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Pedro Orso-Delgado
District Director, District 11
**California Department of
Transportation**

Gary L. Gallegos
Executive Director, SANDAG

TRANSPORTATION COMMITTEE AGENDA

Monday, July 21, 2003
10 a.m. – 11:30 a.m.
SANDAG Board Room
401 B Street, 7th Floor
San Diego, CA 92101-4231

SPECIAL MEETING

- **POTENTIAL SHORT-TERM LOAN OF *TransNet* FUNDS TO KEEP CRITICAL TRANSPORTATION PROJECTS ON SCHEDULE PENDING A STATE BUDGET**

MISSION STATEMENT

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus, makes strategic plans, obtains and allocates resources, and provides information on a broad range of topics pertinent to the region's quality of life.

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Welcome to SANDAG! Members of the public may speak to the Transportation Committee on any item at the time the Committee is considering the item. Please complete a Speaker's Slip which is located in the rear of the room and then present the slip to Committee staff. Also, members of the public are invited to address the Committee on any issue under the agenda item entitled Public Comments/Communications. Speakers are limited to three minutes. The Transportation Committee may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org under meetings on SANDAG's Web site. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form also available on the Web site. E-mail comments should be received no later than two working days prior to the Transportation Committee meeting.

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TRANSPORTATION COMMITTEE AGENDA

SPECIAL MEETING

Monday, July 21, 2003

Staff contact: Kim Kawada (619) 595-5394; kka@sandag.org

The Transportation Committee may take action on any item appearing on this agenda.

ITEM #	RECOMMENDATION
<p>1. PUBLIC COMMENTS/COMMUNICATIONS/ MEMBER COMMENTS</p> <p>Members of the public will have the opportunity to address the Transportation Committee on any issue within the jurisdiction of the Committee. Speakers are limited to three minutes each. Committee members also may provide information and announcements under this agenda item.</p>	INFORMATION
<p>2. POTENTIAL SHORT-TERM LOAN OF <i>TransNet</i> FUNDS TO KEEP CRITICAL TRANSPORTATION PROJECTS ON SCHEDULE PENDING A STATE BUDGET (Gary Gallegos)</p> <p>As a result of the state budget crisis, Caltrans has notified contractors on numerous projects under construction that the state will not be able to continue to make payments for the ongoing work after July 20, 2003. Subject to the concurrence of the SANDAG Board of Directors, approval of this item would authorize the Executive Director to negotiate an agreement with the state that would allow the use of <i>TransNet</i> funds to keep the projects within the San Diego region moving until an FY 2003-04 state budget is enacted. The agreement would include the necessary repayment provisions.</p>	APPROVE
<p>3. ADJOURNMENT AND UPCOMING MEETINGS</p> <p>The next Transportation Committee meeting is scheduled for Friday, August 1, 2003 from 9 a.m. to 12 noon. A second Transportation Committee meeting in August is scheduled for Friday, August 15, 2003 from 9 a.m. to 12 noon.</p>	INFORMATION

+ next to an agenda item indicates an attachment

TRANSPORTATION COMMITTEE

July 21, 2003

AGENDA ITEM NO.: **2**

Action Requested: APPROVE

POTENTIAL SHORT-TERM LOAN OF *TransNet* FUNDS TO KEEP CRITICAL TRANSPORTATION PROJECTS ON SCHEDULE PENDING A STATE BUDGET

Introduction

As a result of the state budget crisis, the State Highway Account (SHA) has been reduced to historically low levels. On July 10, 2003, Caltrans Director Jeff Morales informed contractors statewide that, unless a budget is adopted, there may not be enough cash in the SHA to cover any additional costs incurred after July 20, 2003 (letter attached). Contractors were warned that contracts may be suspended or terminated to reduce costs. Under such circumstances, Caltrans would be obligated to pay substantial penalty and interest costs, numerous jobs could be lost if contracts are terminated, and significant delays to the completion of regional transportation improvements would be experienced.

One option to avoid these negative impacts would be to use *TransNet* funds on a temporary basis to meet the monthly expenses on transportation projects regionwide until a new budget is adopted. A loan agreement with Caltrans would be required to ensure that the *TransNet* program is made whole. Such loans are authorized in the *TransNet* Ordinance (Section 7) to maximize effectiveness in the use of revenues. Caltrans has estimated that up to \$10 million per month would be needed to keep all projects currently under contract moving forward. The same issues apply to MTDB and NCTD projects relying on reimbursement from state funds, as well as to SANDAG programs like the Freeway Service Patrol (FSP) and Transportation Demand Management (TDM) programs.

Recommendation

The Transportation Committee, subject to the concurrence of the SANDAG Board of Directors, is asked to authorize the Executive Director to enter into negotiations with Caltrans regarding a loan agreement allowing *TransNet* funds to be used to continue payments to contractors on ongoing highway, transit and other related contracts until a state budget is adopted. The loan agreement would include necessary repayment provisions including recovery of interest costs if commercial paper proceeds are used or recovery of lost interest earnings if current cash on hand is used. The Executive Director should also be authorized to use *TransNet* commercial paper proceeds, if necessary, for this purpose with any funds borrowed to be paid off as soon as the reimbursement from the state is received.

Discussion

Projects in Jeopardy

Caltrans has indicated that there are over 50 projects currently under contract in the region that are at risk of delay because of the state budget situation. The major projects at risk include the I-5/I-805 merge project in the Sorrento Valley area (\$141 million contract), the widening and interchange improvements work on I-15 (\$39 million in current contracts), the completion of SR 56 (\$58 million), and SR 905 interchange work (\$18 Million). A handout will be distributed at the meeting detailing the Caltrans projects, as well as transit and other projects that could be at risk.

Source of Funds – TransNet Commercial Paper Program

SANDAG has established a commercial paper program to assist with short-term borrowing needs for *TransNet*-funded projects. A total credit line of \$135 million was established for the program, with \$68.8 million currently available. Interest rates for the program have been under 2%, making it a very low cost source of funds for a short-term bridge loan. Assuming a state budget is adopted in a 2-3 month timeframe allowing repayment of the loan, the use of the commercial paper program to cover the projects at risk would not impact the delivery of any of the ongoing *TransNet* projects. The other option is to use *TransNet* cash on hand, which would likely be a somewhat more expensive option since most *TransNet* funds are invested at a higher rate than the current commercial paper borrowing rate.

DEPARTMENT OF TRANSPORTATION

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*Flex your power!
Be energy efficient!*

July 10, 2003

Tom Holsman
Executive Vice President/CEO
Associated General Contractors
3095 Beacon Blvd.
West Sacramento, CA 95691

Dear Mr. Holsman:

As you know, over the last four years we have dramatically increased our program, reaching all-time records of improvements underway for Californians. Currently, we have over \$6.7 billion of work under contract. This could not happen without the full partnership of the contracting community and the workers who are on the job at hundreds of sites across the State. In the spirit of that partnership, I need to alert you to the major impacts on our programs of the ongoing failure of the Legislature to pass a budget for the 2003-04 fiscal year.

The record levels of delivery, reductions of truck weight fees, previous budget actions, and lower gas tax receipts have contributed to a diminished cash balance in the State Highway Account (SHA). Further, this year's federal reimbursement capacity is exhausted, and gas tax receipts cannot be transferred without a budget. The Department of Finance (Finance) is unable to authorize a General Fund loan to the SHA to meet SHA cash flow needs at this time given the lack of available General Fund resources and an enacted budget for the 2003-04 fiscal year. Once a budget is enacted, DOF will be able to reconsider a loan request if a loan is still required to meet SHA short-term cash needs.

Without a budget, we project that there may not be sufficient cash in the SHA to cover costs incurred after July 20. At that point, we will be faced with the need to curtail, at least temporarily, construction and maintenance work throughout the State. If this happens, we will pay all penalties and interest due according to statutes and contractual obligations when funding is restored. It may also be necessary to suspend or terminate some contracts to reduce costs, keeping in mind that safety is our first priority. If we must suspend or terminate contracts, we will certainly work closely with our industry

Tom Holsman
July 10, 2003
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partners to minimize potential impacts. Toll bridge projects will not be affected due to the fact that they have a separate source of funding. A list of projects that are subject to impact due to the lack of a budget, can be found at:

<http://www.dot.ca.gov/hq/construc/jun03doc.html>

The prospect of shutting down hundreds of projects in the State's largest-ever program is something we obviously hope to avoid, but it may be inevitable without the Legislature approving a budget. Such a shutdown not only would affect travelers in every county throughout the State, but also would have devastating economic impacts. Close to 200,000 private-sector jobs supported by our program would be put at risk, and the ripple effects throughout the economy would be tremendous.

I understand the position in which this would place our contractors and their employees, and hope the Legislature's impasse is short-lived. We will keep you informed on the status of our funding capacity. Maintaining and improving our highways, bridges, and transportation systems throughout California is one of the top priorities of the Davis Administration.

Sincerely,



JEFF MORALES
Director