

## 2018 ANNUAL REPORT



### Table of Contents

*TransNet* Triennial Performance Audit 2–7  
*TransNet* Fiscal and Compliance Audit ... 7  
*TransNet* Ten-Year Review ..... 8  
ITOC Activities/Accomplishments .... 8–10  
*TransNet* Funding ..... 11  
*TransNet* Progress Highlights ..... 12–14  
Future Activities ..... 15  
How to Get Involved ..... 15

### ITOC Membership

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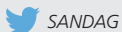
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\*Term ends May 2019  
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\*\*\*Term ends May 2021



#TransNetSD

### Letter From The ITOC Chair

San Diego County voters originally approved the *TransNet* Ordinance and Expenditure Plan for 20 years (1988–2008) and subsequently extended the program for 40 years (2008–2048). Revenue from the half-cent sales tax—leveraged with significant funds from federal, state, and local sources along with borrowings against future revenue—funds highway, transit, and bike/pedestrian improvements, as well as smart growth and environmental conservation.

The *TransNet* Extension Ordinance and Expenditure Plan passed in November 2004 mandated that an Independent Taxpayer Oversight Committee (ITOC) composed of volunteer citizens be formed to:

- provide an enhanced level of accountability for the expenditure of funds;
- help ensure that all Ordinance mandates are carried out as required; and
- develop recommendations for improvements to the financial integrity and performance of the program.

The 2018 ITOC Annual Report provides an overview of what was accomplished in the year and a look at what the *TransNet* program has completed to date. This report includes several highlights:

- Results of the FY 2018 *TransNet* Triennial Performance Audit and related ITOC recommendations
- Findings of the FY 2017 *TransNet* Annual Fiscal and Compliance Audits
- ITOC recommendations provided as part of the *TransNet* Ten-Year Review
- A summary of monitoring activities the ITOC undertook during the past year
- Snapshots of *TransNet*-funded projects completed or underway
- Details of ongoing efforts to implement the SANDAG Plan of Excellence and its 7-Point Data Accuracy and Modeling Work Plan

To learn more about what the ITOC does and how you can get involved, visit [sandag.org/itoc](http://sandag.org/itoc).

Dustin Fuller,  
ITOC Chair

### Questions?

The ITOC welcomes your feedback on this report or other *TransNet*-related matters. Inquiries can be directed to [itoc@sandag.org](mailto:itoc@sandag.org).

A few seats for membership on the ITOC will open soon. Individuals interested in serving on the committee, as vacancies occur, are encouraged to email [itoc@sandag.org](mailto:itoc@sandag.org) to be placed on the vacancy notification list.



## FY 2018 *TransNet* Triennial Performance Audit

In accordance with the *TransNet* Extension Ordinance, one of the responsibilities of the ITOC is to conduct triennial performance audits of SANDAG and other agencies involved in the implementation of *TransNet*-funded projects and programs to review project delivery, cost control, schedule adherence, and related activities. The fourth triennial performance audit was conducted in FY 2018 by the ITOC with the assistance of an independent auditor in accordance with the requirements of the *TransNet* Extension Ordinance. The following pages contain the Executive Summary from the FY 2018 *TransNet* Triennial Performance Audit. To view the full performance audit, please visit: [www.sandag.org/finaltransnet2018performanceaudit](http://www.sandag.org/finaltransnet2018performanceaudit)

### Executive Summary

In June 2017, the Independent Taxpayer Oversight Committee (ITOC) selected Sjoberg Evashenk Consulting, Inc. (SEC), to conduct the required [FY 2018 \*TransNet\* Triennial Performance Audit](#) for the three-year period between Fiscal Years 2015 and 2017. Because the audit was conducted simultaneously with the [TransNet 10-Year Look-Back Review](#) required by the *TransNet* Extension Ordinance and Expenditure Plan, relevant data since the start of the *TransNet* was incorporated, as appropriate.

Mostly, ITOC found that the San Diego Association of Governments (SANDAG) and its *TransNet* partners were on track towards meeting the primary goals of *TransNet* as outlined for voters at the 10-year mark of the 40-year program—with the exception of mixed results for relieving congestion and improving safety. Since the start of the *TransNet* Extension Ordinance, 61 percent of major corridor projects were either completed or in-process and significant progress was made toward many of the *TransNet* goals.

### Progress Towards Meeting Ordinance Goals, 2005 to 2016<sup>1</sup>

TransNet Goal		Progress to Date	Goal Met?
1	Relieve Congestion	<ul style="list-style-type: none"> <li>• Commutes of less than 30 minutes decreased from 67% percent to 64%.</li> <li>• Highway pavement condition improved, although local roadway pavement condition declined.</li> <li>• Also, use of alternate modes as a percent of total commute decreased from 18% to 17%.</li> </ul>	Mixed Results Thus Far
2	Improve Safety	<ul style="list-style-type: none"> <li>• Highway and Roadways injuries decreased by 9% and fatalities decreased by 19%.</li> <li>• However, Bike and Pedestrian injuries and fatalities increased by 21% and 18%, respectively.</li> </ul>	Mixed Results Thus Far
3	Match State and Federal Funds	<ul style="list-style-type: none"> <li>• Major corridor funds was leveraged at \$1.89 to \$1.00.</li> <li>• Local Street and Road planned leveraging was \$1.10 to \$1.00.<sup>2</sup></li> </ul>	Yes
4	Expand Freeways	<ul style="list-style-type: none"> <li>• Expanded freeways; for example, projects were completed on the I-15, I-805, SR 52, and SR 76.</li> <li>• 61% of capital construction projects were completed or in-progress.</li> </ul>	Yes
5	Maintain and Improve Roads	<ul style="list-style-type: none"> <li>• At least 136 projects completed and approximately \$714 million dedicated for local streets and roads.</li> </ul>	Yes
6	Increase Transit for Seniors and Persons with Disabilities	<ul style="list-style-type: none"> <li>• Ridership for seniors and persons with disabilities appeared to have increased by 7% since the start of the <i>TransNet</i> Extension Ordinance.</li> </ul>	Yes
7	Expand Commuter Express Bus, Trolley, and COASTER Services	<ul style="list-style-type: none"> <li>• Expanded transit services; for example, 3 new <i>Rapid</i> Bus Services Routes were put into service.</li> <li>• 94 vehicles (including 65 light-rail trolley vehicles) were purchased.</li> </ul>	Yes

Note: <sup>1</sup> For years where data was available. <sup>2</sup>Local Street and Road leveraging was based on project funding planned per the Regional Transportation Improvement Program data and not actual local funds expended.

Like other entities across the nation, SANDAG faces continued challenges funding the *TransNet* Program and balancing less than expected sales tax revenues with often increasing project costs. SEC found the assumptions and strategies used in the latest *TransNet* Plan of Finance aligned with others and incorporated leading practices including increased transparency over the uncertainty of revenue sources. Yet, if needed funds do not materialize to cover major capital construction, SANDAG may need to assess options and make critical decisions such as delaying projects, reducing scope, or eliminating projects.

Further, while solid practices were in place over areas such as capital construction projects, Environmental Mitigation Program activities, and transit service, ITOC noted areas where SANDAG and its *TransNet* partners could further strengthen and improve efficiency and effectiveness of *TransNet* Program oversight and delivery. This includes continuous rigorous monitoring of economic conditions that may impact sales tax revenues and project costs in addition to the development of a formal performance framework to analyze *TransNet* progress against Ordinance goals among other enhancements that can be made.

## Finance

Many of the fiscal challenges since the start of *TransNet* were also experienced at other similar organizations such as lower than forecasted sales tax collections and balancing project costs with reduced revenues. Yet, we found financing practices were reasonable, given the process changes made to recent revenue estimation processes, and aligned with industry practices including leveraging of sales tax funds and the use of debt. However, because construction costs increased at a faster pace than *TransNet* revenues, it may become more difficult to complete major corridor projects within the 2048 horizon year without historic leveraged rates of additional funding sources.

### Financing Strategy

- Use of Plan of Finance followed leading practices and met *TransNet* leveraging goals.
- Revised Plan of Finance used leading practices and funds were leveraged as intended.
- Recent Plan of Finance reflected SANDAG’s efforts to increase transparency of revenue uncertainty.
- Funds leveraged met intent of *TransNet* with SANDAG securing \$1.89 in state and federal funds for every \$1 of *TransNet* funds.

### Revenues

- *TransNet* collections were lower than forecasted, but not unlike similar organizations.
- Updated forecasts show a decline in future revenues that could potentially impact future projects.
- Positive changes were made to help reduce any future revenue forecasting errors.

### Costs

- Initial project cost assumptions were reasonable, but transparency of cost updates could be improved.
- Initial cost estimate assumptions were conservative and reasonable.
- Construction costs since 2005 increased at a faster rate than revenues.
- Regular updates and better communication of reasons for project cost changes are needed.

### Debt Service

- While debt financing was reasonable, transition to pay-as-you-go could impact pace of project completion.
- Debt financing allowed SANDAG to accelerate early action program projects.
- SANDAG’s use of debt versus pay-as-you-go financing compared with similar agencies’ practices.
- Major corridor debt service and related revenue growth must be closely monitored to assess impact on other *TransNet* areas.
- Annual *TransNet* revenues are projected to exceed debt service, but periods of higher risk exist.

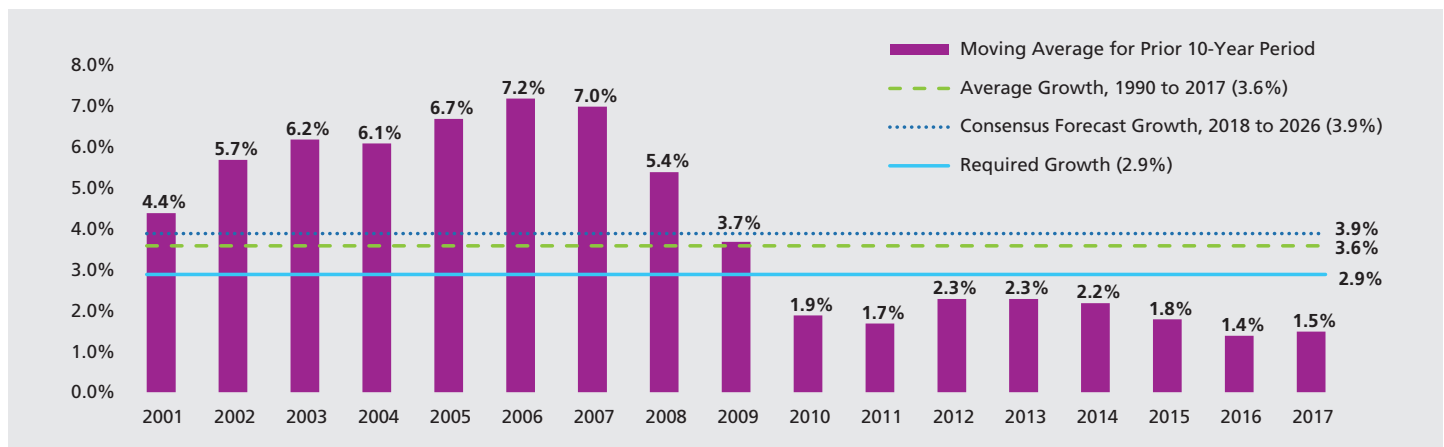
### Capacity for Future

- Capacity for future projects must be closely managed to complete major corridor projects.
- Given current revenue projections, SANDAG needs to effectively leverage other funds to deliver major corridor projects by 2048.
- Future mix of projects needed may change and affect funding needs.

### Transit Operations Plan

- As additional *Rapid* routes begin service, changes to the Transit Operations Plan may be needed.
- Assumptions used in Transit Operations Plan were generally reasonable, but future shortfalls exist.

**“Annual *TransNet* revenue growth needs to be approximately 2.9%, on average, to cover increased debt service by FY 2026.”**



## Performance

Key elements of a performance framework were not established at the start of the Ordinance to measure output and performance against the goals of *TransNet*. Even though certain performance data was available through a variety of sources, it was not consistently summarized and reported regionally at the SANDAG level.

- While *TransNet* established goals, performance targets were not established; yet, government best practices recommend using targets as part of a comprehensive performance plan.
- Performance not measured for all *TransNet* areas, and additional data is needed to assess performance in certain modes.
- Significant performance data is still needed for Local Street and Road Program.
- Detailed performance analysis and more reporting are needed.
- Story map tracked some outputs and accomplishments, although more is needed.



## Major Corridor Capital Construction

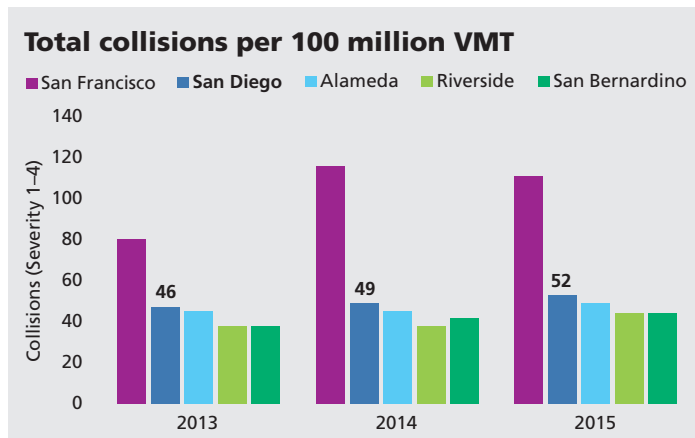
Like others in the nation, highways continue to be congested and injuries and fatalities have recently increased after a declining trend since the start of *TransNet*. However, since the beginning of *TransNet*, 61 percent of projects were completed or started. Solid project management practices were in place, including innovative project delivery methods that appear to be realizing benefits and cost savings.

### Congestion

- Vehicle miles of travel (VMT) slightly increased as has commute time less than 30 minutes.
- Hours of delay per capita increased.

### Safety

- Injuries and fatalities on highways and roadways recently increased after a declining trend over the last decade.



### Pavement and Bridge Condition

- Highway pavement quality increased, and fewer bridges were in distressed condition.

### Innovative Construction Manager/General Contractor (CMGC) Project Delivery Method Reports Advantages

- CMGC relatively new to transportation industry.
- Caltrans considered CMGC leading practices and developed a framework to measure success.
- Although premature to fully assess, I-5 North Coast Corridor (Build NCC) partners already report synergies from CMGC.
- Mid-Coast Corridor partners also reports early benefits of CMGC although data to capture performance of CMGC is not yet available.

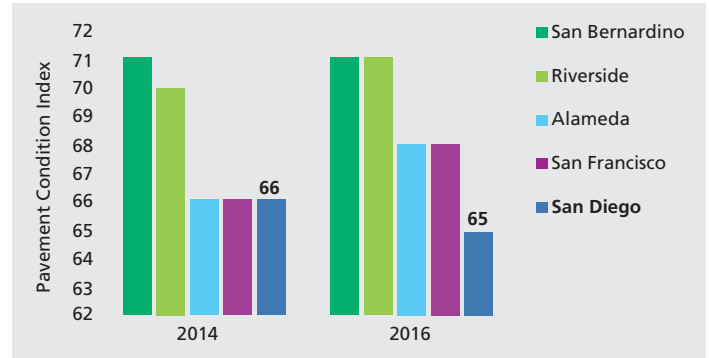




## Local Street and Road

Absent performance outcome data, resulting performance of local street and road improvements was limited to pavement condition as a measure of road quality. Additionally, both the Ordinance and SANDAG Board of Directors (Board) policy requirements pertaining to local jurisdictions' 70/30 fund split for congestion relief and maintenance compliance and compliance with bicycle (bike) and pedestrian accommodations need to be reevaluated.

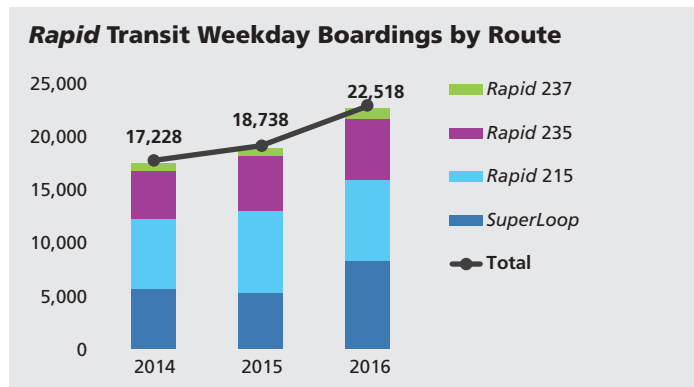
- Pavement condition declined, but recent efforts may reverse trend as survey results show improving conditions.
- 70/30 congestion relief and maintenance project split needs revisiting to provide more flexibility for locals to meet infrastructure needs.
- Continued effort is needed to demonstrate compliance with bike and pedestrian accommodations under SANDAG Board Policy No. 031, Rule 21.



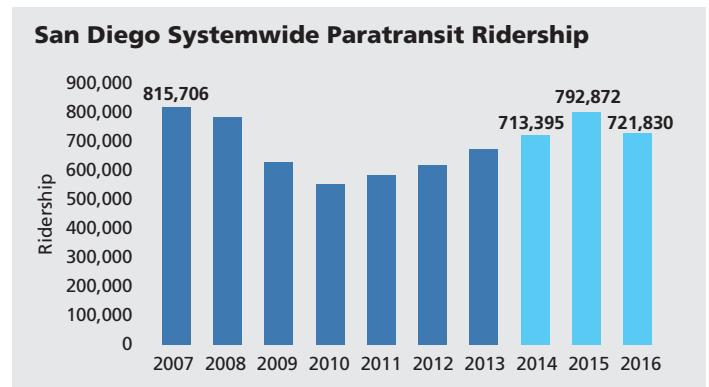
## Transit Services

With \$344 million allocated to transit operators since the start of *TransNet*, the Metropolitan Transit System and North County Transit District served over 100 million riders annually—an increase since the start of *TransNet*, although ridership has recently declined. Systemwide, the transit network generally demonstrated strong performance as compared to peers with results mostly meeting targets. *TransNet*-only funded *Rapid* services also showed positive performance.

- Ridership declined 3 percent, but *Rapid* route ridership funded solely by *TransNet* grew 31 percent.
- *TransNet* goal of increased services for seniors and those with disabilities was met with increases of 1.7 million riders and 7 percent since 2007.



- On-time performance fluctuated by mode, but *Rapid* on-time performance was consistently higher than 82 percent.
- *Rapid* passengers per hour increased 7 percent, and farebox recovery increased as well.



- Transit pass subsidy disparity may impact funds available for other transit services.
- *TransNet* limitations on operating cost increases may be too restrictive.

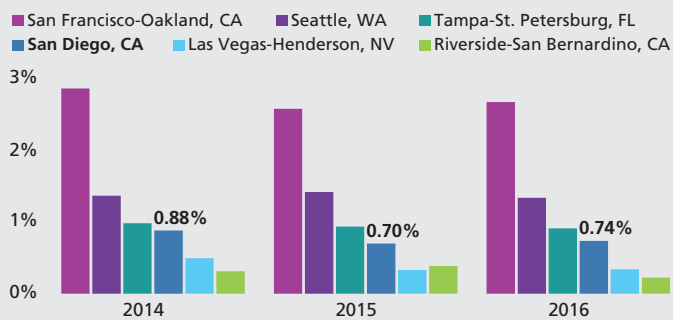


## Bicycle and Pedestrian

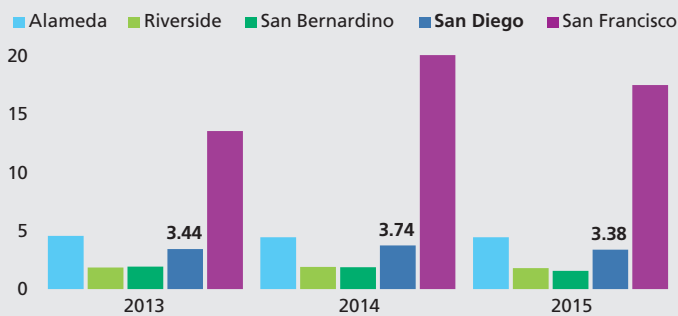
Bicycle (bike) and pedestrian modes of transportation increased since the start of *TransNet*, but have fluctuated over the past three years with a downward trend between 2014 and 2016 for both bike ridership and bike commute share.

- Bike ridership and its share of commute increased since the start of *TransNet*, but decreased from 2014 to 2016.
- Total commutes increased 4 percent across all modes, yet bike ridership decreased 13 percent. This is not unlike trends observed across the nation. In contrast, average annual bike commuters increased by 35 percent since the start of *TransNet*.
- Limited data exists to establish ridership baselines for bike and pedestrian performance.
- Bike and pedestrian safety was better over last three years, but worse since start of *TransNet*.
- Regional bike early action program project management methods align with leading practices.
- EAP activities recently ramped up, but some projects showed delays.

Percent of Commute by Bike (in Urbanized Areas)



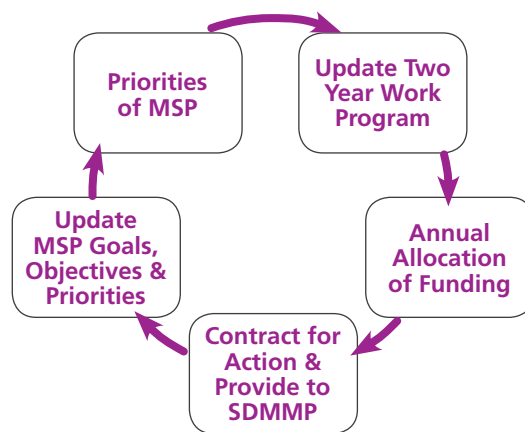
Bike Riders Injured or Killed (per 100 Million VMT)



## Environmental Mitigation

With nearly \$222 million spent to-date on *TransNet*'s Environmental Mitigation Program (EMP), much has been accomplished—more than half of the mitigation projects outlined in the Ordinance have mitigation activities underway or are being restored. However, more work needs to be done to communicate performance toward environmental goals.

- EMP processes and agreements were successful and significant progress was made—although much work remains as efforts shift towards restoration efforts.
- Restoration costs are expected to exceed estimates mostly because the program is restoring more wetlands that were acquired as agreed by the California Coastal Commission for the North Coast Corridor.
- Funds collected and land acquired for local street and road mitigation were underutilized by local entities.
- Habitat conservation performance structure was in place, but communicating complex results to the public remains a challenge.
- Too early in program lifecycle for significant land management activities.



## Information and Transparency

While *TransNet* represents a significant portion of the region's transportation improvements, progress toward *TransNet* goals was not tracked. To increase visibility of the *TransNet* Program and its contribution for the region, more can be accomplished through SANDAG and its *TransNet* partners' websites and social media features.

- SANDAG did not specifically track or report progress against Ordinance goals such as congestion relief, safety, and increased services to seniors and persons with disabilities.
- Public surveys reveal mixed results on transportation services.
- *TransNet* Program promotion could be strengthened.
- Visibility of *TransNet* for the public could be enhanced.
- Dashboard is innovative tool, but projects were not always easily linked with Ordinance, and initial budgets were not included to allow public to get full snapshot of activities.
- Decision makers and public would benefit from succinct summarized insights from SANDAG staff to navigate voluminous information presented.

### Example Staff Summary Report for Agenda Item

#### PROS & CONS:

PROS: Notification can lead to action to forestall development activity in freeway corridors and help minimize costs as well as ensure eventual completion of the facility.

CONS: By utilizing funds for advance purchase of right-of-way, these funds are not available for other uses such as design and construction.

#### TECHNICAL & POLICY IMPLICATIONS:

TECHNICAL: Unless precluded early in the process, development within freeway alignments will result in increased right-of-way costs in the future.

POLICY: With the passage of Proposition 400 on November 2, 2004, the RTP includes funding for right-of-way acquisition as part of the funding for individual highway projects. This funding is spread over the four phases of the Plan. Funding for advance acquisitions may be made available on a case-by-case basis.

## Fiscal Year 2017 *TransNet* Annual Fiscal and Compliance Audit Highlights

The *TransNet* Extension Ordinance requires recipients of *TransNet* funds to undergo an independent annual fiscal and compliance audit. These audits are in the form of agreed-upon procedures (AUP) and include certain requirements of the Ordinance, SANDAG Board Policy, and requests of the ITOC. The ITOC is responsible for issuing an annual audit statement for each jurisdiction's compliance with these requirements. The Summary of Results and AUP reports for the year ended June 30, 2017, are available on the SANDAG website at [sandag.org/itoc](http://sandag.org/itoc).

Recipient agencies were in compliance with the major *TransNet* provisions. The audit noted the following key results:

- As required by SANDAG Board Policy No. 031: *TransNet* Ordinance and Expenditure Plan Rules, each recipient agency accounted for *TransNet* activities in a separate fund, or via an alternative method, as approved by SANDAG.
- Revenues for each recipient agency were recorded and expenditures reported by all recipient agencies were allowable in accordance with the *TransNet* Ordinance, *TransNet* Extension Ordinance, and SANDAG Board Policy No. 031.
- SANDAG appropriately allocated *TransNet* revenues – at least 70 percent for congestion relief purposes and up to 30 percent for maintenance purposes – in accordance with the *TransNet* Extension Ordinance.
- All street and road recipient agencies were in compliance with the Maintenance of Effort (MOE) requirement ensuring that *TransNet* revenues were used to augment, not supplant, local revenues. The City of Lemon Grove reported an unmet MOE requirement in the amount of \$21,196 for the year ended June 30, 2016. The SANDAG Board of Directors approved allowing the City of Lemon Grove until June 30, 2019, to make up the deficit in accordance with the *TransNet* Extension Ordinance. The deficit was cured during the year-ended June 30, 2017.

FY 2017 was the ninth year recipient agencies were required to perform the agreed-upon procedures under the *TransNet* Extension Ordinance. Based upon results of the procedures performed, the report also noted the following:

- Revenues collected by each city and the County of San Diego under the Regional Transportation Congestion Improvement Program, except for the cities of Encinitas, Escondido, and National City, were in compliance with Section 9 (a) of the *TransNet* Extension Ordinance and SANDAG Board Policy No. 031. The cities of Encinitas, Escondido, and National City have either collected or are in the process of collecting the shortfall
- All reporting agencies, with the exception of the City of Escondido, were in compliance with Board Policy No. 031, Rule #17, Section IV, requiring *TransNet* recipient agencies to maintain a fund balance that does not exceed 30 percent of its annual apportionment. Local Street and Road funds will be withheld from the City of Escondido until such time that the Director of Finance certifies the City has gained compliance.
- The North County Transit District (NCTD) was in compliance with operator eligibility requirements for both bus and rail services. The SANDAG Board of Directors approved an adjustment to the MTS annual calculation for operator rail eligibility requirements, as allowed by the Ordinance, thereby rendering the agency in compliance.

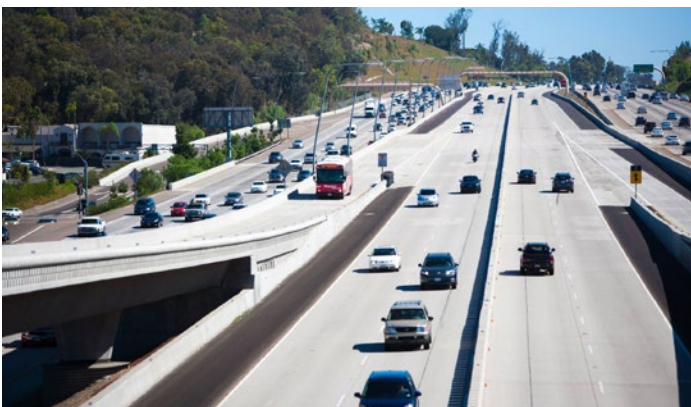
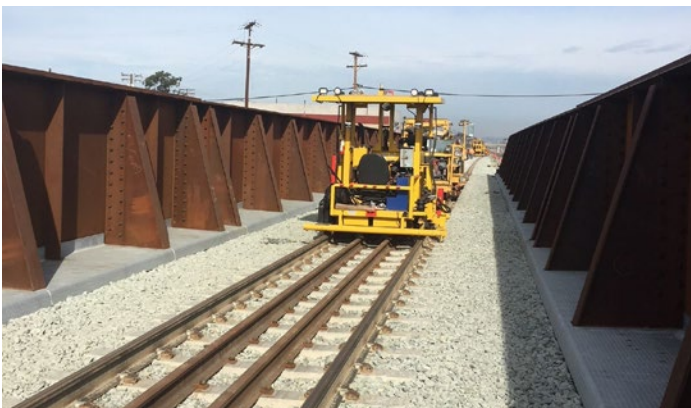


## TransNet Ten-Year Review – ITOC Recommendations

The *TransNet* Extension Ordinance requires that the SANDAG Board of Directors, acting as the San Diego County Regional Transportation Commission, conduct a ten-year comprehensive program review of all *TransNet* projects and programs to evaluate and improve performance of the overall program.

The Ten-Year Review kicked off in early summer 2017 and is being conducted as a two-step process. The first step was a “look back” to assess the performance of the overall *TransNet* program to date. The second step is a “look ahead” utilizing the results from the first step as a basis to consider potential revisions to the Expenditure Plan and other provisions of the Ordinance to improve performance of the *TransNet* program going forward. Based on committee, working group, and Board feedback, proposed changes to the Ordinance or Board policies resulting from the “look-back” will be brought forward for Board consideration leading up to adoption of the Regional Plan. To view the entire *TransNet* Extension Ordinance: Ten-Year Look-Back report and SANDAG info Bulletin, visit: [sandag.org/transnet10yearreview](http://sandag.org/transnet10yearreview)

Consistent with its role and responsibilities, the ITOC prepared the following letter with its recommendations on the *TransNet* Ten-Year Review for SANDAG Board consideration.



## Letter from ITOC with Recommendations to the SANDAG Board of Directors on the *TransNet* Ten-Year Comprehensive Program Review

January 12, 2018

Hon. Terry Sinnott, Councilmember  
Chair, SANDAG Board of Directors

The ITOC reviewed the Comprehensive Program Review Report in some detail at its January 10, 2018, meeting. ITOC found the report to be a very comprehensive review and presentation of the past ten-year results related to SANDAG’s management of the *TransNet* Ordinance. Overall, the report reflects the significant progress made by SANDAG in substantially meeting most, albeit not all, Key *TransNet* Goals.

While ITOC believes that the consultants have done an exemplary job of the task of reporting on SANDAG’s activities and the outcomes of those activities, we encourage the Board, as part of this 10-Year Review, to request more assessment, evaluation and prescription, the purpose of which is to enhance future decision-making.

The report and its historical trend line data sheds light on several underlying issues which ITOC believes warrant further study and analysis, including:

1. Congestion Relief is a “Key *TransNet* Goal”. The report shows that both in 2005 and in 2015, the average vehicular commute time in the San Diego region was the second lowest (behind Las Vegas) in its peer group, and that such average vehicular commute times worsened in all cases over the 10-year period. This appears to be disturbing given the significant investments and projects completed by SANDAG over the period, but there are numerous underlying questions to be answered (e.g. differences in relative population and employment growth during the period) before any meaningful assessment can be made of whether we should be satisfied or disappointed at San Diego’s relative performance. More important, without such deeper analysis and evaluation, it is difficult to conclude what are the implications for future decision-making.
2. The Safety section indicates that overall Highway Safety (collisions and fatalities) have been reduced as a percentage of vehicle miles driven. While that is very good news, the data shows that the rate of bike rider collisions had worsened, significantly, by 21% over the ten years. ITOC assumes this result coincides with an increase in ridership. What if any impact that increase in ridership had on the safety results is not discussed. Two of the five city peer groups did not show any such increase in accidents.





Given the amount of money that has been spent to expand, improve and enhance the safety of our bike paths, lanes, etc., ITOC asks staff to perform a much more robust analysis of cause and effect here to ascertain what can we do differently with our dollars to get a better result.

3. Similarly, Pedestrian Safety worsened, by a very significant 18%, over the ten years as related to the number of vehicle miles driven. This is a very disturbing and unacceptable trend. Three of the five city peer groups did not see any increase in pedestrian collisions over this time period. ITOC has asked staff to further analyze this issue to again see what can be done differently with our tax dollars to get a better result.
4. The Transit Performance section showed that transit ridership had increased by a cumulative 11% over the last ten years. While an increase is obviously the desired impact, given the very significant dollars invested in Transit, with only an 11% increase, are we getting value for our tax dollars in Transit?

This ridership increase is not correlated to overall increase in travel over the ten-year period. This leaves unanswered the question, has our transit investment actually increased the percentage of commuters using transit or does this recognized increase in ridership just reflect more commuters in total across all modes. The question that needs be answered is has the percentage of total commute traffic by transit increased?

5. The data on Transit Farebox recovery as a percent of total operating costs shows San Diego in all modes of Transit being substantially higher (better) than the peer average. However, the data shows that the average seat utilization, while improving, is still very low, ranging from a high of 38% to a low of 20% across the different modes of Transit.

The question ITOC has asked staff to investigate is the price demand elasticity between fare levels and ridership. Would a lower fare (lower percentage of total operating cost) like exists in the peer group expand ridership yielding the environmental benefits one seeks with transit? Correspondingly could the *TransNet* budget support what would possibly be higher *TransNet* operating deficits that result.

6. The report acknowledges the excellent and accelerated progress and completions of the many major projects undertaken. Most importantly, we need to know the best current estimate of how many projects will not yet be completed and their estimated remaining costs in order to understand whether the “pay-go” proceeds, in conjunction with funds from state and federal programs, will be sufficient to complete those projects. The report further acknowledges that this achievement was largely a result of borrowing against future *TransNet* tax receipts to advance the start of several of these major projects.

The report also states that this borrowing and spending currently of projected future tax receipts is nearing its end as debt capacity limits will soon be reached. This will necessitate reverting to a “Pay As You Go” process wherein annual spending will be limited to just those actual annual tax receipts. The report is silent on how much future tax receipts will actually be available to “pay as you go” for projects, versus simply paying for past debt principal and interest. ITOC asked staff to do a projection of the future tax receipts allocable by the *TransNet* Ordinance percentage to Major Projects (reasonable best case/worst case projection) and how those projected receipts will be spent for debt service compared to new projects.

In conclusion, we are compelled to point out that a major flaw in this review - though through no fault of any of the consultants, the current Board or current SANDAG staff – is that, aside from the projects identified for completion, the goals established at the outset of the program were neither sufficiently robust nor measurable as to enable a more impactful Ten-Year Review. In this regard, ITOC wholeheartedly supports the approach being taken with the new San Diego Forward: The 2019 - 2050 Regional Plan, which includes a clear framework for and specific performance measures for defining success.

The ITOC looks forward to continuing to work with the SANDAG Board and staff to help achieve the goals set out by the ordinance and would be happy to further discuss our views on all of the above at any time.

Sincerely,

Dustin Fuller, Chair  
*TransNet* ITOC



## ITOC Activities for Fiscal Year 2018

The ITOC conducted, reviewed, and provided recommendations on many key *TransNet*-supported programs during the 2018 fiscal year:

- FY 2017 *TransNet* Fiscal and Compliance Audits
- FY 2018 *TransNet* Triennial Performance Audit
- *TransNet* Ten-Year Comprehensive Program Review
- FY 2015 *TransNet* Triennial Performance Audit
- Regional Transportation Improvement Program
- 2015-2016 State of the Commute report
- Environmental Mitigation Program
- *TransNet* Senior Mini-Grant, Smart Growth Incentive, and Active Transportation Grant programs
- Proposed 2018 *TransNet* short-term bond issuance
- Quarterly financial reports and updates on financial markets
- Performance of the *TransNet* debt program
- FY 2019 to FY 2023 *TransNet* program revenue estimates
- FY 2019 *TransNet* Early Action Program Budget
- Proposed *TransNet* Indirect Cost Allocation Guidelines
- Cost estimating process for *TransNet* projects
- 2016–2017 *TransNet* Major Corridors Plan of Finance Update
- *TransNet* Transit Operations Funding update
- San Diego Forward: The 2019-2050 Regional Plan Draft Performance Measures and Draft Revenue-Constrained Transportation Scenarios
- FY 2019 ITOC operating budget
- Regional Transportation Congestion Improvement Program
- *TransNet* Local Street and Road Program annual status, including:
  - » City of San Diego Transportation Capital Improvement Program
  - » Highway 101 Streetscape Improvement project
  - » Use of *TransNet* Debt Program by the Cities of La Mesa and San Diego
- Senate Bill 1 state funding awards
- Progress reports on the *TransNet* program
- SANDAG 7-Point Data Accuracy and Modeling Work Plan update

## TransNet Matches Other Fund Sources

TransNet funds are matched with other funds to deliver projects in the short-term. The 2016 Regional Transportation Improvement Program (RTIP) covers a five-year period from FY 2017 to FY 2021, and is a multi-billion dollar program of projects planned by SANDAG and jurisdictions throughout the county. These projects are funded by federal, state, TransNet sales tax, and other local funding sources. The ITOC reviews projects proposed for funding with TransNet funds and does this as part of its review of the RTIP.

While the TransNet local sales tax dollars represent a relatively stable source critical to financing regional transportation programs and projects, when compared to federal, state, and other funding available, these outside fund sources constitute a proportionally larger share of the overall funding available.

Source: 2016 Regional Transportation Improvement Program

## Senate Bill 1 Provides Support to Meet Local Needs

One example that illustrates the impact these outside funds have toward improving transportation infrastructure in the region is the enactment of Senate Bill 1 (SB 1). The San Diego region has been awarded more than \$898 million through SB1-funded grant programs for road rehabilitation, congestion relief, trade corridor, transit, and rail improvements.

## TransNet Continues to Improve Transportation Infrastructure

TransNet provides a significant source of funding for a variety of capital construction projects on highways and transit corridors, local streets and roads, and bikeways, in addition to an Environmental Mitigation Program, new transit services, and grants for smart growth, active transportation, and subsidized transit for seniors and person with disabilities. Approximately \$4.9 billion, of the total \$18.8 billion expected to be generated by TransNet, has been spent as of June 30, 2018. Another \$1.05 billion is committed to be spent over the next three years.

Source: 2016 Regional Transportation Improvement Program

**ADA** – Americans with Disabilities Act

**BPNS** – Bicycle, Pedestrian and Neighborhood Safety

**BRT** – Bus Rapid Transit

**LSI** – Local Street Improvements

**MC** – Major Corridor

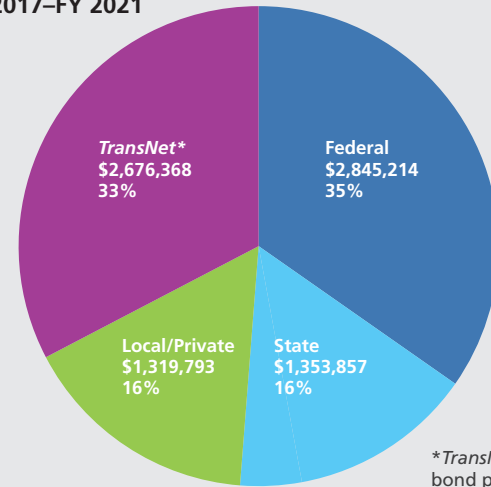
**REMP** – Regional Environmental Mitigation Program

**SGIP** – Smart Growth Incentive Program

**SS** – Senior Services

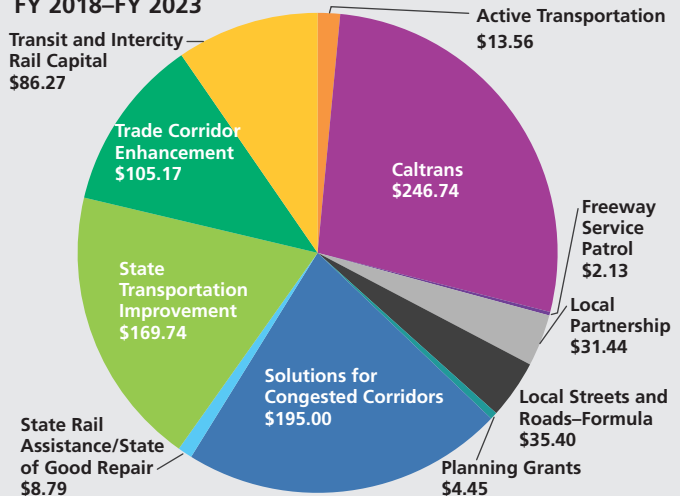
**TSI** – Transit System Improvement

**TransNet and Other Funds (\$000) – \$8.2 Billion FY 2017–FY 2021**

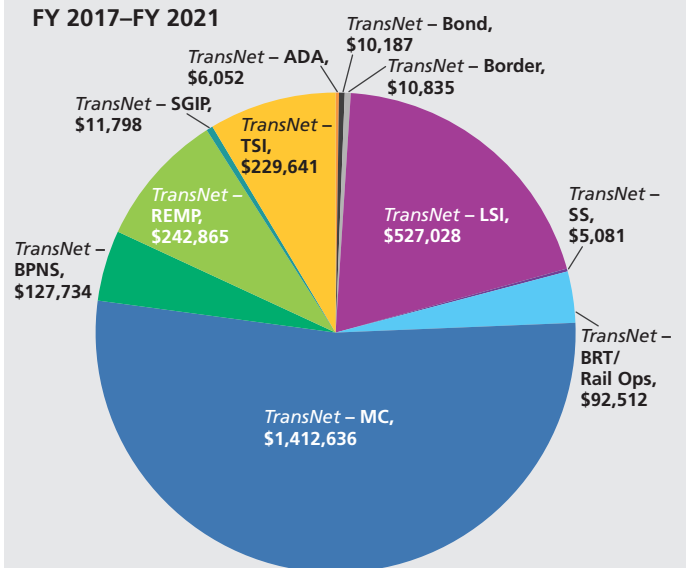


\*TransNet includes bond proceeds.

**SB1–Total Awards for SD Region \$898.69 Million FY 2018–FY 2023**



**TransNet Funding – Regional Transportation Improvement Program (\$000) FY 2017–FY 2021**





## TransNet Progress Highlights

FY 2018 was an historic year for the *TransNet* Extension Program. The Interstate 5/Genesee Interchange linking University City to La Jolla, and featuring 10 lanes and a bike bridge, opened. The Mid-Coast Trolley made progress, as columns and station structures took shape. And the South Bay *Rapid* transit bus line – linking Otay Mesa to Downtown San Diego – headed toward completion. To learn more about what was accomplished last year, watch the 2017 recap video on [youtube.com/SANDAGregion](https://www.youtube.com/SANDAGregion).



### MID-COAST TROLLEY

Extending the Blue Line Trolley service from Santa Fe Depot in Downtown San Diego to the University City community, the Mid-Coast Trolley will expand transportation capacity in the corridor to accommodate existing and future travel demands and provide an effective alternative to congested freeways and roadways. Construction began in 2016 and service is anticipated to begin in 2021. *TransNet* provided more than \$770 million for this project.



### BAYSHORE BIKEWAY

The Bayshore Bikeway is a 24-mile regional bike corridor that will provide a vital and scenic connection to major bayfront employers, as well as tourist and recreational destinations. Approximately 16 miles of bike paths have been built to date, most recently in National City. The National City segment constructed a separated bike path along Harbor Drive and bike lanes on Tidelands Avenue and W. 32nd Street and was completed in 2018. *TransNet* funding provided \$3.1 million for this segment of the Bayshore Bikeway.



### I-5/GENESEEE INTERCHANGE

The I-5/Genesee Avenue Interchange Project replaced the existing six-lane Genesee Avenue overpass with a ten-lane structure to accommodate current and future traffic demands in the job intensive community, greatly improving the movement of people and goods through the area. \$17.2 million of *TransNet* funding was allocated for this critical interchange, which began construction in 2015 and will open to traffic in 2018.



### MID-CITY CENTERLINE

The SR 15 Mid-City Centerline *Rapid* Transit Stations project is San Diego's first set of freeway-level transit stations along SR 15 at University Avenue and El Cajon Boulevard. The project also included the construction of transit-only lanes within the existing median from just north of I-805 to just south of I-8. Construction began in 2015 and was completed in 2018. *TransNet* provided \$38.2 million for this project.



### SUPERLOOP RAPID

The *SuperLoop Rapid* Transit Project provides frequent, high-speed service and innovative vehicle amenities within the North University City area of San Diego, operating seven days a week. Construction on the final five stations and transit signal priority equipment in the La Jolla Colony segment was completed in 2018. *TransNet* funding provided \$34.7 million to construct *SuperLoop Rapid*.



### I-5/HOV LANES

As part of the integrated, multi-modal approach of the North Coast Corridor program, one carpool lane in each direction will be constructed on I-5 from Lomas Santa Fe Drive in Solana Beach to SR 78 in Oceanside. Construction began in 2017 and is anticipated to be complete in 2021. *TransNet* provided \$850 million for this project.





### **SOUTH BAY RAPID GUIDEWAY BRIDGE AND EASTLAKE PARKWAY**

South Bay *Rapid* will include 12 stations along a 26-mile route from the Otay Mesa Port of Entry to Downtown San Diego, providing travelers with a frequent and reliable transit choice. At the heart of the project is a dedicated transit guideway – a nearly six-mile long transit-only lane that will include a guideway bridge over SR 125 and path for pedestrians. \$98 million of *TransNet* funds were allocated for this segment of the project. Construction on South Bay *Rapid* began in 2016 and service is expected to begin by 2019.



### **ORANGE LINE TROLLEY IMPROVEMENTS**

This project will replace and maintain the Overhead Contact System (OCS) materials and equipment that power the trolley – work is occurring along the Orange Line Trolley track between 16th & Commercial streets in Downtown San Diego and the El Cajon Transit Center. The project began in 2017 and is anticipated to be complete in 2018. *TransNet* funding provided \$32.1 million for these critical improvements.



### **POINSETTIA STATION IMPROVEMENTS**

This project will renovate the Poinsettia Station in Carlsbad to improve travel wait times, provide easier access, reduce train delays, enhance pedestrian safety, and upgrade station amenities. The new platform will be lengthened to accommodate longer trains and an undercrossing will be installed, featuring stairways and ramps on both sides of the tracks. Construction began in 2018 and is anticipated to be complete by 2020. \$16.2 million of *TransNet* funds were allocated for this project.



### **SAN ELIJO LAGOON RESTORATION**

The San Elijo Lagoon Restoration is a cooperative effort between multiple agencies and the San Elijo Lagoon Conservancy to enhance and restore the San Elijo Lagoon. The project includes enhancing wetland and upland areas, improving tidal flow, and replenishing beach sand. *TransNet* provided \$41 million for the complete restoration of the lagoon, which began in 2017 and is anticipated to be complete by 2021.



### **STATE ROUTE 11/OTAY MESA EAST PORT OF ENTRY**

SANDAG and Caltrans, along with key local, state, and federal agencies, are constructing an innovative port of entry in the San Diego-Baja California region with the objective of significantly reducing border wait times. The State Route 11/Otay Mesa East Port of Entry (POE) project will provide fast, predictable, and secure crossings that connect directly to a new state-of-the-art POE serving both personal and commercial vehicles. The first segment of SR 11 and the three northbound connectors linking SR 11/125/905 opened in 2016, and currently the project team is conducting a binational analysis on innovations to incorporate into the new POE. *TransNet* allocated \$10.8 million to construct this vital connection between the United States and Mexico.

### TransNet Progress to Date

Over the past three decades, *TransNet* funds have played a crucial role in the region's ability to secure matching funds from federal, state, and other local sources and advance completion of major capital projects. Every *TransNet* dollar invested in completed projects has effectively been tripled by leveraging funds from other sources.

Approximately \$3.3 billion in *TransNet* funding has been invested in completed projects to date, and these funds have helped leverage more than \$10 billion in outside funds to deliver more than 650 highway, transit, bike and pedestrian, habitat conservation, local street repairs, and grant projects and programs. Incorporated into the *TransNet* Extension Ordinance was an assumption that *TransNet* funds dedicated to the Major Corridor Program would leverage approximately 50% from federal, state and other sources—meaning that one outside dollar would be leveraged for every *TransNet* dollar received, or a 1:1 match ratio. To date, Major Corridor Program *TransNet* funds have been matched closer to 2:1. Furthermore, from 1988 to 2016, the actual match ratio of outside funds to *TransNet* funds is 3:1 for the entire *TransNet* program.

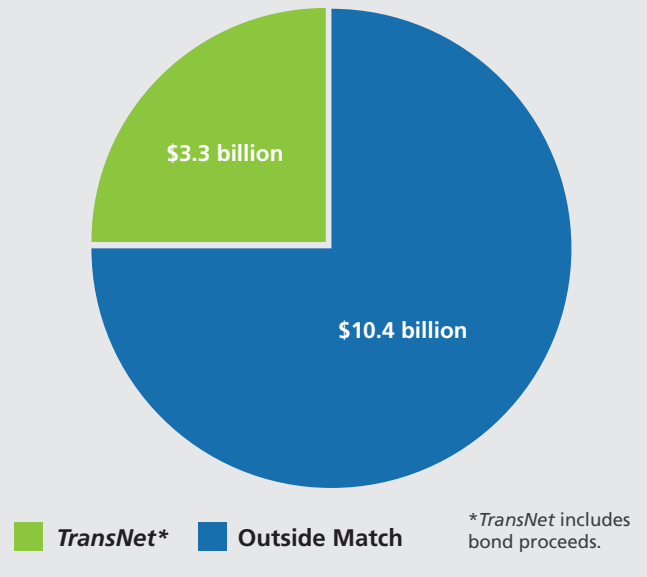
### Promises Made, Promises Kept

The *TransNet* Extension Ordinance included a Major Corridors program to fund 48 highway and transit capital improvement projects. To meet this objective, in 2005, the *TransNet* Early Action Program was created as a subset of the Major Corridors Program to expedite completion of projects.

Even through the depths of the Great Recession (2008-2011), SANDAG succeeded in advancing projects by using long-term, borrowing secured by future *TransNet* sales tax revenue to capitalize on low cost construction costs and interest rates, as well as to seize competitive funding opportunities. Ten years into the *TransNet* Extension Ordinance – with a quarter of the 40-year measure having elapsed – SANDAG has completed or started construction on 61 percent of the projects listed in the ballot measure.

To take a virtual tour of *TransNet*-funded projects, view the story map on [KeepSanDiegoMoving.com/TransNet](http://KeepSanDiegoMoving.com/TransNet).

**TransNet Program Historical Match Ratio (1988–2016) (3:1)**



### TransNet Extension Major Corridor Improvement Program

Progress through FY 2017



## Future Activities/Challenges/Opportunities

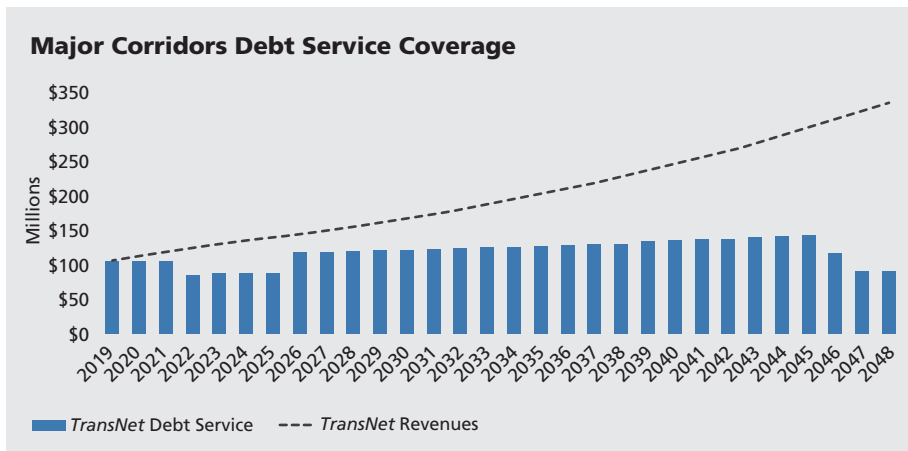
The ITOC plays a valuable role in the ongoing improvement and enhancement of the financial integrity and performance of the *TransNet* program. Below are descriptions of key FY 2018 activities to be carried forward into FY 2019.

### Enhancing Transparency, Accountability, and Data Integrity through the SANDAG Plan of Excellence and its 7-Point Plan

In FY 2017, ITOC members reviewed and commented on the SANDAG 7-Point Data Accuracy and Modeling Work Plan (7-Point Plan). The 7-Point Plan strengthens accuracy, quality, and transparency in data, analytics, and modeling programs at SANDAG. In November 2017, the 7-Point Plan was incorporated into the SANDAG Plan of Excellence (Plan). The Plan is a comprehensive response to the requirements and recommendations SANDAG committed to undertake to strengthen the credibility of the organization through increased transparency and accountability. The Plan incorporates more than 35 action items, organized into eight focus areas, that integrate improvements to existing business practices and introduce new operational procedures so SANDAG becomes an even better regional agency and sets a standard for excellence that benefits the San Diego region. The ITOC will continue to monitor implementation of the Plan during the upcoming fiscal year.

### Transitioning from Accelerating Capital Projects through Financing to Pay-As-You-Go

SANDAG has been able to greatly accelerate the development, construction and completion of major new roads and transit projects funded by your *TransNet* sales tax dollars through the use of long-term borrowings which will be repaid from future years' sales tax receipts collected under the *TransNet* program. For example, the I-15 Express Lanes project, which was completed and opened for traffic in 2011 would likely not have been built until several years later without the use of this debt financing. In many cases, the use of debt to accelerate projects also created significant cost savings by enabling SANDAG to borrow at historically low interest rates and take advantage of the relatively low construction costs immediately following the major recession which began in 2008. As shown in the chart below, for the next three years, the majority of expected *TransNet* sales tax revenue will be required to repay these borrowings and the related interest payments (together, labeled "debt service"), leaving only a relatively small portion of future years' tax receipts available for projects not currently contemplated in SANDAG's Plan of Finance. Accordingly, without the addition of new federal, state or local funds, SANDAG's ability to make significant additions or changes to its current roster of planned projects will be limited by this financial constraint. It must be noted that this is not a surprise and is the expected result of the decision to incur the debt in order to realize the benefits of enabling the public to sooner utilize the projects, along with significant construction cost savings in many cases.



## How Can You Get Involved?



### KeepSanDiegoMoving.com

Offers real time information about *TransNet* projects, including a Dashboard that shows budgets and schedules.



### sandag.org/TransNet

Contains key documents related to the *TransNet* Extension Ordinance.



### Meetings

ITOC meets on a regular basis, usually the second Wednesday of the month at 9:30 a.m. at SANDAG offices, 401 B Street, Suite 800, San Diego, CA 92101. A list of past and upcoming agendas for all ITOC meetings can be found at [sandag.org/itoc](http://sandag.org/itoc).



### Questions?

Inquiries to the ITOC can be directed to [itoc@sandag.org](mailto:itoc@sandag.org). Any persons interested in serving on the committee, as vacancies occur, are encouraged to email SANDAG to be placed on the vacancy notification list.

