

### 2017 ANNUAL REPORT



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#### ITOC Membership

**STEWART HALPERN\*\***, Chair  
Municipal/Public Finance

**DUSTIN FULLER\*\***, Vice Chair  
Biology/Environmental Science

**BRAD BARNUM\***  
Construction Project Management

**CAROLYN LEE\***  
Real Estate/Right-of-Way Acquisition

**KAI RAMER\*\***  
Professional Licensed Engineer

**JONATHAN TIBBITTS\*\***  
Traffic/Civil Engineering

**RICHARD VORTMANN\***  
Private Sector Senior Decision Maker

**TRACY DRAGER**  
San Diego County Assistant Auditor and Controller  
*Non-voting member*

\*Term ends May 2017

\*\*Term ends May 2019

#### Letter From The ITOC Chairman

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

The Fiscal Year (FY) 2017 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:

- A summary of monitoring activities the ITOC undertook during the past year
- Detailed facts and figures about the funds that have been disbursed to individual jurisdictions for local streets and roads
- Highlights of the FY 2016 *TransNet* Annual Fiscal and Compliance Audit
- Snapshots of *TransNet*-funded projects completed or underway—more than 20 capital projects were either under construction or completed last year
- Details of ongoing efforts to strengthen the transparency, accountability, and accuracy of the forecasting process for *TransNet* revenues

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

Stewart Halpern,  
ITOC Chair

### ITOC Activities for Fiscal Year 2017

The ITOC reviewed and advised on many key *TransNet*-supported programs during the July 1, 2016 to June 30, 2017 fiscal year:

- Conducted the FY 2016 *TransNet* Fiscal and Compliance Audits
- Continued to review implementation of the recommendations from the FY 2015 *TransNet* Triennial Performance Audit (covering fiscal years 2012 to 2014)
- Reviewed the Regional Transportation Improvement Program and its amendments for *TransNet* projects
- Continued to oversee the Environmental Mitigation Program (EMP), including review of the EMP funding recommendations, progress reports, acquisition of new parcels, and habitat management and monitoring activities
- Reviewed funding recommendations, progress reports, proposed grant amendments, and performance for the *TransNet* Senior Mini-Grant, Smart Growth Incentive, and Active Transportation Grant programs
- Continued to receive regular updates about the status of financial markets, state and federal budgets, and potential impacts to the *TransNet* program, as well as the performance of the *TransNet* debt program
- Reviewed *TransNet* program FY 2017 revenue revisions and FY 2018 to FY 2022 *TransNet* and transit-related revenue estimates and apportionments
- Reviewed the SANDAG work plan to improve data accuracy and modeling
- Reviewed the draft assumptions for the 2016–2017 *TransNet* Major Corridors Plan of Finance Update
- Reviewed quarterly financial reports and other financial data
- Recommended an annual ITOC operating budget for FY 2018, continuing to operate under budget
- Accepted the annual Regional Transportation Congestion Improvement Program (RTCIP) submittals from local jurisdictions, and reviewed the annual RTCIP fee adjustment
- Continued to receive annual status reports for each jurisdiction's *TransNet* Local Street and Road Program, in addition to the following related updates:
  - » *TransNet* Local Street and Road Program Performance Output and Outcome Report
  - » The City of San Diego Transportation Capital Improvement Program streamlining plan and annual report on the city's balance of *TransNet* local street and road funds
- Reviewed the proposed FY 2018 budget for the *TransNet* Early Action Program
- Reviewed progress reports on the *TransNet* program, including updates from corridor directors and project managers

- Selected an independent auditor to conduct the FY 2018 *TransNet* Triennial Performance Audit (covering fiscal years 2015 to 2017)
- Reviewed and recommended proposed amendments to the following:
  - » SANDAG Board Policy No. 031: *TransNet* Ordinance and Expenditure Plan Rules
  - » *TransNet* Extension Ordinance and related changes to the ITOC Bylaws

### Implementing FY 2015 Triennial Performance Audit Recommendations

The ITOC continues to focus on the implementation of recommendations from the FY 2015 Triennial Performance Audit and receives regular updates on the completion status for each of the recommendations. The FY 2015 Triennial Performance Audit covered a three-year period between FY 2012 through FY 2014. It was performed with the assistance of an independent auditor and is available on the SANDAG website at [sandag.org/itoc](http://sandag.org/itoc). The auditors found strong practices in place at SANDAG and its partner agencies to guide and implement the wide variety of complex programs envisioned under the *TransNet* Extension Ordinance. Of particular importance, the audit concluded that SANDAG and its regional partners are operating a well-run *TransNet* program encompassing many best practices for program development and delivery, environmental mitigation, cost and schedule control, contracting and construction, and general management and oversight.



## Fiscal Year 2017 *TransNet* Progress Highlights

Fiscal year 2017 was a historic year for the *TransNet* Extension Program. Accomplishments included breaking ground on two mega projects: the Mid-Coast Trolley Extension and the North Coast Corridor Program. In total, some 20 transportation projects – funded by *TransNet* funds leveraged with state and federal dollars – were completed or got underway. Below are selected project highlights.

To learn more about what was accomplished last year, watch the 2016 recap video on [youtube.com/SANDAGregion](https://www.youtube.com/SANDAGregion).



### I-805 NORTH EXPRESS LANES PROJECT

In June 2016, Caltrans and SANDAG completed the I-805 North Project, which created two carpool lanes between SR 52 and Mira Mesa Boulevard. The project included a direct access ramp at Carroll Canyon Road, enabling carpools, buses, and other eligible vehicles to go straight into the HOV lanes. The last phase of the project was opening the south-facing Direct Access Ramp.



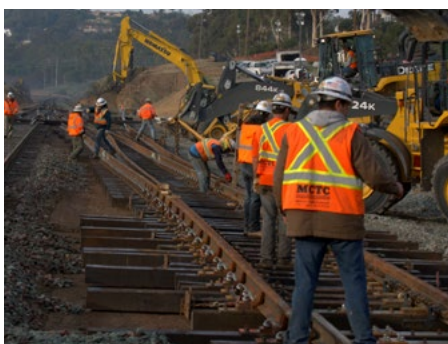
### SR 15 COMMUTER BIKEWAY

A new urban bikeway is taking shape to connect communities in the Mid-City area of San Diego with major retail, education and entertainment destinations in the Mission Valley area. Construction on the SR 15 Commuter Bikeway began in spring 2016 and is expected to be ready for bike riders in 2017. The bikeway is fully separated from traffic by a concrete barrier, and it also features lighting and wider sections that allow bike riders to rest or pass each other.



### DOWNTOWN RAPID STATIONS

In fall 2016, 11 uniquely branded *Rapid* stations opened in the heart of Downtown San Diego. Strategically spaced between two major transfer points – Santa Fe Depot and Smart Corner - the stations serve several *Rapid* routes that terminate in downtown, as well as the Airport Express. Project elements include stainless steel shelters, next arrival displays, security cameras, and pylon signs that serve as landmarks.



### LOSSAN/COASTAL RAIL CORRIDOR DOUBLE TRACKING

Up and down the LOSSAN coastal rail corridor, where \$1 billion of capital improvements are planned, several projects are under construction to expand the capacity of Metrolink, COASTER, Amtrak, and freight trains. Projects underway include: San Diego River Bridge Double Tracking, Elvira to Morena Double Tracking, Los Peñasquitos Bridges Replacement, and the Oceanside Transit Center. Currently, 67 percent of the LOSSAN corridor within the county is double tracked, up from 49 percent in 2008. Because of increased capacity in the rail corridor, in November 2016 AMTRAK added two trains per day between Los Angeles and San Diego, for a total of 12 daily round trips. In FY 2017, the LOSSAN corridor was awarded \$66 million in state cap-and-trade funding.



### SUPPORTING TRANSPORTATION FOR SENIORS

In March 2017, the SANDAG Board of Directors approved the award of *TransNet* Senior Mini-Grants to 11 organizations to support their specialized transportation services for those 60 and older. These specialized services take seniors to shops, doctor's appointments, social excursions, and wellness programs. Approximately \$3 million in Senior Mini-Grants will be made available in FY 2018 and FY 2019. Funded organizations and programs include: City of Oceanside – Solutions for Seniors on the Go; Jewish Family Services – On the Go Eastern San Diego and North County Inland; Renewing Life – Volunteer Driver Senior Transportation Program (serving South County); and Peninsula Shepherd Center – Out and About Peninsula Senior Transportation (serving Point Loma, Ocean Beach, and Midway/Sports Arena), among others.





### SR 76 EAST SEGMENT

In North County, construction is wrapping up on the last of a series of improvements to straighten curves and widen the eastern segment of SR 76. The bridge over Live Oak Creek opened to traffic in summer 2016, along with a new westbound lane. Work is ongoing to expand the Park & Ride at SR 76 and Old Highway 395. The entire SR 76 East Segment Project is expected to be complete in spring 2017.



### I-805 SOUTH EXPRESS LANES PROJECT

As 2016 drew to a close, crews put final touches on a major phase of the I-805 South project in Chula Vista, which opened in early 2017. Improvements included a new Direct Access Ramp, transit station, and a Park & Ride at East Palomar Street. These new facilities will be vital to the operation of the future South Bay *Rapid* service.



### ENVIRONMENTAL MITIGATION PROGRAM

The *TransNet* Environmental Mitigation Program has been a driving force for habitat conservation in the San Diego region. To date, the program has supported the acquisition of more than 8,600 acres for conservation, and has provided 98 land management grants, totaling \$14.6 million, to local organizations for invasive plant removal, trail maintenance, and other efforts.



### NORTH COAST CORRIDOR/ BUILD NCC

In November 2016, SANDAG and Caltrans broke ground on an initial package of freeway, rail, and environmental enhancement projects along the North Coast Corridor. This program is called Build NCC. Hailed by environmental advocates as a role model for integrated planning, Build NCC will extend carpool lanes on I-5, double track the coastal rail line, make bike and pedestrian improvements, and add sound walls along the freeway. As part of Build NCC, the San Elijo Lagoon will be restored.



### BAYSHORE BIKEWAY – NATIONAL CITY SEGMENT

In December 2016, elected officials and bike riders gathered to break ground on a new 2.25-mile segment of the Bayshore Bikeway. The new segment will extend from the San Diego-National City border south to the National City Marina. Currently, more than half of the 24-mile loop around San Diego Bay has been built and steady progress is being made to complete the remainder.



### MID-CITY CENTERLINE RAPID STATIONS

Construction continues to build two pairs of *Rapid* transit stations in the median of SR 15 at El Cajon Boulevard and University Avenue. These will be the first freeway-level stations in the region. They feature elevators and unique architectural designs, as well as lighting for added security and comfort. The project is essential to improving the on-time performance and connections between the existing *Rapid* and local transit routes, which provide Mid-City residents access to job centers throughout the region. Completion is expected in summer 2017.



### I-5 GILMAN DRIVE BRIDGE

Construction on the Gilman Drive bridge over I-5 began in late 2016. The bridge will connect Gilman Drive to Medical Center Drive, and link the east and west campuses of UC San Diego, one of the region's largest employers. Completion is anticipated in 2019.



### I-5/GENESEE INTERCHANGE

Significant progress was made on the I-5/Genesee Interchange Project in 2016, and it's slated to open in spring 2018. The project will replace the existing six-lane Genesee Avenue overpass with a ten-lane structure, widen freeway ramps, add an auxiliary lane on northbound I-5, and build a separated bike path that connects the Sorrento Valley COASTER station to Voigt Drive.



### SOUTH BAY RAPID

Construction continues on a new *Rapid* route in South County, which will run 26 miles between Otay Mesa, eastern Chula Vista, and Downtown San Diego. A key element of the project is the nearly 6-mile-long transit-only lanes in the median of East Palomar Street and along Eastlake Parkway in Chula Vista. Service is expected to begin on this route in 2018.



### MID-COAST TROLLEY EXTENSION

In October 2016, the Mid-Coast Trolley project broke ground, marking the beginning of the largest transportation project ever undertaken in the San Diego region. The federal government committed to provide \$1 billion in matching funds for the project, which extends Blue Line Trolley service from Downtown San Diego to the University City community. Upon completion of this project (opening expected in 2021), a single-seat (no transfer) ride will be available on the Trolley from the U.S.–Mexico border to University City, serving key employment, healthcare, and education centers and destinations along the way.



### INLAND RAIL TRAIL – SAN MARCOS SEGMENT

A new segment of the Inland Rail Trail running along the SPRINTER tracks in the City of San Marcos opened to the public in February 2017. The 1-mile path connects the intersection of West Mission Road and North Pacific Street to Cherimoya Drive at the county and city boundary. Construction on the next segment is underway and is expected to wrap up early next year. The entire San Marcos to Vista segment of the Inland Rail Trail is anticipated to be complete in 2019. When all phases are complete, the Inland Rail Trail will run 21 miles and link the cities of Oceanside, Vista, San Marcos, and Escondido, as well as unincorporated communities in the County of San Diego.



### SMART GROWTH ALONG SR 78

A neighborhood off SR 78 in San Marcos has been transformed into a pedestrian- and bike-friendly environment thanks to a \$1 million grant from the *TransNet* Smart Growth Incentive Program. Armorlite Drive between North Las Posas Road and Bingham Drive, just west of Mission Sports Park and south of the Palomar College SPRINTER station, features enhanced walkways, bike racks, lighting, and a protected bike path. The street improvements were completed last summer by the City of San Marcos, which matched the \$1 million *TransNet* grant with another \$1 million of its own funding, to get the project done.





## Local Roads

Since taking effect in 2008, the *TransNet* Extension has raised more than \$631 million (as of June 30, 2016) for the region's 18 cities and the County of San Diego to fix, maintain, and expand local streets. As with the original *TransNet*, the extension program allocates local road revenue to each jurisdiction using a formula based on population and maintained road miles.

## Local Agency Street and Road Balances (AS OF JUNE 30, 2016)

On a regular basis, the ITOC reviews local agency street and road balances to assist in monitoring expected use of local *TransNet* funds. Agencies anticipating spending less than 75 percent of their cumulative allocation provide ITOC with a report on their jurisdiction's project delivery status and plans to spend down funds. The cities of Carlsbad, Chula Vista, Encinitas, Escondido, and Oceanside submitted a status report on delivery and spend down plans for ITOC review. Of the \$631 million raised for local street and road improvements, more than \$540 million has been spent or is committed to be spent over the next five years.

Local Agency	LOCAL STREET AND ROAD IMPROVEMENT ALLOCATIONS		BALANCES HELD <sup>5</sup>	ITOC MONITORING	Remaining (Unused) Programming <sup>4</sup> FY15/16
	Cumulative (Actuals) Received	Cumulative Disbursed <sup>1</sup>	Fiscal Year End Balances Total	Actual spent <sup>3</sup> (Cumulative) Target = 75%	
(IN THOUSANDS)					
CITY OF CARLSBAD	\$27,112	\$(10,744)	\$17,146	36.8%	\$4,020
CITY OF CHULA VISTA	42,161	(30,445)	11,772	72.1%	11,420
CITY OF CORONADO	4,877	(3,785)	1,136	76.7%	598
CITY OF DEL MAR <sup>2</sup>	1,637	(4,002)	15	244.1%	(1)
CITY OF EL CAJON	18,501	(15,749)	3,000	83.8%	1,905
CITY OF ENCINITAS	14,934	(10,340)	4,778	68.0%	767
CITY OF ESCONDIDO	28,763	(16,757)	14,349	50.1%	10,952
CITY OF IMPERIAL BEACH	5,425	(5,085)	510	90.6%	344
CITY OF LA MESA <sup>2</sup>	13,784	(13,536)	953	95.6%	440
CITY OF LEMON GROVE	5,437	(3,595)	1,301	76.1%	1,280
CITY OF NATIONAL CITY <sup>2</sup>	10,589	(11,234)	677	103.7%	161
CITY OF OCEANSIDE	39,742	(28,977)	11,288	71.6%	7,671
CITY OF POWAY	11,526	(11,123)	889	92.3%	418
CITY OF SAN DIEGO	241,527	(203,595)	40,017	83.4%	35,854
CITY OF SAN MARCOS <sup>2</sup>	17,057	(22,764)	7,397	132.9%	1,187
CITY OF SANTEE <sup>2</sup>	10,923	(17,774)	655	161.6%	451
CITY OF SOLANA BEACH <sup>2</sup>	3,489	(7,184)	532	206.2%	24
CITY OF VISTA	18,996	(16,052)	118	99.4%	(75)
COUNTY OF SAN DIEGO <sup>2</sup>	115,035	(107,523)	20,455	92.3%	8,641
<b>TOTAL</b>	<b>\$631,515</b>	<b>\$(540,264)</b>	<b>\$136,988</b>		<b>\$86,057</b>

<sup>1</sup>Disbursements include formula-based regular monthly payments to local agencies as requested and may include program costs, debt service payments, and payments using debt proceeds.

<sup>2</sup>For participants in the San Diego County Regional Transportation Commission Debt Program, bond and commercial paper proceeds are used in advance of future sales tax revenues and may include interest earned on the unspent proceeds (cash and investment balances). Borrowing will be paid with participants' future sales tax revenue. Revenue used for borrowing plus disbursements to each jurisdiction will not exceed funding allowable per the *TransNet* Extension Ordinance.

<sup>3</sup>Monitoring threshold. Amounts exceeding 100% may show estimated percentage spent in excess of available funds that may be due to debt proceeds disbursed and/or programming based on two years of allocations.

<sup>4</sup>Remaining biennial programmed amounts unused at June 30, 2015, that were available to the cities to request through June 30, 2016.

<sup>5</sup>Balances Held include sales tax, interest earned, and other revenue and therefore is not the net of Cumulative (Actuals) Received and Cumulative Disbursed.



## FY 2016 *TransNet* Annual Fiscal and Compliance Audit

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, 2016, 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, 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.
- Revenue collected by each city and the County of San Diego under the Regional Transportation Congestion Improvement Program was in compliance with Section 9 (a) of the *TransNet* Extension Ordinance and SANDAG Board Policy No. 031.

FY 2016 was the eighth 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:

- All street and road recipient agencies, except the City of Lemon Grove, 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.
- All reporting agencies, with the exception of the cities of Escondido, La Mesa, Poway, and San Marcos 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 these jurisdictions until such time that the Director of Finance certifies they have gained compliance.
- The North County Transit District (NCTD) was in compliance for 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.



## Compliance with the Maintenance of Effort Requirement

The *TransNet* Extension Ordinance includes a Maintenance of Effort (MOE) requirement to ensure *TransNet* revenues are used to augment, not supplant, existing local funding. *TransNet* funds are used to leverage other revenues available for local street and road improvements – making the most of every *TransNet* dollar. The FY 2016 audits found that all local street and road recipient agencies, except the City of Lemon Grove, were in compliance with the MOE requirement. The SANDAG Board of Directors approved allowing the City of Lemon Grove until June 30, 2019, to make up the shortfall in accordance with the *TransNet* Extension Ordinance.

### FISCAL YEAR 2016

Recipient Agency	In Compliance	Streets and Roads	Specialized Transportation Services	Transit Bus Subsidies	Deficit Amount
CARLSBAD	Yes	\$4,897,196	—	—	—
CHULA VISTA	Yes	2,999,670	—	—	—
CORONADO	Yes	685,316	—	—	—
DEL MAR	Yes	368,365	16,973 <sup>2</sup>	—	—
EL CAJON	Yes	1,403,896	—	—	—
ENCINITAS	Yes	1,665,638	46 <sup>2</sup>	—	—
ESCONDIDO	Yes	2,534,929	—	—	—
IMPERIAL BEACH	Yes	217,840	—	—	—
LA MESA	Yes	1,530,076	—	—	—
LEMON GROVE	<b>No</b>	147,377	—	—	<b>21,196</b>
NATIONAL CITY	Yes	1,459,882	—	—	—
OCEANSIDE	Yes	2,321,866	—	—	—
POWAY	Yes	884,681	—	—	—
SAN DIEGO	Yes	19,384,257	143,433 <sup>2</sup>	772,157 <sup>2</sup>	—
SAN MARCOS	Yes	3,804,565	—	—	—
SANTEE	Yes	485,044	—	—	—
SOLANA BEACH	Yes	416,150	—	—	—
VISTA	Yes	2,098,885	—	—	—
COUNTY OF SAN DIEGO <sup>1</sup>	Yes	0	—	—	—

Yes = In Compliance No = Not in compliance — = Not applicable

<sup>1</sup> The County does not have discretionary expenditures or projects that can be reported under the MOE.

<sup>2</sup> Only the cities of Del Mar, Encinitas, and San Diego have a specialized transportation services requirement. The City of San Diego also has a transit bus subsidy requirement.

Note: The MOE requirement is re-indexed every 3 years. The FY 2012 agreed-upon procedures process included re-indexing for FY 2015, 2016, and 2017.



## A Special Note From The ITOC Regarding SANDAG's Financial Forecasts

Over the last year there has been much discussion and, we believe, some confusion about SANDAG's financial forecasts prepared for the *TransNet* program. This note intends to help clarify the major "moving pieces" that go into the financial forecasts SANDAG uses for planning capital projects.

### The Revenue Forecast Error

It has been made clear that a spreadsheet formula error in a forecast used for part of FY 2017 led to an inflated forecast estimated future sales tax revenue. That error has been identified and, with input from the ITOC, the SANDAG Board of Directors adopted a plan to enhance data integrity and forecasting processes. In addition, an outside law firm has been hired to review the process by which the error was handled by SANDAG staff, executive management, and the Board of Directors.

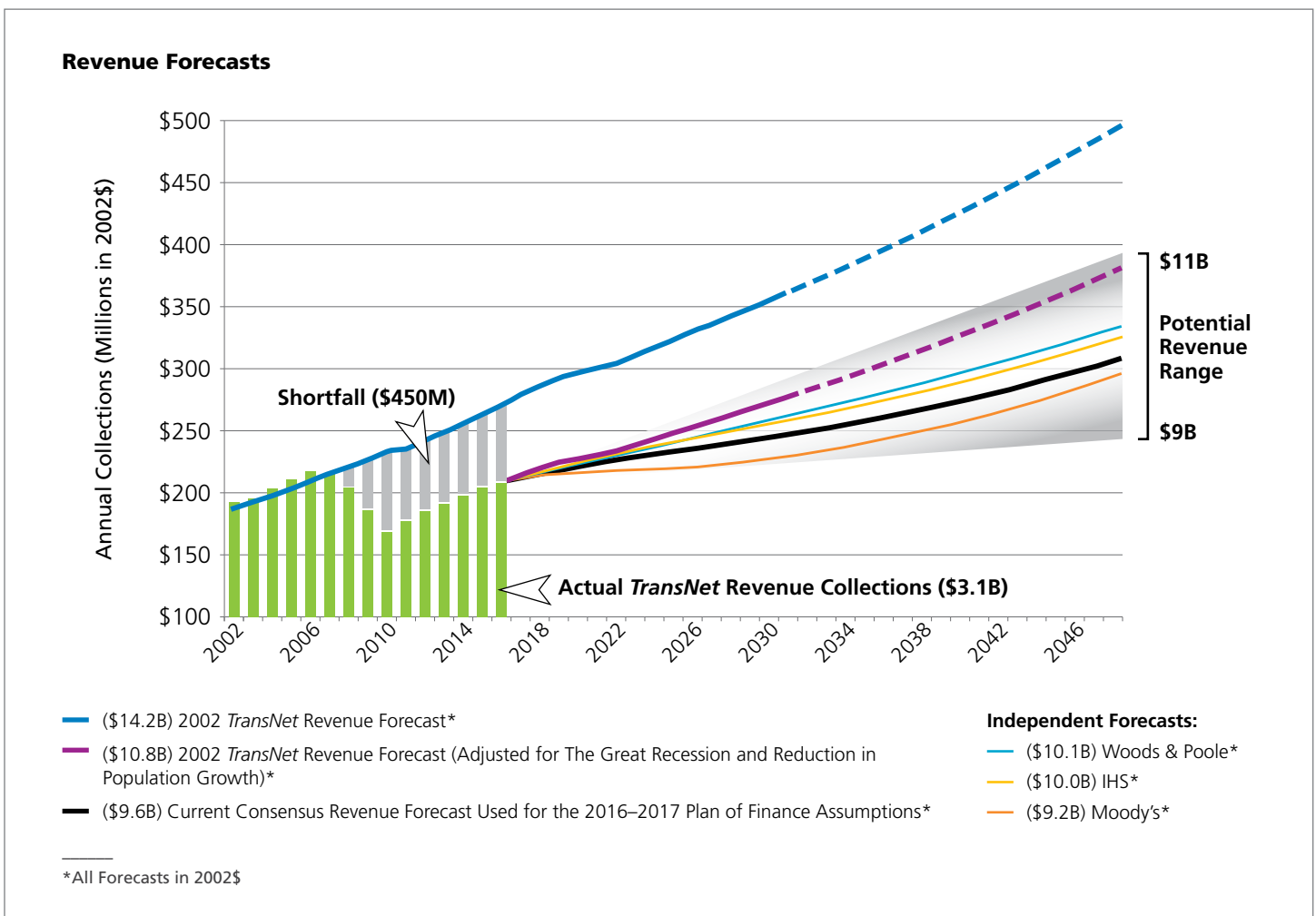
### The Revenue Shortfall from "The Great Recession"

In 2002, SANDAG estimated that \$14.2 billion in sales tax revenue could be expected from the *TransNet* sales tax extension. Such revenue collection was on track through 2007. From 2008 through 2010, revenue collections decreased significantly, and then began to increase again in 2011. Through late calendar year

2016, the shortfall was approximately \$450 million less than had been forecast in 2002, primarily due to the "Great Recession" in 2008–2009, when overall economic activity slowed and fewer than expected people moved into the county. As a result of the slow recovery, sales tax revenues in San Diego County today are still slightly less than they were prior to the recession whereas the original estimates prepared for the *TransNet* extension assumed there would be slow but steady growth in sales tax every year.

### Sales Tax Revenue Is Just One of Several Funding Sources

Although sales tax revenue has been lower than originally forecast, SANDAG has attracted more external funding than anticipated. The 40-year projection (2008–2048) for the *TransNet* program estimated that SANDAG would leverage "matching funds" in a one-to-one ratio from various federal government and state transportation initiatives for the *TransNet* Extension Major Corridor projects. In fact, the entire *TransNet* program (1988–2016) has leveraged matching funds at a ratio of about 3 to 1, much better than was projected by the *TransNet* Extension Ordinance, which more than offsets the shortfall in *TransNet* sales tax receipts.



### Use of Debt to Accelerate Projects

In addition to sales tax receipts and state and federal funds, through May 2017, the *TransNet* Extension Program also has benefited from \$1.9 billion<sup>1</sup> of long-term borrowing. These borrowings against future sales tax receipts have enabled the region to accelerate its work, and provided the two-fold benefit of taking advantage of lower construction costs as well as earlier in-service dates for numerous projects.

**Impact of Changes in Project Scope:** The cost of projects projected to be completed under the *TransNet* program is another variable to be considered. The final engineered scope of each project can vary significantly from the preliminary, conceptual scope that was used to develop the original 40-year *TransNet* plan. As work began on specific projects and their detailed scopes, locations, and improvements refined, in many cases the final design became more expensive than the original conceptual design. A good example of this is the Mid-Coast Trolley currently under construction; the route has changed several times to satisfy citizens' concerns, environmental and additional regulatory requirements, and growth on the UC San Diego campus. Parts of the Trolley system are now elevated to overcome some of the issues that occurred when the track was at ground level. These factors added costs as well as project benefits that will ultimately better serve the region and improve the transit network. For example, a station was added to serve the VA Medical Center, which was not originally included as part of the Mid-Coast project.

<sup>1</sup>The bulk of \$1.9 billion in bond proceeds has been allocated for Major Corridor projects, with the remainder for local streets and roads projects.

**Impact of Changes in Project Direct Costs:** The actual cost to construct the project (i.e. the price of materials and labor, etc.) is another factor, as construction costs tend to fluctuate with the economy. The *TransNet* program realized significant savings from lower construction costs as a result of the "Great Recession," and the ability to use debt to advance projects enabled SANDAG to frontload projects and open them to the public sooner than a pay-as-you-go model.

The number of independent variables described above should make clear that any 40-year projection of revenue, cost and project scope is highly complex. However, with our annual financial and compliance audits, triennial performance audits and monthly oversight meetings, the ITOC monitors the *TransNet* program on its many levels to help ensure that SANDAG continues to deliver on its promise of completing projects mandated by the Ordinance.

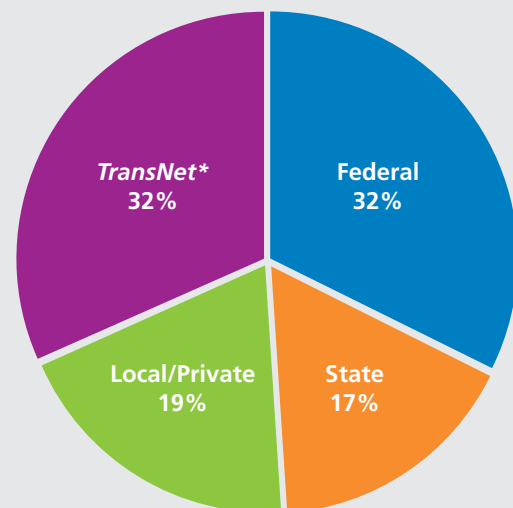


### Near Term: *TransNet*-Funded Projects Programmed Through FY 2021

*TransNet* funds are matched with other funds to deliver projects in the short-term under the 2016 Regional Transportation Improvement Program (RTIP). Covering a five-year period from FY 2017 to FY 2021, the RTIP 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.

***TransNet* and Other Funds for Programmed Projects from FY 2017–FY 2021**



Source: 2016 Regional Transportation Improvement Program  
\**TransNet* includes bond proceeds.

**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.

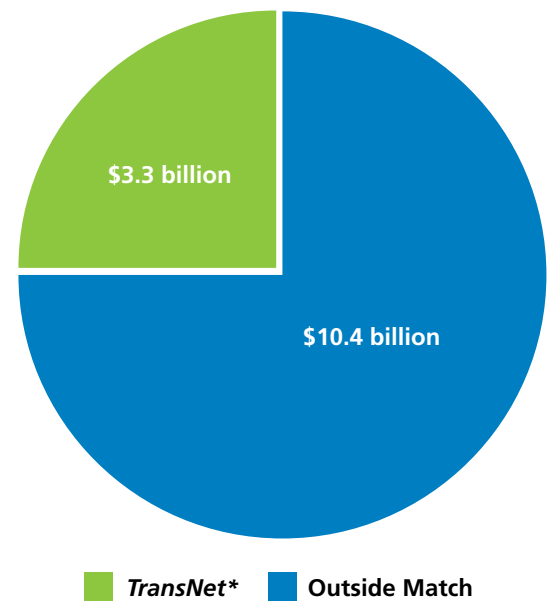
Approximately \$3.3 billion in *TransNet* funding has been invested in completed projects as of spring 2016, and these funds have helped leverage more than \$10 billion in outside funds to deliver more than 650 highway, transit, bike and pedestrian, habitat conservation, local street repairs, and grant 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 actually been matched closer to 2:1. Furthermore, from 1988 to 2016, the actual leverage ratio of outside funds to *TransNet* funds is 3:1 for the entire *TransNet* program.

In 2005, the *TransNet* Early Action Program (EAP) was created to expedite congestion relief. The EAP advanced completion of projects, even during the depths of the Great Recession, by using long-term borrowing secured by future *TransNet* sales tax revenue to capitalize on low interest rates, low construction costs, and to seize competitive funding opportunities.

**Promises Made, Promises Kept**

As of early 2017, with about 31 years left on the *TransNet* Extension, 40 percent of the capital projects promised to voters under the *TransNet* measure have either been completed or are under construction. This was achieved by obtaining a little more than \$1.8 billion<sup>2</sup> of long-term debt financing and \$4.3 billion state, federal and local funds, in addition to nearly \$900 million in sales tax revenue received into the *TransNet* program to-date, for use on projects which are already completed or are currently in construction. In late 2016, SANDAG staff presented their estimates to complete the remaining Major Corridors program. At the time, the total cost of the remaining projects, net of debt service, was approximately \$22.6 billion. The revenues anticipated at the time to be available to complete the remaining projects included a combination of *TransNet*, state and federal funds, including \$4 billion in grants, state and federal formula funds and TIFIA loan proceeds already programmed to projects, and approximately \$17.5 billion in anticipated state and federal formula funds and funding from state and federal future initiatives similar to the federal stimulus legislation and Proposition 1B. It should be noted that since then, the Governor approved Senate Bill 1 (Beall), which authorizes increases to fuel taxes and vehicle license fees, and which will provide funds to supplement existing *TransNet* and state and federal funds. Although SB1 program details are not yet available, this new fund source provides greater certainty that implementation of the Major Corridors program will continue to move forward resulting in completion of all projects by the end of the measure.

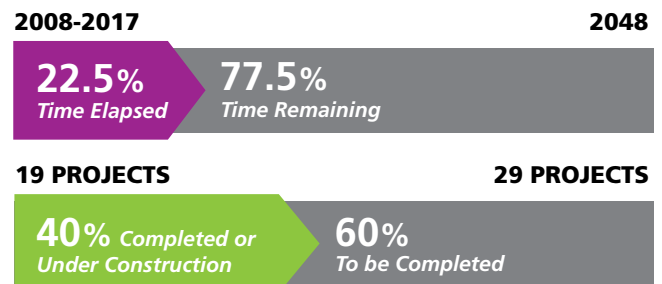
**TransNet Program Historical Leverage Ratio (1988-2016)**  
(3:1)



\*TransNet includes bond proceeds.

**TransNet Extension Major Corridor Improvement Program (2008 – 2048)**

Progress through mid-2017



The percent completed/under construction is estimated by both number of *TransNet* Extension Major Corridor projects completed and by estimate of project cost.

A comprehensive ten-year review of the *TransNet* program is scheduled to begin in FY 2018. This review will provide an overall status of progress on projects and programs since the start of the *TransNet* program. ITOC will provide recommendations to improve performance of the program as part of this review.

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

<sup>2</sup>The bulk of \$1.9 billion in bond proceeds has been allocated for Major Corridor projects, with the remainder for local streets and roads projects.



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 2017 activities to be carried forward into FY 2018.

### Upcoming Triennial Performance Audit

Per the *TransNet* Extension Ordinance, the ITOC conducts 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. In May 2017, the ITOC selected an independent performance auditing firm, with over a decade of prior public service experience in the California State Auditor's Office, to conduct the next triennial performance audit. The ITOC performance audit subcommittee will work closely with the auditors beginning summer 2017.

### Ongoing Monitoring of Financial Markets and the FY 2017 and FY 2018 *TransNet* Revenue Forecast

Quarterly briefings are provided to the ITOC to keep us informed about the latest developments in the financial markets, the economy, and sales tax revenues, and the strategies being explored and implemented to seize opportunities and minimize possible impacts on the *TransNet* program. In FY 2017, the *TransNet* revenue anticipated growth rate was revised from 3.5 percent to 2.6 percent above actual 2016 receipts. For FY 2018, a 3.3 percent growth is projected over the FY 2017 revised forecast.

### Upcoming 2016-2017 *TransNet* Plan of Finance Update

Prior to approval by SANDAG Board of Directors, the annual *TransNet* plan of finance update is presented to the ITOC for review and discussion. In carrying out its role, the ITOC provides recommendations to enhance the financial integrity of the *TransNet* program.

The *TransNet* plan of finance is a strategic tool used to build a comprehensive financing strategy based upon estimated project costs, delivery schedules, and revenue forecasts. As a forward-looking document, the *TransNet* plan of finance assesses the financial capacity of the *TransNet* program in order to identify opportunities to advance completion of additional capital projects, as well as to identify the need to slow down, should rising project costs, decreasing revenues, or other external factors result in reduced financial capacity. Per ITOC's request, proposed cost and revenue assumptions were presented to the ITOC in March 2017, prior to incorporation in the annual *TransNet* plan of finance update. The entire 2016-2017 *TransNet* Plan of Finance Update is scheduled to be presented in summer 2017 for ITOC review.

### Enhancing Transparency, Accountability, and Data Integrity

In February 2017, the SANDAG Board of Directors adopted a seven-point data modeling and accuracy work plan developed by agency staff to strengthen the transparency, accountability, and accuracy of SANDAG data, analytics, and modeling programs. The Board of Directors asked the ITOC to provide input on the seven elements of the work plan. As part of its review, the ITOC stressed the importance of presenting information in a more digestible format and supported the proposed methods to ensure data and analytic transparency, including continued infographic representation of data. The ITOC also provided further recommendations for other areas of improvement. The FY 2018 *TransNet* Triennial Performance Audit will address ITOC review of these activities in support of continued enhanced transparency and accountability. Going forward, staff will present ongoing progress reports to the Board of Directors and the ITOC to ensure both remain informed about the implementation of the work plan.

To learn more about the ongoing work to strengthen the agency's forecasting capabilities, visit [sandag.org/workplan](http://sandag.org/workplan).

## 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](http://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.