

FY2016 – FY2018 Triennial Performance Audit of the San Diego Association of Governments (SANDAG)

FINAL AUDIT REPORT

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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 2016, 2017, and 2018—the period from July 1, 2015, through June 30, 2018.

The FY16–FY18 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 taken steps to address TDA provisions from relatively new State legislation and should continue to improve compliance in carrying out these measures. Also, SANDAG has completed one of the recommendations and mostly completed the two others with some further activity to undertake for full implementation.

Prior 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.

- Compliance finding: Partially complete
- Actions and results: SANDAG and FACT are completing an updated scope of FACT’s contractual responsibilities and are planning to have a new contract executed within one year of the beginning of FY19. The action to identify and pursue additional funding sources to support CTSA activities is on-going by both agencies and remains to be fully implemented.

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.

- Compliance finding: Complete.
- Actions and results: SANDAG started their fare study in FY17, with customer surveys and a peer review. Following extensive collaboration with MTS and NCTD, SANDAG ultimately made the decision to simplify the regional fare structure. A new ordinance establishing the regional fare pricing schedule was signed into effect in February 2019.

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.

- Compliance finding: Partially complete.
- Actions and results: SANDAG has updated its TDA Claim Manual to address SB 508 and informed the TDA claimants of the changes. The new TDA Claim Manual was published in February 2018. Some provisions that were updated should be further addressed and clarified for full compliance.

During the audit period, the Governor approved Assembly Bill 805 (AB 805). This bill results in several governance changes for SANDAG as well as for MTS and NCTD. Among the major changes is a modification to the weighted vote, where a weighted vote may be called by members of two jurisdictions. In addition, AB 805 authorizes MTS and NCTD to individually impose taxes in their jurisdictions, with revenues to be used for public transit purposes, and to issue bonds backed by these revenues. In fact, MTS is in the process of considering such as tax measure for the near term.

Two other significant events shaped the FY16-18 audit period. First, the 2016 sales tax failed at the ballot box. The measure was approved by 58 percent of the voters, short of the two thirds required. Second, SANDAG went for a full year without a permanent chief executive. The last Executive Director resigned in August 2017 and a new Executive Director started 16 months later. SANDAG went through a period of turmoil because of an error found in the regional forecast. The error resulted in negative press and spurred an independent investigation. Ultimately, SANDAG implemented a significant restructuring of the Department of Data, Analytics, and Modeling. Through this process, SANDAG has made strides in regaining the public trust in data and analytics. Many of the staff interviewed cite the new Executive Director and organizational adjustments as a major opportunity for the future.

SANDAG effectively accomplishes its TDA responsibilities during the audit period.

- 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 January 2017; 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 February 2018), 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* (RTP) 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. Under normal circumstances the next RTP would be produced in 2019 but given the change in executive leadership SANDAG has decided to pursue a two-fold approach. First, by Fall 2019, a federally-compliant RTP will be produced. Then the full RTP will be adopted by the Board by Fall 2021.
- 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 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 all grantees and responsible for submitting their own grant applications and managing their own grants, consistent with the annual apportionments approved by the SANDAG Board.

Two recommendations are offered for SANDAG's consideration.

- Recommendation 1: SANDAG and FACT should work together to identify and pursue additional funding sources to support its activities as the CTSA. The current revenue claimed and received by FACT using SANDAG allocation formulas for TDA Article 4.5 is about \$140,000 annually. This funding is to be used for core CTSA functions specified in the proposed contract amendment including referral services, maintaining the advisory council (Council on Access & Mobility), and maintaining the database website of specialized providers. FACT has pursued additional funding such as from FTA and TransNet Senior Mini Grants; however, there are no long term funding solutions in expanding the CTSA role. SANDAG and FACT should continue their pursuit of funding for CTSA activities and expansion within and beyond the core functions to meet specialized transit needs. One possibility could be increasing the percentage that CTSA receives of the Article 4.5 funds which is currently 2 percent of the 5 percent apportionment for community transit services (\$140,000 out of close to \$7 million). Another could be working with FACT to enable spend down of its existing TDA balance shown in the FACT annual financial statements. This balance is about \$237,000 which could be used for core CTSA functions and/or additional responsibilities. The strategies and recommendations contained in the 2018 Coordinated Plan provide opportunities for CTSA expansion in its role to effectively coordinate and centralize social service transportation functions. Further coordination for social service transportation among SANDAG, FACT, MTS, and NCTD, and led by SANDAG, could potentially open funding opportunities and less inter-agency competition for TDA and other fund programs.

- Recommendation 2: Continue efforts to update Policy No. 27 and the SANDAG TDA Claim Manual to address the statutory changes to the TDA implemented by Senate Bill 508 and AB 1113. Inform all TDA claimants of these changes. While SANDAG updated its TDA Claim Manual in February 2018 to address SB 508 and other legislative changes, parts of the revised manual should be reviewed and clarified for full compliance. These include the revised urban fare recovery ratio for MTS (decreasing from 31.9 percent to 20.0 percent), applying the STA qualifying criteria using operating cost per revenue hour method instead of operating cost per revenue mile, and using a sliding scale rather than pass/fail in allocating STA for operations for NCTD. SANDAG should also verify whether MTS is properly applying the same STA criteria. In addition, Policy 27 should be updated to reflect the revised urban fare recovery ratio of 20 percent, while both Policy 27 and the claim manual should change the submittal date of the State Controller's Transit Operator Report from 90 days to 7 months (end of January).

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. Kimley-Horn & Associates was selected by the San Diego Association of Governments (SANDAG) to conduct the triennial performance audit of SANDAG for Fiscal Years 2016, 2017, and 2018, the period from July 1, 2015, through June 30, 2018.

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:

- Financial Audits, FY16-FY18
- Adopted Budgets, FY16-FY18

- List of Board Members, Committees and Committee Members
- Organization and Staffing Charts
- Year-end internal performance reports, FY16-FY18
- Samples of routine performance reports
- Short Range Transportation Plan (SRTP)
- Board Resolutions approving transit operator SRTPs, FY16-FY18
- Guidelines for Development and Amendment of Transportation Improvement Plan (TIP)
- Current TIP
- Board Resolution adopting TIP, FY16-FY18
- Transmittal Letter for the prior SANDAG Performance Audit to State Controller
- Letter to the State Controller Regarding Completion of Prior Transit Operator Performance Audits
- Annual Fiscal and compliance Audits, with transmittal letters FY16, FY17, FY18
- State Controller's Reports including transmittal letters, FY16-FY18
- Annual Revenue Projections and TDA Funding Allocations, including Mid-Year Adjustments if applicable, FY16-FY18
- Board Resolutions for Allocation of TDA and STA Funds, including Mid-Year Adjustments if applicable, FY16-FY18
- Revenue Ratios for TDA Article 4 Claimants
- Transit Performance Measurement Program Guidelines
- Transit Coordination Guidelines
- Board Report and Resolution Regarding "Reasonable Efforts" and Transit Operator Productivity Improvement Program Findings, FY16- FY18
- TDA Article 3 and 8 Claim Instructions
- TDA Article 3 and 8 Financial Audit Instructions
- SSTAC Membership Roster, FY16- FY18
- SSTAC Unmet Transit Needs Findings, FY16- FY18
- State Controller Reports for TDA Claimants, FY16- FY18
- TDA Claim Forms, FY16- FY18
- TDA Article 4 Capital Reserve Drawdown Requests, FY16- FY18
- Funding Guidelines and Annual Allocations of FTA Section 5307 Funds
- Funding Guidelines and Annual Allocations of CMAQ Funds
- Funding Guidelines and Annual Allocations of SAFE Funds
- Quarterly Project Status Reports for FTA Section 5307 and CMAQ Funds
- *San Diego Forward: The Regional Plan* (Long Range Transportation Plan)
- Specialized Transportation Strategic Plan

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
- 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 Operations
- Department Director of Administration
- Department Director of Communications
- *TransNet* Project Office Program Manager
- Principal Regional Planner, Active Transportation and Rail Planning
- Principal Regional Planner, Long Range Transportation and Binational Planning
- Principal Regional Planner, Transportation Demand Management
- Division Director of Operations, IT/Information Systems
- Senior Regional Planner, Transit Planning & Land Use Coordination
- Associate Regional Planner, Transit Planning & Land Use Coordination
- Contracts and Procurement Manager/Special Counsel
- Senior Legal Counsel
- Manager of Business Services Administration and Operations
- Financial Programming Manager
- Senior Budget Program Analyst
- Senior Financial Programming and Project Control Analyst
- Senior Accountant
- Accountant II
- Senior Government Relations Analyst
- Senior Human Resources Analyst
- Human Resources Manager

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.

With 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, 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 multiple 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.

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

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

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. 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 conducted a fare study to consider the unification of fares among the North County Transit District (NCTD) and Metropolitan Transit System (MTS). The goal of the fare change study is to simplify regional travel.
- SANDAG accomplished significant planning and construction work on transit projects including the completion of the final Purple Line conceptual planning study. The Purple Line is a future light rail line that will be operated by MTS and will extend between San Ysidro to Sorrento Valley via Kearny Mesa.
- SANDAG's transit capital project development work continued its significance during the audit period. Construction started in 2016 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. Construction has reached the half-way point, and is on schedule to open in 2021.
- SANDAG oversaw the construction of the State Route 15 Mid-City Centerline Transit Stations project. The Project is adding transit stations along SR 15 from just north of I-805 to just south of I-8 and will support an expanding regional Rapid transit network.
- SANDAG oversaw the construction of the South Bay Rapid, which began in March 2016. The project includes a 6-mile-long transit-only lane being constructed in the median of East Palomar Street and along Eastlake Parkway in Chula Vista. The Rapid route will connect to major employment and activity centers in downtown San Diego and South County. A portion of the route began service in September 2018, with full service beginning in January 2019.
- 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 updated the planning prioritization for projects in the corridor.
- SANDAG made substantial progress on the capital projects included in the Bike Early Action program, the \$200 million initiative to expand bicycle access countywide that was approved in 2013. To date 70 of the 77 linear miles in the bike EAP are underway including 7.5 miles that are open to the public. SANDAG has completed work on four Class I bikeway projects including the Inland Rail Trail, Coastal Rail Trail, and the Bayshore Bikeway.
- SANDAG continued its successful iCommute program, the regional commuter assistance program for San Diego. The program provides an interactive website for users to learn about their commute options. iCommute also includes the SANDAG Vanpool Program, Guaranteed Ride Home, and the Bike Encouragement Program (including Bike to Work Day, Bike Tune Ups, and other local events).

- SANDAG launched its Regional Arterial Management System. The project will unite local agencies on a common system so SANDAG can coordinate the implementation of regionwide traffic signal integration.
- SANDAG refinanced its loans on the South Bay Expressway (SR-125 Toll Road), an accomplishment that will save the agency more than \$147 million over the 26-year life of the loans.
- SANDAG developed the Regional Mobility Hub Strategic Plan which is based on goals outlined in the San Diego Forward: The Regional Plan. SANDAG is seeking to partner with private agencies to create mobility hubs and provide better connectivity to transit.
- SANDAG applied for and won the designation as an autonomous vehicle proving ground. SANDAG is collaborating with the City of Chula Vista, Caltrans, SDSU, and UCSD.
- Updates to key transportation documents were completed:
 - Board Policy No. 27 – Transportation Development Act
 - SANDAG TDA Claim Manual was updated (February 2018)
 - Updated the Coordinated Plan for San Diego County addressing unmet transit needs.

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. (This is not the same as the 2018 Statute Book). 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, and 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.	<p>Compliant: SANDAG's Policy 27, last amended in January 2017, defines the procedures for administering TDA funds. SANDAG's <i>Transportation Development Act Claim Manual</i>, updated February 2018, provides further detail and serves as a guidebook for claimants. Chapter 3 of the manual describes the process for submitting claims for funds dedicated to the Bicycle, Pedestrian, and Neighborhood Safety Program. 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).</p> <p>The agency allocates portions of the 2 percent of eligible LTF funds. This includes SANDAG Board approval to set aside \$1 million per year for the regional Active Transportation Grant Program call for projects. In FY16, 10 cities received allocated funding including revisions; in FY17, SANDAG was allocated funding for Rose Creek Coastal Rail Trail; and in FY18, SANDAG was allocated funding for Inland Rail Trail.</p>
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

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
		<p>participation process. The hearings were held as part of the SSTAC meetings in SANDAG offices in downtown San Diego, and via video conference from the office of North County Transit District in Oceanside. Public hearings according to PUC 99238.5 were held at SANDAG on 5/16/16 and 5/15/17, and at NCTD on 5/21/2018. In addition, the bimonthly SSTAC meetings include a public comment period at the beginning of each meeting.</p>
<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. These performance indicators are measured separately for fixed-route services</p>

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
		<p>(Metropolitan Transit System [MTS] Trolley, MTS Bus, MTS <i>Rapid</i>, North County Transit District [NCTD] SPRINTER, NCTD COASTER, and NCTD BREEZE Bus) and Americans with Disabilities Act of 1990 (ADA) Paratransit services (MTS ADA and NCTD ADA). SANDAG staff develop quarterly reports for distribution and discussion at meetings of the Regional Short Range Transit Planning Task Force, an advisory group consisting of members of FACT, MTS, NCTD, and SANDAG.</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 transmits copies of the annual Comprehensive Annual Financial Reports for MTS and NCTD, and the annual TDA fiscal and compliance audit for FACT, to the State Controller and verifies their timely submittal.</p>
<p>PUC Sections 99246 & 99248</p>	<p>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.</p>	<p>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 2016, within 12 months after the end of the triennium.</p>

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
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 FY13–FY15 performance audits were completed and submitted to the California Department of Transportation on June 30, 2016. A letter on SANDAG letterhead was transmitted along with copies of the SANDAG/CTSA, MTS, and NCTD audits.
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. SB 508 alters the urbanized revenue ratio to 20 percent, down from the 31.9 percent ratio required for MTS set in FY78-79. The TDA claim manual and Policy 27 should be updated to reflect the urbanized ratio of 20 percent for MTS.

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).</p> <p>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 and FACT developed updated eligibility criteria to allocate the funds including meeting core functions.</p>

Reference	Compliance Requirements for RTPAs	SANDAG's Compliance Efforts
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> <p>The SANDAG TDA claims manual includes qualifying criteria for an operator to use STA for operations rather than capital. While the criteria in the manual correctly states use of operating cost per revenue hour per the TDA statute, in practice, SANDAG and NCTD use the metric operating cost per revenue mile. In addition, the pass/fail provision of the qualifying criteria is replaced by a sliding scale per SB 508 enabling the operator to still apply STA toward operations despite not meeting the tests. SANDAG should make adjustment in its application of the STA qualifying criteria to follow the cost per hour criteria as well as the sliding scale method in allocating funds for operations.</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.	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.

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 generally each May 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.	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: FY 16: December 15, 2016 FY 17: December 15, 2017 FY 18: December 21, 2018

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 complete.

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 commissioned a study to evaluate whether FACT, serving as the CTSA, was meeting the obligations of its agreement with SANDAG. It was recommended that an updated agreement in collaboration with FACT be developed that better reflects the current SANDAG goals and objectives for the CTSA and include concrete performance measures. SANDAG and FACT engaged in the process of designing an updated agreement that is focused on specific core CTSA activities and that will be consistent with current strategies including those in the Coordinated Plan update. Meetings between the agencies took place towards the end of the audit period with a proposed contract amendment being approved by the Transportation Committee in September 2018, shortly after the audit period. A performance evaluation section is added in the contract amendment to evaluate CTSA of its core functions. Additionally, SANDAG will continue to work closely with FACT to help identify additional funding sources to support FACT's CTSA-related activities. This has included review of TransNet funds. As

funding identification and implementation are continuing, this aspect of the prior recommendation is carried forward for full implementation.

Prior Audit Recommendation 2: 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: Complete.

SANDAG Actions: SANDAG started their fare study in FY17, with customer surveys and a peer review. Following extensive collaboration with MTS and NCTD, SANDAG ultimately made the decision to simplify the regional fare structure. A new ordinance establishing the regional fare pricing schedule was signed into effect in February 2019.

Prior Audit 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.

Compliance Finding: Partially complete.

SANDAG Actions: SANDAG updated its TDA Claim Manual to address SB 508 and informed the TDA claimants of the changes. The new TDA Claim Manual was published in February 2018. Parts of the revised manual should be reviewed and clarified for full compliance. These include the revised urban fare recovery ratio for MTS (decreasing from 31.9 percent to 20.0 percent), applying the STA qualifying criteria using operating cost per revenue hour method instead of operating cost per revenue mile, and using a sliding scale rather than pass/fail in allocating STA for operations for NCTD. Policy 27 should also be updated to reflect the revised urban fare recovery ratio of 20 percent, while both Policy 27 and the claim manual should change the submittal date of the State Controller's Transit Operator Report from 90 days to 7 months (end of January). It is also advised that the fare recovery ratio for NCTD and the fare ratio methodology should be revisited to determine whether the 18.8 percent ratio remains reflective of NCTD's current service area encompassing urban and rural communities.

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.

IV-1. RTPA 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.

In October 2017, during the current audit period, the Governor approved Assembly Bill 805 (AB 805). The bill entails multiple changes to the governance of SANDAG as well as MTS and NCTD. The principal changes are summarized below:

- The bill required the mayor and president of the city council to serve on the Board. The bill deleted the requirement for the chair of the County of San Diego Board of Supervisors to serve on the board.
- The bill revised the selection of alternate members of the board. The chairperson and vice chairperson need to be elected by the membership every 2 years or when a vacancy exists by the weighted vote process and the vice chairperson not represent the same region.

- AB 805 modified the weighted vote process as follows. All official acts of the board require the affirmative vote of the majority of the members of board present. However, after a vote of the members is taken, a weighted vote may be called by members of any two jurisdictions.
- The bill increased the membership of the transportation committee from 9 to 10 members
- The bill established an audit committee with specified responsibilities, including the appointment of an independent auditor, increasing the number of standing committees to six.
- AB 805 required ones of 4 San Diego City Council members on the MTS board to be the mayor and grant the City of Chula Vista a second member, who would be the mayor. The bill required the MTS chairperson to be selected by the board and revise the process for selecting alternate board members.
- The bill made modifications to the weighted voting process for MTS and NCTD
- Finally, AB 805 authorizes MTS and NCTD to individually impose taxes in their jurisdictions, with revenues to be used for public transit purposes, and issue bonds backed by these tax revenues.

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 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.

In the table below the new weighted votes beginning July 1, 2018 are shown in bold, the old weighted votes in force during the audit period are shown in parentheses.

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	15 (16)	Poway	1	1
Del Mar	1	1	San Diego	1	42 (40)
El Cajon	1	3	San Marcos	1	3
Encinitas	1	2	Santee	1	2
Escondido	1	4 (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 the 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.

With the passage of AB 805, the Transportation Committee now has 10 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 board member
- NCTD board member
- San Diego Unified Port District
- San Diego County Regional Airport Authority

During the audit period, SANDAG had made changes to the organization to create greater efficiencies as the agency undertakes additional project implementation responsibilities and more complex regional coordination and planning (e.g., Department of Data, Analytics, and Modeling). During the FY2016-18 audit period, AB 805 resulted in the creation of a sixth standing committee – the Audit Committee, as well as the creation of an independent auditor function.

Internal and External Audit Functions

SANDAG established an Internal Audit unit that reports administratively to the Chief Deputy Executive and has direct access to the Executive Director/Chief Executive Officer. In FY 2018, SANDAG created an Audit Committee of the Board, and set about to hire an External Independent Auditor, as required by AB 805. The Internal Auditor began reporting risk-based audit plans, findings and recommendations to the Audit Committee shortly after it was formed. The External Performance Auditor was hired, reports directly to the Board, and commenced work in FY 2019.

Internal and External Audit functions provide a mechanism to independently investigate and examine efficiency and effectiveness; potential sources of waste fraud and abuse; potential compliance issues; claims and allegations; and overall performance. Annual audit plans are typically risk-based (i.e., cyclically review areas of potential substantial negative impact should they fail or falter). The argument for reporting to Executive Management is the auditor operates with the authority of the Executive Director/Chief Executive Officer and is a tool available to all management and the board to identify issues and improve performance. The argument for reporting to the Board is greater independence from management and often this position becomes a watchdog helping the Board execute their oversight duties. SANDAG already had an Internal Audit unit in place, and AB 805 added an Independent Performance Auditor (IPA) reporting to the Board. A likely expectation is that while there is ample scope overlap, different reporting may yield some differences in priorities and perspectives.

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.

Both the Internal Auditor and External Performance Auditor have broad audit responsibility for agency efficiency and effectiveness, waste fraud and abuse, compliance, performance and risk identification/mitigation. Both have access to all agency data, information, contracts, agreements, grants and records. Both report on plans and findings to both the Board Audit Committee and Management, at some point in the process. It is reasonable to expect some level of natural overlap and duplication of effort given commonalities and roles. Said duplication of effort can result in inefficiencies, unnecessary conflict and lower confidence in audit results. SANDAG's Executive Director recognized this risk, and has taken decisive steps to maximize the value of internal audit functions and minimize potential duplication.

In the short time that the Independent Performance Auditor has resided at SANDAG, the IPA has identified areas that she recommends be improved including the reporting relationship between the Internal Auditor and SANDAG's management. There is agreement that the Internal Auditor should have a solid reporting line that includes working directly with and reports to the Office of the Independent Performance Auditor (OIPA) and SANDAG's Audit Committee (AC). The discussion has just started, and actions or any movements are planned for July 1, 2019.

The Internal Auditor will perform reviews that involve the day to day nuts and bolts of SANDAG and includes reviews of processes and procedures around operations, safeguarding of assets, and proper segregation of duties. Additionally, a portion of the Internal Auditors' reviews will involve providing non-audit services that support a proactive approach to better operations. This would include reviews at the request of management. The Internal Auditor's audit plan should take a risk-based approach and should be reviewed by the IPA and approved by the AC to ensure that there is no duplication of efforts.

The role of the IPA will include a risk-based approach from a top-down and bottom-up approach. The IPA will focus on more specific reviews of high-risk areas, such as projects, contracts, or programs that contain risk themes due to types of funding, political or reputation, budget, or operational risk. The IPA's audit plan will be risk driven – In addition to risk planned audits and reviews, the IPA may perform reviews at the request of the Executive Director, the Audit Committee, the Board, or other SANDAG Advisory Committees. Additionally, the IPA will provide non-audit services such as providing training over risk, best practices, or other guidance to the Board and Executive Team. Regarding fraud, waste and abuse, the OIPA will be the official body that investigates all reported and identified potential fraud waste and abuse.

Both the Internal Auditor and the IPA will work to ensure that there is no duplication of efforts with any of SANDAG's external auditors. The Internal Auditor or IPA may use their resources to ensure that SANDAG are following up and keeping Management's commitments to Corrective Action Plans prepared for external auditors.

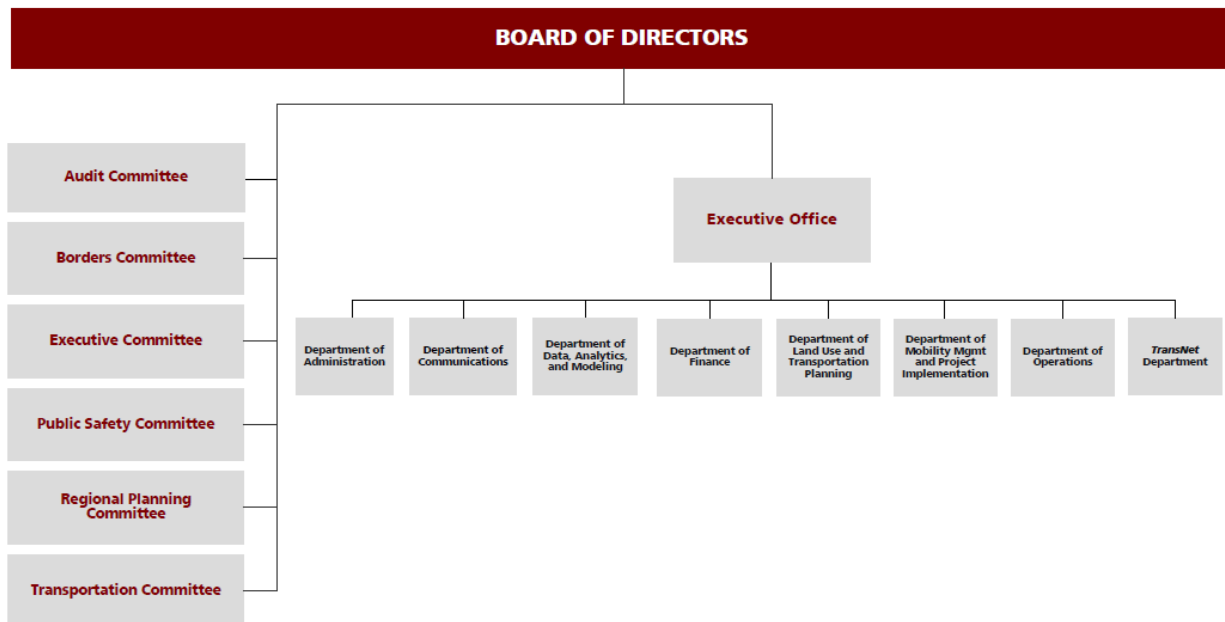
Finally, the IPA noted that there is no one central electronic depository for all internal and external audits performed on SANDAG. Best practices suggest that there should be one central location where all audits and reviews performed on an organization or program within an organization lives, and is organized at minimum, by fiscal year.

While these improvements are under design and early implementation at the time of this audit, the actions appear complete and well considered. The consistent level of appropriate communication and coordination through direct reporting lines contributes to a more thorough and effective audit program adding value to agency performance results. Equally important, clear processes to protect confidentiality of investigations where early sharing is not appropriate or productive contribute to the veracity and soundness of the audit functions. The electronic database of audit reports and materials provides a one stop source for prior audit findings, offering efficiency and effectiveness in operations of this function.

SANDAG Organization Structure

The overall structure of SANDAG's organization chart was stable with the executive office continuing to be supported by the following eight departments.

- **Administration** – business services; contracts & procurement; document processing; human resources; small business development; and special projects.
- **Communications** – creative services; marketing; public information; and public outreach.
- **Data, Analytics and Modeling** – applied research; data solutions; Automated Regional Justice Information System; economic and demographic analysis and modeling; office of program management; software development solutions; transportation analysis and modeling; and technology solutions.
- **Finance** – accounting and finance; budget program and project control.
- **Land Use and Transportation Planning** – active transportation and rail planning; environmental/public facilities planning; transit planning & land use coordination; and long range transportation and binational planning.
- **Mobility Management and Project Implementation** – construction; design and project management; design and engineering; and system engineering
- **Operations** – toll operations; transportation demand management; transportation and information technology.
- **TransNet** – financial programming; TransNet independent taxpayer oversight committee and program oversight; project office.



A big impact on the organization during the audit period was the resignation of the Executive Director in August 2017. At that point the Chief Deputy Executive Director assumed the acting role of the Executive Director, while juggling her other role, until the new Executive Director could start in December 2018, 5 months after the end of the audit period. While circumstances around the resignation and lack of certainty about a permanent leader caused some negative press and challenges during that 15 month period, the arrival of a seasoned visionary from Los Angeles was also cited by SANDAG staff as a major opportunity for the near term.

TDA Fund Allocation Responsibility

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 TDA 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 are allocated to NCTD. The MTS STA allocation is made directly to MTS by the State. Pursuant to passage of SB 508 in October 2015, SANDAG has updated TDA Claims Manual and published it in February 2018. 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. 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. The PIP includes the evaluation of the following TDA performance measures over three years:

- 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

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.

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.

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, TDA 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.

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. SANDAG made the decision, shortly after the audit period, to implement a 9/80 schedule. Starting from April 2019, SANDAG operates on a compressed work schedule and is open to the public nine days every two weeks, 8 a.m. to 5 p.m. daily, with every other Monday designated as the office closure day (I-15 Customer Service Center, Freeway Service Patrol and 511 Roadside Assistance call center remain open during Monday office closures). Early indications suggest the policy change is popular with staff and about 75% subscribed.

At the end of FY2018, SANDAG employed 341 full time employees and approximately 50 part-time employees (32.2 FTEs). 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.

IV-2. Claimant Relationships and 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 (SSTAC) 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 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.

IV-3. Transportation 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 Transportation Plan, the next version of the Coordinated Plan, and the next Regional Transportation Improvement Program. Each of these plans is discussed below.

- *San Diego Forward: The Regional Plan* was adopted by the SANDAG Board of Directors on October 9, 2015, four months into the audit period. 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 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/>).

Under normal circumstances, the next RTP would be produced four years later (i.e., by Fall 2019). However, given the change in leadership SANDAG decided to instead pursue a two-pronged approach. First, by the fall of 2019, SANDAG will produce a federally compliant RTP update. Then, a full blown new RTP document will be developed and presented to the Board for approval in Fall

2021. SANDAG feels the additional time is necessary to fully incorporate new ideas and a new vision to the plan.

- SANDAG’s Policy 18 requires an update, no less often than every two years, to the *Regional Short-Range Transit Plan (SRTP)* 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 TDA.

The Coordinated Plan provides a five-year blueprint for the implementation of public transit and social service transportation concepts described in the RTP. A prominent theme in the current Coordinated Plan is to further define the administration and implementation of the FAST ACT with respect 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 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. 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. For the 2016-20 update, SANDAG staff held three outreach meetings, in addition to one presentation at the quarterly Tribal Transportation Working Group to seek input on the region’s transit and specialized transportation needs. Staff also carried out two focus groups to hold a more refined conversation with seniors, people of limited means, and persons with disabilities.

- SANDAG, as the region MPO, is 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 2016 and the 2018 RTIP update. The latest RTIP update, for the period FY 2019–FY 2023, was approved by the SANDAG Board of Directors in September 2018 and implements the long-range Regional Plan. The 2018 RTIP/2019 FTIP received federal approval on December 16, 2018. Member agencies can propose changes using ProjectTrak, 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. RTIP amendments are processed and adopted by the SANDAG Board as conditions change.

SANDAG's Data, Analytics, and Modeling (DAM) Department unit provides information technology support, carries out SANDAG's regional 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.

During the audit period, the Department was entirely restructured in response to an error found in the regional forecast. This coincided with the onboarding of a new chief economist and Department Director for DAM. The new Department established an office for Quality Assurance, and office for program management, and identified a need for an office of product management (this will be a new office assumed to be staffed in FY19, just outside of this audit period).

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, a sampling of completed projects include:

- SANDAG completed the 2017 Regional Housing Progress Report. The report meets SANDAG Board Policy 33 (approved in 2006 and last amended in 2015) and provides an overview of housing permitting and construction over the past 14 years.
- SANDAG completed the May 2018 Park & Ride / Commute Survey. This survey commissioned by both RCTC and SANDAG, investigates travel behaviors of residents and others who place demands on the infrastructure and transit systems. The study profiles employees' commute characteristics and estimates the prevalence of teleworking and use of alternative modes. In addition, the study was designed to inform Transportation Demand Management (TDM) and Park & Ride programs. Finally, the study examined the behavior of interregional commuters (i.e., Riverside County to San Diego County and vice versa).
- Regional Mobility Hub Strategic Plan was developed as part of the fulfillment of the San Diego Forward: The Regional Plan, to demonstrate how transportation services, amenities, and supporting technologies can work together to make it easier for communities to access transit and other shared mobility choices. As an example in FY17 SANDAG worked to design prototypes, select priority hub locations, and engaged in public outreach. The Mobility Hub Features Catalog describes the kinds of services, amenities, and technologies that make up a mobility hub like enhanced transit waiting areas featuring WiFi and real-time travel information; safe walkways and bikeways; secure bike parking; mobile retail services; dedicated bus lanes and smart intersection improvements; shared cars, scooters, and bikes; smart parking technology.

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 included:

- 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).

IV-4. Marketing and Transportation Alternatives

2016 Ballot Initiative

The SANDAG Board of Directors voted on July 8, 2016, to place a countywide measure on the November 2016 ballot to raise funds to repair roads, relieve highway congestion, improve transit and bike/pedestrian networks, conserve open space, and manage land to reduce wildfire risk. The “San Diego County Road Repair, Transit, Traffic Relief, Safety and Water Quality Measure” was expected to generate \$18 billion in dedicated local revenue over 40 years. The initiative failed, however, to secure the required two-thirds vote to pass.

Marketing Initiatives

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 also 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 up to \$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 a slight increase in vanpools in operation (from 677 at the beginning of FY16 to 699 at the end of FY18). Goals for vanpools were 717, 736, 755 and 774 for FY2015-18. The program continues to grow both for expectations and in operations.
- 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. SANDAG stopped tracking VMT, GHG avoided, or gallons of gas saved with iCommute with the discontinuation of Ride Amigos in March 2018 due to low participation.

Still, the statistics for the vanpool program (a portion of the entire iCommute program) are tracked reflect significant environmental benefits.

Year	VMT	GHG	Gallons of Gas Saved
FY15	135,088,066	N/A	N/A
FY16	135,975,928	33M lbs CO2 reduced	1.7M gallons
FY17	134,794,136	31M lbs CO2 reduced	1.5M gallons
FY18	130,120,774	33.7M lbs CO2 reduced	1.7M gallons

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. SANDAG’s uses the 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. SANDAG sponsors and promotes individual marketing campaigns such as Rideshare Month and Bike to Work Day.

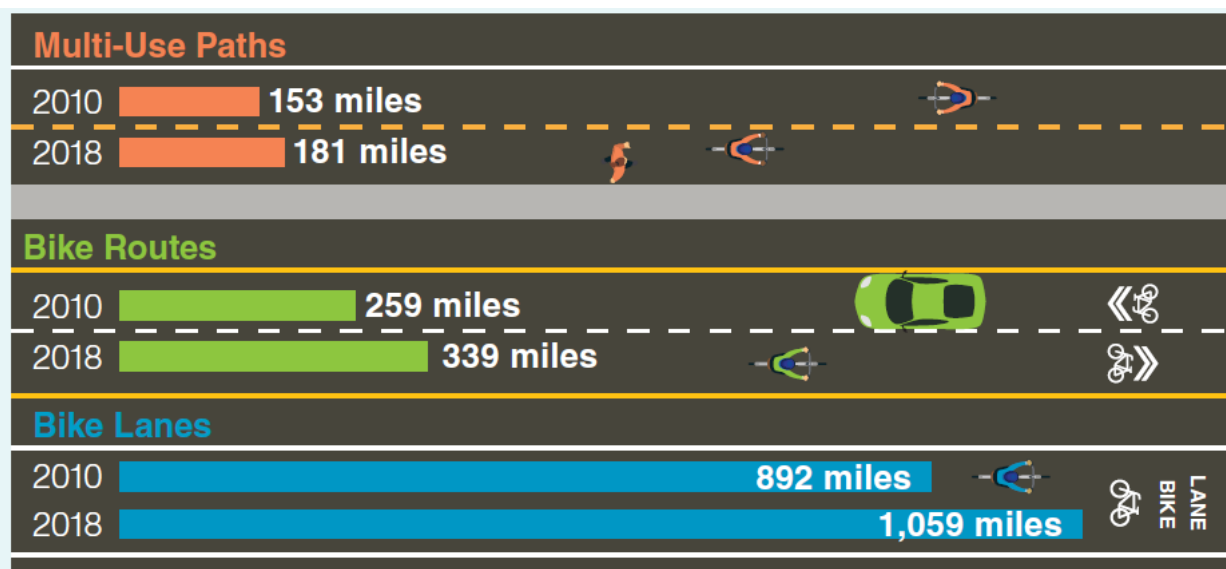
One step in promoting alternative transportation options is SANDAG’s Regional Mobility Hub Strategy summarized above.

During the audit period, SANDAG staff successfully worked with the City of Carlsbad first with a pilot program study and ultimately to pass an ordinance for TDM. They focused on managing available parking and meeting the needs of the downtown corridor. The program is in place with outreach to employers however currently, there is no way to enforce it. Carlsbad is the first city in the county to have a TDM ordinance in place. SANDAG will next target the cities of San Diego and Chula Vista.

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.” *TransNet* funds dedicated to the Regional Bike Program are a valuable source of matching funding for competitive state grant funds.

SANDAG administers both *TransNet* and TDA funding through its claim process. SANDAG’s Regional Bike Early Action Program (EAP) was approved in September 2013 and funded at \$200 million by *TransNet*. Being a 10 year program that builds in the 2010 Riding to 2050: The Regional Bike Plan, the program advanced significantly during the three years of the audit period (San Marcos, Coastal Rail Trail started in Encinitas, Bayshore Bikeway, etc.). The graphic below illustrates progress made since 2010. The bike program is an integral component of current RTP efforts. Two committees currently active are the Active Transportation Working Group and the Bayshore Bikeway Working Group.

Regional Bikeway Progress since 2010



Finally, the RTP is the source of an extensive public outreach and involvement effort that started during the current audit period and that will carry forward, especially since the RTP is being delayed by two years.

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.

IV-5. 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 two 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 a 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." CTSA owns 71 vehicles which they lease back to their respective service providers that are part of a brokerage arrangement. 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. Offers cost effective specialized transportation services to individuals and agencies
7. Manages transportation brokerage.

During this audit period, SANDAG and FACT continued to work under the original 2006 contract specifying the scope of work that FACT implements under the CTSA designation by SANDAG. The scope of work in Exhibit A of the original 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
- Participating in the development of the Coordinated Public Transit-Human Services Transportation Plan
- Ensuring the STRIDE website is updated (the 2001 SANDAG database and web-based referral system is 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

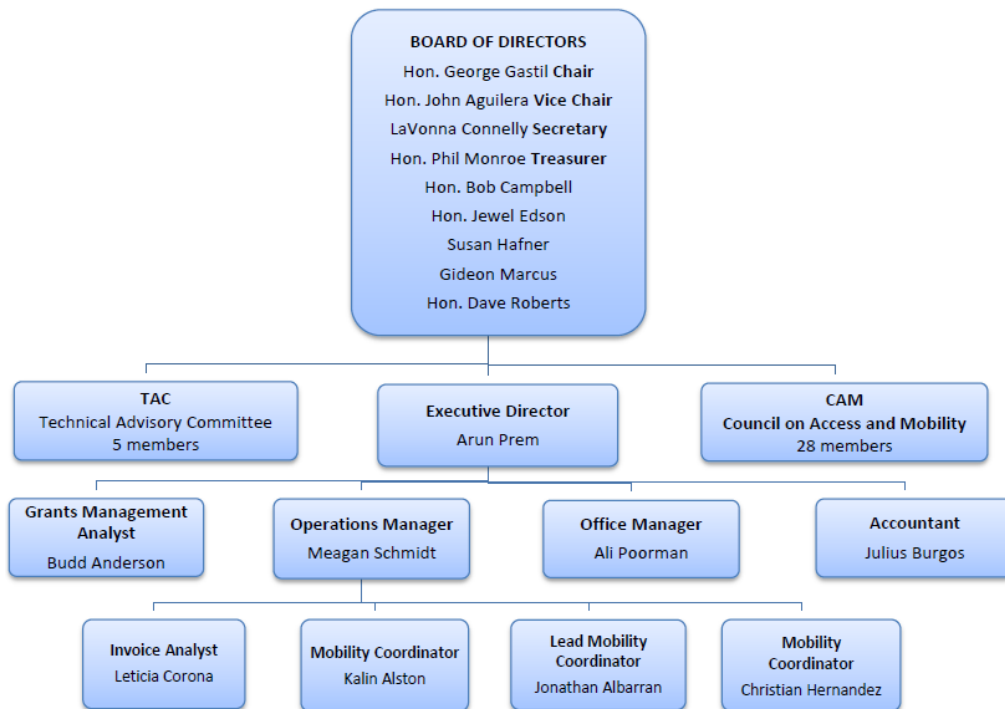
The scope of FACT's original contract with SANDAG was broadly written to encompass the intent of California's Social Service Transportation Improvement Act as well as to encourage FACT, which was then a new organization, to expand its transportation coordination services. The contract also encourages FACT to seek out additional funding sources and to continue to expand its mobility management activities beyond

its immediate responsibilities to SANDAG. As FACT’s services have evolved, the generalities in the scope have warranted a review of the contract by SANDAG and leading to a prior performance audit recommendation for SANDAG and FACT to update the scope of FACT’s contractual responsibilities and to identify and pursue additional funding sources to support its activities as the CTSA.

Over the past year, SANDAG commissioned a study to evaluate whether FACT, serving as the CTSA, was meeting the obligations of its agreement with SANDAG. It was recommended that an updated agreement in collaboration with FACT be developed that better reflects the current SANDAG goals and objectives for the CTSA and include concrete performance measures. SANDAG and FACT engaged in the process of designing an updated agreement that is focused on specific core CTSA activities and that will be consistent with current strategies including those in the Coordinated Plan update. Non-core CTSA activities are also identified in the agreement. Meetings between the agencies took place towards the end of the audit period with a proposed contract amendment being approved by the Transportation Committee in September 2018, shortly after the audit period. A performance evaluation section is added in the contract amendment to evaluate CTSA of its core functions. Additionally, SANDAG will continue to work closely with FACT to help identify additional funding sources to support FACT’s CTSA-related activities. This has included review of *TransNet* funds.

FACT is governed by a Board that seats up to 11 regular positions as well as 2 ex-officio positions. Currently the Board has 9 members; new members are appointed by the Board with the exception of one member who is appointed from the Transportation Committee by 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. An organization chart of FACT during the audit period is shown below.

FACT Organization Chart, 2018



The agency currently employs an Executive Director, Grants Management Analyst, Operations Manager (changed from Service Development Manager), Office Manager, Accountant (changed from part-time to full-time), and Mobility Coordinators. A fourth full-time mobility coordinator was added in 2017 as the RideFACT transportation service program continues to grow (one Mobility Coordinator position handles invoicing). Prior to using RideFACT which utilizes a brokerage model, a core CTSA function is for FACT to first make transportation service referrals to other existing services through the SANDAG database of providers established in 2001 that was transferred over to FACT at the time of CTSA designation. The referral service uses a comprehensive database of participating public transportation agencies, social services agencies, faith-based organizations, and specialized transportation services. 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; however, trends are showing the reduction of referrals to being mostly non-profits which undermines the options and number of available providers. 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. FIND A RIDE allows riders to search programs that meet their criteria, for example programs that service seniors or low-income individuals or offer wheelchair accessible vehicles. FACT also offers call center support to assist callers with navigating the website. FACT's Mobility Coordinators provide toll-free telephone referrals that match the appropriate transportation service with the unique needs of the customer. The FACT website recently underwent improvements including relocating its FIND A RIDE tool front-in-center on its opening home page, as well as including its Title VI program on the website.

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. However, general lack of rider response prevents meaningful data collection on the referral system. FACT will also ask the referral agency about who has contacted them and has issued customer survey cards for feedback. To improve the customer relation process, FACT recently installed transportation management software and customer relationship management software as part of a technology procurement. The software helps with managing trips and analyzing customer data using dashboards with the goal of improving business relationships and assisting in customer retention.

Since 2012, FACT has an established pool of transportation vendors to procure trips competitively when FACT is unable to find customers suitable transportation through referrals to other existing services. When an existing service is not available, FACT makes referrals using RideFACT. 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 referral services, FACT will provide the ride through a brokerage model using RideFACT which is funded primarily by the TransNet Senior Mini-Grant and FTA Section 5310. 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. While contractors are added and subtracted, FACT currently has nearly 20 brokerage contractors including taxi partners and a transportation network company. 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 FY16-18

AAA Transport	Lyft
Abu Ganti Transportation Services	Telekom Transportation
Coordinated Fleet Services	Renewing Life
Assisted Multicare	Safety First
Coronado Livery	Secure Transportation
Caring Life Solutions	Yellow Cab San Diego
Eleet Medical Transport	Sol Transportation
Fun, Love, & Care	Venture
Golden State NEM Transportation	Yellow Cab Oceanside
Furaat	

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.

To enhance its suite of transportation services, FACT also provides contracted transportation services through its brokerage for the following agencies:

- *City of Oceanside Senior Transportation Van Service*: Since September 2013, FACT has provided contracted on-demand transportation services for the City of Oceanside Solutions for Seniors on the Go program, under a service agreement. Seniors who are eligible to ride the van service are preapproved by City of Oceanside staff through a registration process. The program requires a 3-7 day advance reservation, verification of client eligibility, and providing call center support as well as transportation through the brokerage. There are roughly 2,100 seniors approved to ride the service at this time. The service area includes Oceanside as well as medical centers in the neighboring cities of Encinitas, Carlsbad, San Marcos and Vista. This is one of FACT’s major contracted transportation programs.
- *LIFT Paratransit Service (NCTD/MV)*: Since March 2014, FACT has provided trips for NCTD’s LIFT program as a subcontractor to the private operator. Under this agreement, FACT provides curb to curb transportation for NCTD clients as a subcontractor to MV Transportation, the contractor for LIFT service (First Transit was a prior contractor). FACT developed a new subcontractor agreement with MV which went into effect October 23, 2017. As the direct contractor to NCTD, MV also conducts its own brokerage with a pool of providers and FACT is one of the agencies in the brokerage for this subcontractor service. This tempers anticipated demand for FACT as one of a number of providers. Mobility Coordinators provide assistance with coordinating transportation requests and referrals arising from this contract.
- Other contracted services during the audit period included:
 - *Poway Adult Day Health Care Center* (contract ended in January 2017)
 - *San Diego County Office of Education Foster Youth Student Transportation* (service ended in May 2015)
 - *ElderHelp Seniors-A-Go-Go Program* (started March 2015; approximately 20 one way supplemental trips per week)
 - *Tri-City Medical Center* (started December 2016; FACT provides transportation to patients traveling from the hospital to their homes or to other medical facilities)

- *Braille Institute* (FACT instituted a subsidized pilot project during first semester of 2018 for 13 weeks to assist students with roundtrip transportation 2 days a week to attend programs at the Braille Institute in La Jolla. After being presented with a new rate that was not subsidized following the pilot project, the Institute decided to discontinue the service)
- *ButterFLi* (ButterFLi [*Freedom Leading to independence*] is a fleet solution provider in Los Angeles that mirrors a brokerage type service and contracts with FACT and other vendors as providers of accessible transportation. FACT received its first trip request for this service in November 2017, but service requests for FACT has been very limited)
- *City of San Marcos* (A 4 month pilot project for eligible seniors to travel within the City of San Marcos for a low fare and outside the City limits to medical destinations. Agreement was extended through June 2019 with revised contract rates)

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

FACT Activity, FY 2015–16 through FY 2017–18

Activity	FY 2016	FY 2017	FY 2018
External referrals	1,452	1,010	1,414
FACT website hits	20,145	18,346	16,706
RideFACT one-way trips (not including contracted trips)	8,977	13,845	28,300
Average distance per one-way trip (miles)	12.03	11.50	11.10
Cost per one-way trip (monthly average)	\$17.01	\$15.20	\$16.41

Source: FACT

External referrals remained relatively steady for the three year period, declining in FY 2017 from the prior year but increasing back in FY 2018. Website hits declined over the audit period, although FACT reports sessions on its website which totaled 35,052 in FY2018. FACT tracks the session of activity that a user with a unique IP address spends on a Web site during a specified period of time. The number of user sessions on its site is used in measuring the amount of traffic the web site gets. RideFACT brokerage trips increased significantly going from 9,000 trips to over 28,000. Average one-way trip miles declined slightly for the three years, while the monthly average cost per one-way trip also held relatively stable.

ACCOMPLISHMENTS AND CHALLENGES

Accomplishments

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

- Submitted an annual Business Plan update covering the next five-year period
- Completed an Annual Report each fiscal year highlighting activities, statistics, and achievements in an attractive brochure format with modern graphics for public consumption
- Maintained the CTSA database and web-based referral system

- Expanded contract transportation service with several local institutions and regional businesses including Tri-City Medical Center, Braille Institute, ButterFLi, and City of San Marcos
- Increased RideFACT trips more than three-fold from about 9,000 to over 28,000
- Recorded 91,243 page views and 24,089 users on its website based on data analytics
- Administer Council on Access and Mobility (CAM) and outreach to providers: currently 30 out of 30 seats filled
- Procure transportation management and customer relations management software
- Work with 2-1-1 San Diego and SANDAG to administer and implement a Veterans Transportation and Community Living Initiative (VTCLI) grant
- Successful acquisition of FTA Section 5310 capital program funds through SANDAG and Caltrans competitive grant programs to purchase accessible vehicles for sharing/leasing with service providers. FACT currently has Memorandums of Understanding with 11 organizations for shared use of vehicles. The current fleet inventory includes 3 cutaway buses and 21 minivans. Both MTS and NCTD are also eligible for these FTA funds
- Continued investment in safety, inspection, and security projects

FACT was awarded a Veterans Transportation and Community Living Initiative (VTCLI) grant for \$110,000 (capital) and \$53,000 for mobility management for veterans' mobility services in partnership with 2-1-1 San Diego and SANDAG. The project improves veterans mobility through an enhanced directory of transportation resources such as a one-click transportation website, 24/7 live telephone service, a free mobile app, and 20 interactive information kiosks. The 36-month project commenced in 2014 and includes 3 phases: Short term planning and contracting activities (Months 1-12), midterm integrating and implementing activities (Months 13-24), and long term evaluation and reporting activities (Months 25-36).

FACT and 2-1-1 jointly released a Veterans & Military Families Transportation/Mobility Survey. The purpose of the survey was to better understand needs to improve access to information and transportation options for Veterans and their families, as well as the public at-large. Additionally, FACT and 2-1-1 held Mobility Forums to gather input from attendees. Forums utilized existing venues (CAM, United Veterans Council, and San Diego Veterans Coalition) to gather feedback from the community to incorporate into the mobility assessment.

Purchased through the VTCLI grant, FACT implemented software based trip management using RouteMatch. Brokerage vendors have access to an online portal to review trip requests and report service data. The software assists with trip scheduling, dispatching, tracking, invoicing, and reporting. Also, Sales Force was selected as the vendor for the customer relationship management (CRM) software. FACT has been working with 2-1-1 on integrating both agency databases, connecting the CRM and transportation management software, and updating FACT's phone system including the implementation of the cloud contact center software InContact. The project will streamline the referral process by connecting agency databases and allowing warm transfers between call centers. A limitation of the purchased software packages, however, is that FACT cannot currently track vehicle movement of its providers. In addition, RouteMatch is not integrated with the FACT website and is not able to capture trip data made on the website, only by phone. FACT began using RouteMatch to manage and dispatch trips for RideFACT and contracted services in April 2017. FACT staff received Sales Force training in May 2018.

FACT continues to invest in safety, inspection, and security projects. This takes the form of training for its employees and service providers, and more inspections of its vehicles. Among the safety and security training during the audit period included a verbal judo workshop attended by 30 participants in April 2018. Other CAM presentations and trainings are offered almost every other month and have attracted 15-20

participants where invited guests with specialized expertise speak and demonstrate on a variety of topics including emergency services coordination, independent living, accessible vehicle conversion, and SANDAG planning.

A new round of vehicle inspections by an contracted on-call mechanic (not part of the organization chart) was initiated in January 2017. FACT's goal is to have the mechanic inspect all 71 vehicles utilized in FACT's brokerage. The consultant inspected batteries, headlights, brake lights, leaks under vehicle, engine check light, tire wear, windshield cracks, body damage, seat belts, first aid kits, and fire extinguishers. On wheelchair vehicles, inspections are made on the condition of wheelchair lift/ramp handrails, barriers, platform, and tie-downs. The on-call mechanic provides FACT a report regarding each vehicle inspection including images of the vehicles. This inspection is in addition to FACT staff physically inspecting all FTA 5310 vehicles bi-annually. The 5310 vehicles funded by Caltrans and SANDAG are also inspected approximately every three years by the corresponding agency staff. FACT is in discussion with MTS Taxicab administration to conduct inspections on brokerage vehicles as a fee for service.

Challenges

The primary challenge facing FACT is long-term, sustainable funding solutions. FACT currently relies on three primary revenue sources for CTSA mobility management: TDA, federal 5310 grants, and *TransNet* Senior Mini-Grants. The challenge for long-term funding solutions have resulted in FACT no longer conducting revenue forecasting in its annual business plan, as grant funds are generally for two-years. 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 beyond the next few years. Smaller County grants and grants for specific projects such as VTCLI are championed for particular uses and benefits. The business plan has evolved to describe CTSA and transportation services under a short-term financially constrained scenario.

In the business plan, FACT divides its grants by source and use (TDA Article 4.5, capital, mobility management, and operating) and strikes out older grants as they expire and are used up. Since grants are competitively awarded and generally require local match contributions, it is difficult for FACT to rely exclusively on grant funding. As a result, FACT will continue to pursue contracted service opportunities to generate additional income. FACT is in the process of reaching out to additional medical service providers, cities and other agencies that need pre-arranged or real time transportation to assist clients. The transportation services are priced based on the brokerage rates available to FACT and a markup is generally applied to the base rate in order to account for expenses and generate unrestricted funds for FACT's future operations and service needs.

The new agreement between SANDAG and FACT include provisions for SANDAG to assist in identifying funding sources for CTSA service, with possible extension to other non-core functions. There is a surplus of TDA revenue of over \$200,000 as shown in the FACT audited financial statements. SANDAG had indicated the surplus was restricted for core CTSA uses, but during formulation of the new agreement, the surplus could be used for non-core functions such as the transportation program provided performance metrics are met for the core CTSA services and agreed upon by SANDAG.

For capital, the primary funding sources are the federal Section 5310 competitive grant program and remaining New Freedom funds with local match funds from Senior Mini-Grants. The VTCLI capital grant for veteran mobility services provides a financial infusion for new software purchases. FACT's operating funds for subsidizing trips have remained relatively constant over the past several years through the Senior Mini-Grants program, with additional 5310 and Senior Mini-Grants retained for mobility management and expansion of CTSA activities. 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.

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. Two staff members from FACT including the operations manager serve on the SSTAC in compliance with the TDA membership requirements. The FACT operations manager serves as the Chair of the SSTAC which has improved its focus on programs and SANDAG priorities in the agenda.

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. In addition to using TDA for CTSA activities, FACT leverages TDA funds to obtain federal 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. FACT claimed TDA funds in the amount of \$130,576 in FY 2016, \$137,167 in FY 2017, and \$137,051 in FY 2018. As shown in FACT's TDA claims, TDA funds are used to cover a number of expense categories attached to CTSA activities including the one-click/one-call mobility center, regional coordination, management of CTSA activities, member dues, contracted administration like legal and audit, grant match, 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 2017–18, the claim budget items were modified to consolidate TDA expenditures to three categories - one-click/one-call mobility center, regional coordination, and management of CTSA activities. The management of CTSA activities category rolls up the personnel and administrative costs while the other categories are tailored toward other non-salaried hard costs.

FACT's primary points of contact at SANDAG are in the TransNet and Planning sections. The claim request and form is submitted to the TransNet department. FACT's TDA claims are then reviewed by several SANDAG staff in different departments including TransNet, 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 is working to prepare 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 as follows.

- 1) SANDAG should continue working with FACT to identify and pursue additional funding sources to support its activities as the CTSA.
- 2) SANDAG should review and update language in both Policy 27 and the in-house TDA claim manual to fully comply with statutory provisions pertaining to TDA.

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

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; construction of 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. During the audit period, a decision was made to engage a new vendor for The Compass Card program.

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 combines SANDAG’s regional requirement for a Short-Range Transit Plan with the federal requirement for a Coordinated Plan into one concise planning document. A decision was made recently to update the RTP in two phases. First, a federally compliant RTP will be delivered by fall 2019. The full blown RTP will be delivered two years later.

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 to make adjustments to the capital program to ensure sufficient funding is available when needed.

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 many *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. Moving forward and due to the *TransNet* Major Corridors program approaching its debt-carrying capacity, SANDAG is transitioning its large capital project program to pay-as-you-go, with anticipated limited bond issuances mainly supporting its Active Transportation Program.

SANDAG also faced several challenges during the audit period. First, the 2016 ballot initiative known as the “San Diego County Road Repair, Transit, Traffic Relief, Safety and Water Quality Measure” failed at the ballot box. The measure was approved by 58 percent of the voters, short of the two thirds required. SANDAG is assessing future ballot initiatives in light of the passage of AB 805 and MTS and NCTD’s

authorization to raise their own measure. Another significant challenge for the organization was a modeling error discovered in the regional forecast. This led to substantial restructuring of the Data, Analytics and Modeling Department.

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 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 continue efforts to update Policy No. 27 and the SANDAG TDA Claim Manual to address the statutory changes to the TDA implemented by Senate Bill 508 and AB 1113, 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 identify and pursue additional funding sources to support its activities as the CTSA.

Issues and Opportunities – The current revenue claimed and received by FACT using SANDAG allocation formulas for TDA Article 4.5 is about \$140,000 annually. This funding is to be used for core CTSA functions specified in the proposed contract amendment including referral services, maintaining the advisory council (Council on Access & Mobility), and maintaining the database website of specialized providers. FACT has pursued additional funding such as from FTA and TransNet Senior Mini Grants; however, there are no long-term funding solutions in expanding the CTSA role. 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 continue to work together to identify and pursue longer-term funding sources to support FACT's CTSA core and expanded activities.

Recommended Actions – SANDAG and FACT should continue their pursuit of funding for CTSA activities and expansion within and beyond the core functions to meet specialized transit needs. One possibility could be increasing the percentage that CTSA receives of the Article 4.5 funds which is currently 2 percent of the 5 percent apportionment for community transit services (\$140,000 out of close to \$7 million). Another could be working with FACT to enable spend down of its existing TDA balance shown in the FACT annual financial statements. This balance is about \$237,000 which could be used for core CTSA functions and/or additional responsibilities. The strategies and recommendations contained in the 2018 Coordinated Plan provide opportunities for CTSA expansion in its role to effectively coordinate and centralize social service transportation functions. Further coordination for social service transportation among SANDAG, FACT, MTS, and NCTD, and lead by SANDAG, could potentially open funding opportunities and less inter-agency competition for TDA and other fund programs.

Expected Results – SANDAG's contract amendment more accurately depicts FACT's growing responsibilities as the CTSA for San Diego County and further distinguishes FACT's CTSA core 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 will continue to work with FACT to identify and pursue additional funding. Ongoing work on the Specialized Transportation Strategic Plan as

well as the next update to the Coordinated Plan will address ways to increase funding for enhanced coordination of specialized transportation.

Recommendation 2: As a carryover from the prior SANDAG performance audit for full implementation, SANDAG should continue efforts to update Policy No. 27 and the SANDAG TDA Claim Manual to address statutory changes.

Issues and Opportunities – While SANDAG updated its TDA Claim Manual in February 2018 to address SB 508 and other legislative changes, parts of the revised manual should be reviewed and clarified for full compliance. These include the revised urban fare recovery ratio for MTS (decreasing from 31.9 percent to 20.0 percent), applying the STA qualifying criteria using operating cost per revenue hour method instead of operating cost per revenue mile, and using a sliding scale rather than pass/fail in allocating STA for operations for NCTD. SANDAG should also verify whether MTS is properly applying the same STA criteria. In addition, Policy 27 should be updated to reflect the revised urban fare recovery ratio of 20 percent, while both Policy 27 and the claim manual should change the submittal date of the State Controller’s Transit Operator Report from 90 days to 7 months (end of January).

Recommended Actions – SANDAG Policy 27 and the TDA Claim Manual should be further updated to reflect the various changes implemented in SB 508 and AB 1113 described above. SANDAG should communicate these changes to the claimants including the transit operators.

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 continue efforts to update Board Policy No. 27 and the SANDAG TDA Claim Manual to reflect the statutory changes and communicate such to affected operators.