, titled “FACT: Report of Customer Surveys and Benchmarking,” found that 92 percent of riders surveyed were satisfied overall with the FACT services they received. The study included interviews with FACT employees and riders, observations by the student team, and research of peer services. Short- and long-term recommendations were developed, which FACT discussed with CAM, the Service Development Committee, and 2-1-1.

Other highlights include that FACT hired a consultant to conduct on-site inspection of FACT’s brokerage vehicles as well as driver and vehicle records. The consultant developed a comprehensive safety and maintenance program, identifying any findings and developing recommendations on the safety and maintenance of the vehicles operating on FACT trips. A report was issued in April 2013. It identified all the deficiencies in the brokerage vehicles that were observed during field inspections. FACT staff worked with brokerage vendors to rectify all reported issues.

In October 2013, FACT hosted a technical workshop to assist specialized services operators and stakeholders in planning for the transportation needs in the region. Twenty-eight transportation professionals from several states participated in a two-day National Transit Institute workshop on managing community mobility.

In 2014, FACT provided transportation resource data to 2-1-1 San Diego to be combined into a consolidated database. FACT and 2-1-1 also conducted outreach to providers to update and expand the database of countywide transportation resources. This updated inventory of transportation is funded through Veterans Transportation Community Living Initiative funds.

FACT's comprehensive compliance program and Title VI plan included required elements for approval by Caltrans. These elements included a Title VI Notice to the Public; Title VI Complaint Procedures; list of Title VI investigations, complaints, and lawsuits; Public Participation Plan, including information about outreach methods to engage minority and limited English proficient populations, and a summary of outreach efforts; and Language Assistance Plan for Limited English Proficient persons with a four-factor analysis. The final Compliance Program and Title VI Plan were adopted by the FACT Board of Directors in May 2014 and approved by Caltrans in June 2014.

With a grant from the County of San Diego Neighborhood Reinvestment Program, FACT hosted a Travel Connections outreach event in County Supervisorial District 3 in August 2014 and developed an updated FACT Rider's Guide. Similarly, in 2015, FACT and 2-1-1 San Diego hosted a Veteran Mobility Forum to solicit input and feedback on a mobility survey and address barriers to mobility. While the forum was geared toward veterans' mobility issues, it was publicly announced and all audiences were welcome to attend.

In December 2014, FACT leased 10 vehicles to provide transportation to elderly persons and persons with disabilities in areas where public mass transportation services are otherwise unavailable, insufficient, or inappropriate. Four minivans and two small buses were leased to the City Link Foundation, three minivans were leased to AAA Transport Inc., and one minivan was leased to Renewing Life. The vehicles provide roughly 25 passenger trips per day for the RideFACT program.

In April 2015, MTS and FACT collaborated to donate 10 retired vehicles from the MTS Access fleet to local nonprofits. A review committee assisted with the selection of recipients. Four local nonprofits received donated vehicles: BEZSAM Inc./Coordinated Fleet Services, Renewing Life, New Vision Christian Fellowship, and Passion 4 K.I.D.S.

Challenges

FACT faces several challenges. According to a recent presentation made by staff to the FACT board, a challenge is the widening variance between projected versus actual ridership. Actual ridership slipped below projected ridership during the audit period and has continued on that path. This is the case for both RideFACT trips and contracted trips. The number of external referrals to existing transportation providers has also declined in the past few years.

Another primary challenge facing FACT is long-term, sustainable funding solutions. FACT currently relies on three primary revenue sources for CTSA mobility management: TDA, federal New Freedom funds, and *TransNet* Senior Mini-Grants. Some small local grants, such as Community Enhancement (County) and Neighborhood Reinvestment Program (County), have been obtained to support specific programs. For capital, the primary funding sources are the federal Section 5310 competitive grant program and New Freedom funds with local match funds from Senior Mini-Grants. FACT's operating funds for subsidizing trips have remained relatively constant over the past few years. FACT is exploring means to effectively manage resources to meet demand for trips as well as lessen the cost burden of providing its brokered transportation services. Contracted services have helped in this regard by providing an opportunity for FACT to partner with agencies to provide transportation on their behalf for an administrative fee that offsets the cost of trips.

New Freedom and *TransNet* Senior Mini-Grant program funds are competitively awarded through a competitive regional process. Due to the short-term and sporadic nature of these grants, FACT is not in a position to plan for long-range programs or contracts. This is demonstrated in its Business Plan budget forecast, which shows projected revenue only a few years out with no additional funds identified beyond

the initial three to four years. FACT is looking at several initiatives to secure additional sustainable funds in order to meet long-range goals and to provide services in a cost-effective manner.

Compliance with TDA

Two TDA compliance areas reviewed as part of the performance audit apply to FACT in its role as the CTSA. One is ensuring that the TDA claims submitted by FACT are in compliance with SANDAG's rules and regulations (PUC Section 99275.5). The second is ensuring that the CTSA is represented on the SANDAG Social Service Transportation Advisory Council (PUC Section 99238). FACT, in coordination with SANDAG, is in compliance with both measures. Based on SSTAC meeting minutes, two staff members from FACT serve on the SSTAC in compliance with the TDA membership requirements.

As a CTSA, FACT is eligible for a portion of TDA 4.5 funds in San Diego County. Under the contract between FACT and SANDAG, and as described in SANDAG's *Transportation Development Act Claim Manual* and SANDAG's Policy 27, FACT, acting as the CTSA, receives a maximum of 2 percent of the total apportionment available under Article 4.5. MTS and NCTD claim the remaining Article 4.5 funds for community transportation services. FACT leverages TDA funds to obtain federal New Freedom grants and *TransNet* Senior Mini-Grants.

During the audit period, FACT submitted TDA claims to SANDAG for Article 4.5 funds in compliance with SANDAG's rules and regulations. As the CTSA, FACT claimed TDA funds in the amount of \$110,848 in FY 2013, \$120,514 in FY 2014, and \$124,257 in FY 2015. As shown in FACT's TDA claims, TDA funds are used to cover personnel, the one-click/one-call mobility center, contracted administration, and travel expenditure line items. FACT budgets TDA funds for eligible expenses as part of its overall budget and claims the funds for these proposed expenses to fill in funding gaps in its mobility management program. In FY 2014–15, the claim budget items were modified to reflect grant matching funds as a use of TDA monies and less salary expense. Half of the claim request was for grant match. According to the annual work plan that is submitted with FACT's TDA claim, FACT uses its TDA Article 4.5 funding as matching funds for expenses that are funded by other sources such as New Freedom grants and *TransNet* Senior Mini-Grants. Because FACT's primary point of contact at SANDAG is in the Planning section, FACT's TDA claims are reviewed at SANDAG by both Finance and Planning staff. FACT's TDA claims are approved as part of the annual TDA claims process by resolution of the SANDAG Board.

FACT's TDA allocation is applied toward CTSA activities as a condition of the funding. On a related note, FACT indicated it has not yet conducted a cost allocation analysis separating its cost accounts between CTSA and the brokerage, and the revenue split between the two programs. Having a cost allocation method to determine program costs between these entities would be a step toward addressing revenue needs for both programs.

SECTION VI: CONCLUSIONS AND RECOMMENDATIONS

SANDAG is in compliance with all requirements of the Public Utilities Code pertaining to TDA reviewed as part of this audit.

Progress to Implement Prior Audit Recommendations – SANDAG implemented key elements of the three prior audit recommendations, but continued work is needed for full compliance with two of them.

- 1) SANDAG should continue working with FACT to review the scope of FACT's contractual responsibilities and to identify and pursue additional funding sources to support its activities as the CTSA.
- 2) SANDAG has required the operators to provide management responses to performance audit recommendations at the time of SANDAG Board approval.
- 3) SANDAG should conduct a fare study budgeted in the FY 2016 Overall Work Program to address simplifying the fare structure and assessing the need for future fare changes to maintain regional farebox recovery rates.

SANDAG achieved important accomplishments during the audit period. The agency was able to continue its strong working relationships with the region's operators, realize continued successes in winning grant funding, and make progress with *TransNet* capital projects. SANDAG also made successful changes to its organization chart. New departments were created to enhance operations and increase programming and funding efficiencies, while other departments and positions were shifted to enable staff to be better cross-trained in working on teams and enhancing internal communications in project delivery.

As noted previously, progress on significant transit projects included the three new *Rapid* lines—*Rapid* 215 between San Diego State University and downtown San Diego, *Rapid* 235 between Escondido and downtown San Diego, and *Rapid* 237 between Rancho Bernardo and UC San Diego; completion of the Gilman Transit Center at UC San Diego serving MTS and NCTD bus routes, SuperLoop, Rapid, and campus shuttles; continued work on the 11-mile Mid-Coast Corridor Transit Project which will extend trolley service from the Old Town Transit Center to UC San Diego and University City; and continued NCTD Coaster track improvements. The Compass Card program was also fully implemented and transferred to MTS.

SANDAG met its responsibility in updating key transportation documents. These include the Coordinated Plan that provides strategic guidance for transit sustainability and growth, and most notably the long-range *San Diego Forward: The Regional Plan*. The Coordinated Plan is unique in that it combines SANDAG's regional requirement for a Short-Range Transit Plan with the federal requirement for a Coordinated Plan into one concise planning document. The Regional Plan serves to guide the region's transportation development over the next 35 years and is also unique in that for the first time, it merges the update for the Regional Transportation Plan and its Sustainable Communities Strategies with the update for the Regional Comprehensive Plan.

SANDAG continues to monitor capital projects' budgets to ensure timely completion and to address any issues that may arise. SANDAG conducts an annual *TransNet* Plan of Finance review that updates the latest project cost estimates, revenue forecasts and cashflow needs. These reviews allow the SANDAG Board of Directors to make adjustments to the capital program to ensure sufficient funding is available when needed to complete its capital program.

With its broadened scope and administration of *TransNet*, SANDAG has accelerated its capital program. In efforts to initiate the *TransNet* Early Action Program, SANDAG has already delivered several *TransNet*-funded projects and is working on additional projects while maximizing *TransNet's* transparency. The implementation of the EAP shows commitment of most anticipated *TransNet* funding during the remaining

life of the current sales tax measure, leading SANDAG to evaluate a possible additional sales tax measure.

The following recommendations are based on observations made during the performance audit and are offered for SANDAG’s consideration:

- 1) As a carryover from the prior SANDAG performance audit for full implementation, SANDAG and FACT should continue working together to review and update the scope of FACT’s contractual responsibilities and to identify and pursue additional funding sources to support its activities as the CTSA.
- 2) As a carryover from the prior SANDAG performance audit for full implementation, SANDAG should conduct a fare study to identify and develop opportunities to define fare policies that enhance connectivity between MTS and NCTD and with other connecting providers of public transportation services, such as Amtrak and Metrolink.
- 3) SANDAG should update Policy No. 27 and the SANDAG TDA Claim Manual to address the statutory changes to the TDA implemented by Senate Bill 508, and inform all TDA claimants of these changes.

Recommendation 1: As a carryover from the prior SANDAG performance audit for full implementation, SANDAG and FACT should continue working together to review and update the scope of FACT’s contractual responsibilities and to identify and pursue additional funding sources to support its activities as the CTSA.

Issues and Opportunities – It is recognized that the existing agreement dating from 2006 between FACT, serving as the CTSA, and SANDAG is broad and largely outdated. In audit discussions about FACT’s role as the CTSA for San Diego County, it has become apparent that FACT’s original scope of work under its contract with SANDAG is broad and that as a result of the growth in services provided by FACT, there may be some ambiguity about FACT’s specific responsibilities to SANDAG. It is recognized that the contract was written at a time when FACT was a new organization and interested in expanding its role in coordinating transportation services and mobility management in the region, an interest which continues today. However, although FACT’s broad range of services, including trip referrals, could fall under the umbrella terms of a CTSA that fulfills the intent of Government Code Section 15951 (Social Service Transportation Improvement Act), the current contract makes it challenging to distinguish between FACT’s CTSA responsibilities under the SANDAG contract and the broader mobility management and operational services FACT provides. SANDAG recently commissioned a study to determine how well FACT was complying with the terms of the agreement.

SANDAG is in the process of designing an updated agreement that is focused on specific CTSA activities and that will be consistent with current strategies including those in the Coordinated Plan update. Some contract provisions being considered by SANDAG include a specific scope of work for CTSA consistent with SANDAG goals and objectives including strategies in the Coordinated Plan update and specific performance measures to evaluate the progress of the CTSA function. Performance measures for a CTSA are being explored by SANDAG. Potential measures for trip referrals suggested in this audit include (1) number of customer calls for referrals fielded per month; (2) number of customer call backs for a referral that was not met; (3) ratio (or percentage) of successful referrals relative to number of customer calls; and (4) ratio (or percentage) of customer calls for referrals relative to total rides (combining referrals and brokerage rides). Collection of reliable data to develop such measures will need to be discussed given FACT’s staffing constraints, limited outreach budget, and the reliance on external agencies that are not obligated to report to FACT.

FACT claims TDA Article 4.5 funds to cover expenditures incurred in meeting its contractual CTSA responsibilities. The SANDAG contract also encourages FACT to leverage its TDA dollars to obtain additional funding sources to support its CTSA-related goals and activities. FACT has accomplished this

through being awarded Federal New Freedom grants and *TransNet* Senior Mini-Grants. As the RTPA, one of SANDAG's responsibilities is to provide assistance with grants. Given these responsibilities and the scarcity of transportation funding in the region, SANDAG and FACT should also work together to identify and pursue longer-term funding sources to support FACT's CTSA-related activities.

Recommended Actions – SANDAG and FACT should work together to review and clarify the scope of the revised CTSA contract, as discussed above. The budget FACT submits with its TDA claim should be consistent with its current CTSA responsibilities delegated by SANDAG. The budget claim should reflect the full revenues and expenditures applied to meet FACT's responsibilities under the CTSA contract, not just the TDA-funded portions, to provide a comprehensive view of the CTSA program and TDA's contribution. As a component of SANDAG's review and approval of the annual FACT claim for TDA funds, SANDAG and FACT should consider inclusion of the adopted full FACT budget in the claim approval process because this document clarifies the overall scope of FACT's activities and funding sources that are supported by or leveraged through TDA. Since FACT already submits its adopted budget to SANDAG Planning, compliance with this suggestion would require no additional commitment by either agency, but ensures increased transparency and improved oversight prior to the allocation of TDA funds. In addition, as part of its responsibilities as the RTPA, SANDAG should work with FACT to identify and pursue funding sources or other solutions to fund FACT programs and services.

Expected Results – SANDAG's contract will more accurately depict FACT's growing responsibilities as the CTSA for San Diego County and further distinguish FACT's CTSA activities. SANDAG, under its obligation in state law as the custodian of TDA funds for the county, will also have increased transparency and improved oversight prior to the allocation of TDA revenue. In addition, SANDAG and FACT will increase capacity through partnership to further pursue alternative transportation funding for CTSA activities. Performance measures in the revised contract will provide further evidence of progress in meeting CTSA objectives.

SANDAG Response – SANDAG agrees with this recommendation, and is working with FACT to update the CTSA contract and to explore longer-term funding sources available for CTSA related activities. Updates to the CTSA contract will refine the specific tasks that are expected to be completed at a minimum with the TDA funds that FACT receives at the CTSA. The updated CTSA contract will also include performance measures. SANDAG and FACT will work together to develop these performance measures, prior to incorporating them in the contract, recognizing that some desirable data may be difficult to collect. SANDAG also agrees with the changes recommended for the annual TDA claim. SANDAG requested revisions to the most recent claim submitted by FACT to omit any non-CTSA activities planned for the coming year. FACT should spend the next year developing a method to allocate costs so they can separate fully allocated costs between CTSA activities and non-CTSA activities, allowing a more complete CTSA budget to be submitted as part of the claim process next spring.

Recommendation 2: As a carryover from the prior SANDAG performance audit for full implementation, SANDAG should conduct a fare study to identify and develop opportunities to define fare policies that enhance connectivity between MTS and NCTD and with other connecting providers of public transportation services, such as Amtrak and Metrolink.

Issues and Opportunities – The last several performance audits have included recommendations to the effect that SANDAG, NCTD, and MTS should work together to coordinate transit service delivery strategies and fare policies to enhance connectivity. The three agencies have made progress in improving connectivity (e.g., by linking the operators' service delivery objectives and targets to goals and objectives in the Coordinated Plan).

Recommended Actions – This audit, as a carryover from the prior audit, provides a similar recommendation to the effect that SANDAG, NCTD, and MTS should work together to continue to identify and develop opportunities to define fare policies to enhance connectivity between the two operating agencies and with other connecting providers of public transportation services, such as Amtrak and

Metrolink. A fare study is budgeted in the FY 2016 Overall Work Program, and implementation of the fare study will help meet recommended actions.

Expected Results – Continued connectivity enhancements among providers of public transportation services the region.

SANDAG Response – SANDAG agrees with this recommendation, and is working with MTS and NCTD to simplify the fare structure through the fare study. The objective of the fare study is to develop and recommend not only a revised structure that is consistent with the regional fare policy, but also significantly simplifies the fare system for customers and staff. Moreover, the simplification of business rules will have a significant positive impact on the scope, schedule, and budget for the development of a new fare system in the future. Major developments to the Compass Card system are being assessed alongside the development of a next generation fare system, which may either be built off of the existing system or developed as a new system. The anticipated timeframe of the new or overhauled system is 2018 to 2022.

Recommendation 3: SANDAG should update Policy No. 27 and the SANDAG TDA Claim Manual to address the statutory changes to the TDA implemented by Senate Bill 508, and inform all TDA claimants of these changes.

Issues and Opportunities – Legislation (SB 508) was passed in October 2015 that significantly modifies several TDA provisions. The legislation achieves several objectives, including simplifying fare recovery requirements, authorizing funding of bicycle and pedestrian safety education programs, and modifying STA qualifying criteria for operations. Because the current SANDAG TDA manual dates to 2009, the document as well as SANDAG Policy 27 should be updated to memorialize a number of changes in the law.

SB 508 rationalizes performance metrics, for example, by applying the same operating cost exemptions to both the farebox recovery ratio and the STA qualifying criteria. In addition, this bill clarifies a few terms that should help ensure expectations are applied uniformly to the transit operators. Highlights of the bill are summarized below.

Farebox Recovery

- Deletes the requirement for transit operators to maintain higher farebox requirements based on the 1978–79 fiscal year.
- Revises definition of “local funds” to mean any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.
- Revises definition of “operating cost” to exclude principal and interest payments on capital projects funded with certificates of participation.
- Exempts startup costs for new transit services for up to two years.
- Exempts additional categories of expenditures from “operating cost” (cost increases above the Consumer Price Index for fuel, alternative fuel programs, power, insurance premiums and claims, and state and federal mandates).

Claims for Funds

- Authorizes the funding of bicycle and pedestrian safety education programs up to 5 percent of the 2 percent bicycle and pedestrian allocation found under Article 3 (PUC Section 99234(a)).

STA Qualifying Criteria for Operations

- Uses a “sliding scale” to reduce the operator’s STA allocation for operations, rather than “pass/fail.”

- Exempts the STA qualifying criteria requirement through fiscal year 2015–16.
- Institutes a new “sliding scale” effective July 1, 2016.

Recommended Actions – SANDAG Policy 27 and the TDA Claim Manual should be updated to reflect the various changes implemented in SB 508. This update may also affect the operator TDA claims forms and assurances checklist to ensure the transit operators are eligible to use STA for operations. SANDAG should communicate these changes to the claimants including the transit operators and the local jurisdictions (for bicycle and pedestrian safety education programs) and determine what implication, if any, the changes might have on their respective systems.

Expected Results – Continued proper administration of the TDA claims process and updates to the allocation of LTF and STA funds according to law.

SANDAG Response – SANDAG agrees with the recommendation and will update the TDA claims section of the TDA manual and Board Policy No. 27 to reflect the changes per SB 508 and communicate such to affected operators.