

TRANSPORTATION COMMITTEE

October 5, 2007

AGENDA ITEM NO.: **1A**

Action Requested: APPROVE

TRANSPORTATION COMMITTEE DISCUSSION AND ACTIONS MEETING OF SEPTEMBER 7, 2007

The meeting of the Transportation Committee was called to order by Vice Chair Jack Dale (East County) at 9:05 a.m. See the attached attendance sheet for Transportation Committee member attendance.

1. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Charlene Zettel (San Diego County Regional Airport Authority [SDCRAA]) invited the members to tour the San Diego International Airport (SDIA). She also asked for the opportunity to provide presentations regarding the future plans for SDIA to the Committee members and their respective city councils.

Mayor Jim Desmond (SDCRAA Alternate) commented that the Airport Authority and this Committee should form a Working Group to discuss how to provide inter-modal transportation to SDIA.

Gary Gallegos, Executive Director, stated that Transportation Committee Chair Jim Madaffer and SANDAG Board leadership have met with Airport Authority Board members and staff on an ad hoc basis. He stated that it may be appropriate to formalize the ad hoc group and consider including our transit partners and the Port of San Diego to the group.

John Chalker, Vice Chair, California Transportation Commission (CTC), commented that the 2007-08 state budget diverts \$1.3 billion dollars from the Public Transportation Account (PTA). He stated that the CTC can meet all its programming commitments for the current year but only because of the new funding from Proposition 1B. The state's funding situation is not expected to improve in FY 2008-09; the state is planning to continue to divert PTA funds to support General Fund programs. This diversion would affect the ability to program transit and highway projects. He urged the Transportation Committee to join with the CTC, local agencies, and others to begin lobbying the State Legislature against the funding diversion. We need to convey to the Governor's office and the Department of Finance how significant an impact this diversion will have on public transit and transportation funding.

Clive Richard, a member of the public, stated his concerns that the loss of the diverted funds would affect projects in the San Diego region. He noted that *TransNet* assumed that 50 percent of the funding for the major projects would come from state and federal sources. He questioned the impact the diversion of state funds would have on *TransNet*, and he also expressed concern about how the diversion of funds would affect employment in the region.

He stated that jobs could be lost because transportation projects would not be done. He also stated his concern about the proposed costs of the Super Loop Transit stations; he felt that the proposed costs were too expensive, especially during this time when other transit funds are so short.

REPORTS

2. EFFECTS OF 2007-2008 STATE BUDGET ON PUBLIC TRANSIT IN THE SAN DIEGO REGION (INFORMATION/DISCUSSION)

Renée Wasmund, Director of Finance, introduced the item and provided an overview of the key transportation-related items in the 2007-2008 State Budget. She described the effects on transit in the San Diego region, including impacts to FY 2008 transit agency operating budgets and short- and long-term proposals to address the budget shortfalls.

Ms. Wasmund stated that the State Budget diverted \$1.26 billion of transportation funds to general fund programs, which significantly affects both transit operating and capital budgets. Of that total, \$827 million was redirected from the "spillover funds," which are generated from the sales tax on gasoline. These funds are supposed to be paid into the Public Transportation Account (PTA) for public transportation purposes, but the funds are frequently diverted for General Fund purposes. The State Transit Assistance (STA) program is one of the beneficiaries of these spillover funds. The STA program funds both transit operating and capital expenses. Ms. Wasmund described the flow of spillover funds since 2001, and the changes expected in 2008 and 2009 with the approval of the 2007-2008 budget trailer bill. Ms. Wasmund further commented that the approved STA budget was \$416 million, but the Governor vetoed \$100 million. The STA funds for FY 2008 are approximately 50 percent lower for both MTS and NCTD than in FY 2007.

Paul Jablonski, Chief Executive Officer, Metropolitan Transit Service (MTS), presented the MTS FY 2008 budget recap. He stated that the \$14 million reduction of STA funding would affect capital expenditures for new buses over the next two years. Mr. Jablonski stated with the original revenue projections, MTS expected a \$4 million budget shortfall for FY 2008. MTS was able to present a balanced budget to its Board of Directors in April. In May, SANDAG presented its adjusted projections in *TransNet* and TDA funding, which resulted in a projected MTS budget shortfall of \$9.2 million deficit for FY 2008. The MTS Board agreed to a short-term solution to balance the FY 2008 budget by using some non-recurring revenues and federal fuel credits. However, the MTS Board also directed staff to meet with the Budget Development Committee to develop long-term solutions to close the budget gap through increasing recurring revenues and/or reducing recurring expenses.

Mr. Jablonski stated that MTS staff reviewed the operating budget and proposed five categories to adjust revenue and expenses: non-fare revenue adjustments, non-service expense adjustments, personnel benefit adjustments, fare adjustments, and service reductions. Mr. Jablonski reviewed the proposed changes in detail for each of the five budget categories.

Mr. Jablonski summarized the budget adjustments, including projections in FY 2008 through FY 2012. He noted that to balance the MTS budget in FY 2008, some non-recurring revenues would need to be used.

Chairman Harry Mathis (MTS) stated that there were some questions and concerns expressed regarding the loss of transfers but that it was a relatively small percentage in relation to ridership. He requested that Mr. Jablonski clarify how transfers would be replaced with day tripper passes.

Mr. Jablonski stated that day trippers were available now on the Trolley as well as on San Diego Transit buses. Day tripper passes would need to be issued manually on the MTS contract buses until new ticket machines are installed.

Sandor Shapery (Regional Planning Stakeholders Working Group) stated that raising fares could negatively affect fixed income passengers. He stated that proposed fare increases are still below cost of living increases over the past five years, and we should emphasize that the proposed fare increases are intended to keep up with the cost of living increases. Mr. Shapery also asked whether a sensitivity analysis was done on the impact of fare increases on passengers.

Mr. Jablonski stated that MTS ran elasticity models. One model showed the effect of fare increases on ridership. MTS used the SANDAG fare study consultant who worked through several scenarios. The result was a 3 percent increase in fare revenues, which resulted in a 1 percent decrease in ridership.

Deputy Mayor Dave Druker (North County Coastal) requested clarification on whether the proposed plan to sell wrap advertising on older equipment would end when new bus and Trolley equipment are put into use.

Mr. Jablonski stated that the Board approved the wrap advertising only on the older equipment and that MTS is hoping over time to find other revenue sources to replace the loss of the additional advertising revenue.

Councilmember Phil Monroe (South County) stated that fare increases need to be considered along with other transportation indicators. He commented that he read a recent article which indicated that \$5 per gallon of gas was a price level that would force people to choose transit options.

Ms. Zettel commented that the proposed budget reflects creativity and personal sacrifices for MTS staff and passengers. She asked whether there was any plan for increasing ridership.

Mr. Jablonski stated that ridership was up 3.7 percent during this past year and was still growing. The largest increase was in rail services with a record month of ridership in August. MTS also is seeing an increase in bus ridership. The agency has implemented many service changes over the past few years as a result of the Comprehensive Operations Analysis (COA), and we are now seeing the results of that service restructuring.

Ms. Zettel also commented that she would recommend that transit marketing to emphasize the "green" or environmental benefits of using transit.

Karen King, Executive Director, North County Transit District (NCTD), introduced Richard Hannasch, NCTD Director of Fiscal and Support Services, who will make the

presentation. Ms. King provided some background on the budget challenges that NCTD has faced in the past. She stated that in the 1990s, NCTD faced a budget challenge, and at that time the NCTD Board of Directors adopted strict fiscal policies to ensure a balanced budget. These policies require that services are sized to match the agency's recurring revenues and that NCTD maintain a fund reserve. The Board adopted a policy to increase fares annually in small increments and also eliminated cost of living increases for non-represented employees.

In June 2007, NCTD adopted a budget with a shortfall with the intention to amend the budget after the State budget was adopted. Ms. King stated NCTD has already cut costs and services and raised fares over the past few years. These tools were not available to help balance the NCTD budget this year. NCTD also has used one-time revenues and reserves to balance the budget over the past several years.

Councilmember Monroe requested clarification regarding the "confidential" stamp on the NCTD budget presentation handout.

Ms. King stated that the same budget presentation was made to the NCTD Budget Committee yesterday for the first time. Since it is now public, the presentation is no longer a confidential document.

Mr. Hannasch presented the NCTD budget projections. He stated that NCTD developed its budget in May and projected a balanced budget for 2008 with surpluses through 2010. In May, SANDAG updated the TDA and *TransNet* projections, and the revised budget based on these projects has a \$4.1 million shortfall. The STA funding in the State budget does not fully cover the FY 2008 NCTD budget shortfall. NCTD staff reviewed expenses and revenues. NCTD expenses have increased significantly over the past four years, while service levels have remained constant and non-SPRINTER related expenses have previously been reduced. Additionally, reductions in employee benefits were not considered realistic, given current NCTD benefit levels.

NCTD studied potential service reductions or eliminations, however, those that would have the greatest cost savings were not realistic to implement. NCTD has identified some additional revenue sources, including expanding commercial activities at stations, marketing and concession revenues, and community outreach programs. To balance the NCTD budget in FY 2008 and FY 2009, a short-term adjustment is proposed; staff recommends accelerating the use of one-time Congestion Mitigation and Air Quality (CMAQ) grant funds from FY 2010 to FY 2008 and FY 2009. In addition to cuts to the agency's operating budget, NCTD estimates a reduction in *TransNet* capital spending. NCTD is able to balance the FY 2008 and 2009 budgets with non-recurring and one-time revenues, but still needs to identify future long-term sources of recurring revenues by 2010.

Supervisor Bill Horn (County of San Diego) commented that the diversion of spillover funds will continue to negatively affect transit and transportation projects in the region. He recommended that the San Diego region send a delegation to address the State Legislature and the Governor to discuss how the continued cuts in funding are forcing the region to increase fares and cut transit services.

Mr. Gallegos responded that the California Transit Association (CTA) recently filed suit against the State of California alleging that it is illegal for the State to take these spillover funds away. He concurred that the region needed to have a coordinated approach to address the diversion of state public transit funds.

Deputy Mayor Druker stated that this is the same thing that happened in the late 1990s to the cities, and the League of California Cities created Proposition 116 to respond. As members of the CTA, NCTD and MTS are automatically in support of the current CTA lawsuit. If we lose the lawsuit, we need to work with CTA to identify another solution. He expressed his concern that we are creating a "death spiral" by cutting services, raising fares, and losing ridership. He also expressed his concern regarding the fare changes that MTS is presenting. He stated that it is very important to provide fully integrated routes for the entire region. We have to remember that we need to provide coverage for the entire county, not just provide transit to those routes that are the most productive. He stated that he supports sending a delegation to address this issue with the State Legislature.

Councilmember Monroe stated that he attended a recent League of California Cities conference, and there was not one workshop on public transit. He stated that we need to form a transit caucus within the League of California Cities.

Chairman Ed Gallo (NCTD) stated his agreement with the comments of the other members. He added that one of the main purposes for transit is economic development. The continued diversion of funds by the State will place transit in jeopardy. He reiterated the need to bring our region's issues to Sacramento.

Ms. Zettel commented that as a previous member of the Assembly Transportation Committee, she understands the need to send a delegation to State to support public transit in the region. She stated that we need to show the negative economic impact of the diversion of funds and emphasize the importance of transit in the San Diego region.

Deputy Mayor Druker stated that the American Public Transportation Association has literature regarding the importance of transit that focuses on why conservatives should support transit.

Mr. Gallegos stated that the issue is bipartisan, and we need to work with both political parties to stop the diversion of transit funds.

Supervisor Horn commented that through the media, we can bring attention to this issue with the Legislature.

Dan Levy, Senior Regional Planner presented a brief update on transit fares and policies. He provided an update on the Comprehensive Transit Fare Structure and Revenue Sharing Study that is currently underway. The presentation provided an overview of the proposed process and schedule leading to the implementation of proposed fare increases to meet short-term budget needs as well as the next steps to implement the findings of the Comprehensive Study.

Mr. Levy reviewed the study objectives and stated that the first draft of the study was reviewed in September. The recommendations will cover all services operated by MTS and

NCTD. The objective is to unify fares across the region and take advantage of the Compass Card capabilities and provide incentives for its use. SANDAG will continue to meet Title VI and Limited English Proficiency (LEP) requirements through analyses of fare changes. The proposed fare structure would meet or exceed short-term revenue needs with minimized loss of ridership. Mr. Levy reviewed the next steps for both the short-term fare changes as well as the longer-term comprehensive fare and revenue study.

Chairman Ron Roberts (County of San Diego) commented that the State will continue to find funds to take away in order to balance the State budget. He stated that sending a delegation to the Legislature to discuss how the loss of funds negatively impacts transit service is a difficult argument to make while at the same time we are requesting billions of dollars for beach sand replenishment and spending \$500,000 for each bus station for the Super Loop project. He stated that SANDAG needs to look at how we are currently spending the funds available and make sure that we are being responsible with the projects we are funding.

Chairman Gallo asked for clarification on how the fare increases proposed by MTS relate to the SANDAG comprehensive fare study.

Mr. Levy replied that our study consultant will use the proposed MTS fares as a baseline fare structure for the region.

Chairman Gallo stated that transit will always need to be subsidized. The issue is that we need to decide whether we want transit or not.

Supervisor Horn stated that Chairman Roberts' point is valid, and we do need to review our spending, but the issue is that the diversion of state spillover funds is illegal. Those funds are earmarked for transit.

Vice Chair Dale summarized the two issues from the Committee's discussion. First, we will work on a strategy concerning the diverted funds that are owed to us for transit, and second, we will address our current spending on transit infrastructure in the region.

Mr. Gallegos stated that the project Supervisor Roberts mentioned is a part of the *TransNet* Ordinance, and the SANDAG Board can decide how certain funds are spent within the *TransNet* Ordinance. There are few projects that can't be changed without voter approval, but the balance of the projects in the Ordinance can be modified by two-thirds vote of the SANDAG Board of Directors.

Vice Chair Dale requested that Mr. Gallegos meet with the Transportation Committee Chair to discuss sending a delegation to Sacramento. He also requested Mr. Gallegos work with staff to re-evaluate how we are allocating funds for projects.

Mr. Gallegos stated that staff is currently updating the *TransNet* Plan of Finance, and those funding issues can be addressed during that process.

3. UPCOMING MEETINGS

The next Transportation Committee meeting is scheduled for Thursday, September 20, 2007, at 12:30 p.m. at North County Transit District offices. The next regularly scheduled meeting of the Transportation Committee is on Friday, September 21, 2007, at 9 a.m.

4. ADJOURNMENT

Vice Chair Dale adjourned the meeting at 10:39 a.m.

Attachment: Attendance Sheet

CONFIRMED ATTENDANCE
SANDAG TRANSPORTATION COMMITTEE MEETING
SEPTEMBER 7, 2007 SPECIAL MEETING

GEOGRAPHICAL AREA/ ORGANIZATION	JURISDICTION	NAME	MEMBER/ ALTERNATE	ATTENDING	COMMENTS
North County Coastal	City of Del Mar	David Druker	Member	Yes	
	City of Oceanside	Jerry Kern	Alternate	Yes	
North County Inland	City of Escondido	Lori Holt Pfeiler	Member	No	
	City of Vista	Bob Campbell	Alternate	No	
East County	City of Santee	Jack Dale (Vice Chair)	Member	Yes	
	City of La Mesa	Art Madrid	Alternate	No	
South County	City of Chula Vista	Jerry Rindone	Member	No	
	City of Coronado	Phil Monroe	Alternate	Yes	
City of San Diego	----	Jim Madaffer (Chair)	Member	No	
	----	Scott Peters	Alternate	No	
	----	Ben Hueso	Alternate	No	
County of San Diego	----	Ron Roberts	Member	Yes	
	----	Bill Horn	Alternate	Yes	
	----	Greg Cox	Alternate	No	
Metropolitan Transit System	City of Poway	Bob Emery	Member	No	
	MTS	Harry Mathis	Alternate	Yes	
North County Transit District		Ed Gallo	Member	Yes	
		Jerome Stocks	Alternate	No	As ex-officio 2 nd Chair
		David Druker	Alternate	?	
San Diego County Regional Airport Authority		Charlene Zettel	Member	Yes	
		Jim Desmond	Alternate	Yes	
		Ramona Finnilla	Alternate	No	
ADVISORY/LIAISON Caltrans	----	Pedro Orso-Delgado	Member	No	
	—	Bill Figge	Alternate	Yes	
Regional Planning Stakeholders Working Group	—	Sandor Shapery	Member	Yes	
		Gary Nordstrom	Alternate	No	
		Kathy Keehan	Alternate	No	
SCTCA	—	Kevin Siva	Member	Yes	
		Albert Phoenix	Alternate	No	