

# TRANSPORTATION COMMITTEE

May 7, 2004

AGENDA ITEM NO.: **1-B**

**Action Requested: APPROVE**

## TRANSPORTATION COMMITTEE DISCUSSION AND ACTIONS

Meeting of April 16, 2004

The meeting of the Transportation Committee was called to order by Chair Joe Kellejian (North County Coastal) at 9:03 a.m. See the attached attendance sheet for Transportation Committee member attendance.

### 1. APPROVAL OF MEETING MINUTES

Action: Upon a motion by Oceanside Mayor Terry Johnson (San Diego County Regional Airport Authority [Airport Authority]) and a second by Poway Councilmember Bob Emery (Metropolitan Transit System[MTS]), the Transportation Committee approved the minutes from the March 5, 2004, and April 2, 2004, meetings.

### 2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Chuck Lungerhausen, a member of the public, congratulated the Transportation Committee for coming together with the *TransNet* action, but he said that more needs to be done. We need a one percent sales tax for public transit in order to make it work in San Diego County. There are too many needs for bus transportation in North County that are not being met. The City of Chula Vista has rights-of-way set aside for transit but there is no money to expand transit. We are promoting transit but we don't have the funds to get expand it. If all of the elected officials in the county would come together and support a one percent sales tax for transportation we would be a lot better off.

Chair Kellejian noted that he was going to have to leave early and recommended that Mayor Mickey Cafagna be appointed Chair Pro Tem in his absence.

Action Taken: Upon a motion by Mayor Johnson and a second by Councilmember Emery, the Transportation Committee unanimously appointed Mickey Cafagna to serve as Chair Pro Tem in the absence of the Chair for this meeting.

### CONSENT ITEMS (3 through 7)

Chair Kellejian noted that Item No. 5 has been pulled from the consent calendar and would be heard following approval of the consent items.

3. 2002 REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM (RTIP) QUARTERLY AMENDMENT (APPROVE)

The SANDAG Board, at its meeting on June 28, 2002, adopted the 2002 Regional Transportation Improvement Program (RTIP), the five-year program of major transportation projects in the San Diego region covering the period from FY 2003 to FY 2007. During the course of the two-year RTIP cycle, SANDAG processes amendments on a quarterly basis. Amendment No. 18 includes requests for revisions from local agencies. The Transportation Committee is asked to adopt Resolution No. 2004-18, approving Amendment No. 18 to the 2002 RTIP.

4. JOBS ACCESS REVERSE COMMUTE (JARC)/AIR POLLUTION CONTROL DISTRICT (APCD) – FUNDED TRANSIT SERVICE (APPROVE)

In 2002, the Metropolitan Transit Development Board (now Metropolitan Transit System [MTS]), through SANDAG, was awarded \$200,000 in JARC and APCD funding to operate a reverse-commute, peak-period transit service from downtown San Diego and Mid-City to the Poway Business Park. The service would provide employment access between areas where heavy concentrations of CalWorks' clients live and work. MTS would operate the service using the two-year grant funding. The Transportation Committee is asked to authorize the use of the grant funding for the service (Route 830) beginning in July 2004.

6. FEDERAL TRANSPORTATION ENHANCEMENT ACTIVITIES (TEA) PROGRAM: QUARTERLY PROGRESS REPORT (INFORMATION)

In March 2000, the SANDAG Board of Directors approved the allocation of TEA funds to nine projects and directed the Transportation Committee to receive progress reports on a quarterly basis. This quarterly progress report covers the period January to March 2004. Two projects are complete and the remaining seven projects are progressing according to their approved schedules.

7. SURVEY AND ANALYSIS OF TRADE AND GOODS MOVEMENT BETWEEN CALIFORNIA AND BAJA CALIFORNIA, MEXICO (INFORMATION)

This survey was sponsored by the California Department of Transportation (Caltrans) to collect valuable information on international commercial crossings to assess cross-border shipping patterns at ports of entry.

Action: Upon a motion by Mayor Johnson and a second by Councilmember Emery, the Transportation Committee approved Consent Items 3 through 7, including Resolution No. 2004-18, with the exception of Item No. 5.

## REPORTS

### 5. MEMORANDUM OF UNDERSTANDING WITH THE NORTH SAN DIEGO COUNTY TRANSIT DEVELOPMENT BOARD (NCTD) WITH RESPECT TO SPRINTER FINANCING (RECOMMEND)

The Director of Finance reported that due to the suspension of the state Traffic Congestion Relief Program (TCRP), the SANDAG Board, at its March 26, 2004 meeting, had approved the programming of funds to pay off bonds that may be issued by NCTD for the Sprinter project if the \$80 million of TCRP funds do not materialize. This action included programming funds from the State Transportation Improvement Program (STIP), which requires approval from the California Transportation Commission (CTC). The CTC has indicated that it is unlikely to approve the STIP funds to service this debt. As an alternate plan, funds from the Congestion Mitigation and Air Quality (CMAQ) program would be used. NCTD is working with a financing institution that is requesting a Memorandum of Understanding (MOU) between NCTD and SANDAG acknowledging the programming of future funding to cover the debt service on the Sprinter. This MOU memorializes the action taken by the SANDAG Board at its March 26, 2004, meeting.

The Director of Finance reviewed the following significant points: NCTD will still be responsible for construction of the Sprinter project, NCTD will make the debt service payments using its share of local dollars in FY 2005-2007, NCTD shall submit quarterly and annual reports to the SANDAG Executive Director, and SANDAG shall annually program, beginning in FY 2008 and through FY 2017, if necessary, STIP or CMAQ funds in the amount necessary to make the scheduled interest and principal (up to the \$105 million) payments. This will allow the Sprinter project to continue on schedule. Staff is asking that the Transportation Committee recommend that the SANDAG Board of Directors authorize the Executive Director to sign this MOU.

Chair Kellejian stated that we need to hold the state accountable for the commitment it made to us regarding TCRP funds for this project. We need to be diligent in encouraging the state to meet this obligation. The Federal Government may not look favorably on future projects with state funding the state if it does not meet its funding commitments.

The Director of Finance noted that staff has had several conversations with the Federal Transit Administration (FTA) and assured it that we will continue to encourage the state to meet its financial obligation to this project and that the alternate financing option of using CMAQ funds does not release the state from this obligation.

Councilmember Jack Feller (NCTD) stated that the NCTD Board approved the agreement with the Burlington Northern Santa Fe (BNSF) Railroad for handling freight movements during construction. The cost was initially estimated at \$31 million and it looks like it will be more in the range of \$3 million, though there are still some negotiations left to do. This will be a considerable savings.

Action Taken: Upon a motion by Councilmember Emery and a second by Mayor Johnson, the Transportation Committee unanimously approved a recommendation to the SANDAG Board of Directors to authorize the Executive Director to execute an MOU with NCTD, in

substantially the same form included in the agenda item, related to financing \$80 million and associated interest costs for the Sprinter if the TCRP funds do not materialize.

8. TRANSIT OPERATOR FY 2004 AND FIVE-YEAR PRELIMINARY PROJECTIONS AND TRENDS/CHALLENGES (INFORMATION)

The Director of Finance introduced this item by stated there will be a series of items to educate the Transportation Committee about the transit operators' budget process. Information will be presented on FY 2004 to date, the projections for the next five years, and transit challenges.

Diane Hessler, Chief Management Accountant, described NCTD's mission and vision statement. She noted that NCTD provides the following services: the Coaster commuter rail; the BREEZE fixed bus route; the FAST demand-responsive service; and LIFT, the Americans with Disabilities Act (ADA) paratransit service. NCTD also operates another mode, the railroad and right-of-way. This is necessary for continuing Coaster service; it is part of the Los Angeles – San Diego – San Luis Obispo (LOSSAN) rail corridor; it is used by Amtrak, Metrolink, and BNSF; and handles freight, all of which reduces congestion on the region's highways. This right-of-way has significant maintenance and improvement financial needs, it requires a systematic, priority-based replacement program, and it is essential to preserving transit needs and managing safety and risk.

Ms. Hessler reviewed the sources of operating revenues including Transportation Development Act (TDA) sales tax (44 percent), *TransNet* (7 percent), FTA (12 percent), other state and local funds (3 percent), passenger fares (22 percent), auxiliary revenue (10 percent), and nontransport revenue (2 percent). The operating expenses are divided as follows: wages and benefits (52 percent); services and fees (19 percent); purchased transportation (12 percent); fuel, tires and other supplies (10 percent); casualty and liability (3 percent); and other expenses (4 percent). She noted that there are 610 employees and 73 percent are union employees.

Chair Kellejian left at 9:22 a.m., therefore, Chair Pro Tem Cafagna took over meeting.

Ms. Hessler provided information on FY 04 revenues and expenses, and stated that they appear to be tracking close to budgeted amounts. She noted a few areas of exposure, including workers compensation and fuel price increases. The budget objective is to develop a balanced operating budget and a viable capital improvement program to provide a sustainable level of service, work with available resources, and balance the capital and operating needs. The budget challenges are that revenues are flat or modestly increasing; operating expenses are increasing, some significantly and beyond NCTD's control; unfunded capital needs are sizeable, and some of those are time-sensitive.

Ms. Hessler described the revenue and expense outlook for FY 05 versus FY 04 noting that passenger fares are proposed to increase by 6 percent; auxiliary revenues by 8 percent; nontransportation revenues by 6 percent and federal, state, and local grants reflecting modest increases. She stated that operating expenses have increased, and in many cases the increases have exceeded the rate of revenue increases. Budget uncertainties include: federal reauthorization of the "Transportation Equity Act: A Legacy for Users (TEA LU),"

the state funding situation, the *TransNet Extension*, fuel and utilities, and labor negotiations. Other budget assumptions include maintaining staff levels, maintaining current service levels, Sprinter operations beginning in mid-2007, utilization of \$14 million in TDA reserve, and CMAQ funding of \$5 million per year for 2007-2009. Information on the revenue service hours and passenger miles for NCTD's four services was also provided.

Projected revenues and expenses for FY 2005-09 indicates funding shortfalls in years FY 2005 and 2006, and funding carryovers in FY 07 through FY 09. Possible options to adjust the financial capacity are to increase revenues, reduce expenses, reallocate services, reduce staffing levels, reduce or defer projects in the Capital Improvement Program (CIP), reduce services, and *TransNet* reauthorization. There have been no service extensions since 2001. Ms. Hessler noted that a reduction in service is the last option the NCTD Board would prefer to consider.

Chair Pro Tem Cafagna asked about the cost per hour as it relates to the different modes. Ms. Hessler said that the target is to achieve a 20 percent farebox recovery rate. She indicated that the most disappointing is the LIFT service with a target return of 9 percent and is actually returning about 7 percent. The recovery ratio goal for the Coaster is 37 percent. The Coaster's March ridership was the best in its history and staff believes the recovery ratio may rise as a result of this increased ridership level. With regard to ADA service, NCTD is planning on introducing an "assistance ride for free" program. This is a method to encourage ADA riders to utilize our ADA-compliant services with an aide.

Mayor Pro Tem Phil Monroe (South County) asked about the relational budget impact when diesel fuel increases. Ms. Hessler estimated that it would have a \$7,000 impact.

Mayor Pro Tem Monroe asked about the fuel prices included in the projections. Ms. Hessler responded that they originally assumed \$1.15 per gallon for FY 05 and subsequently has revised that figure for future years.

Councilmember Jack Dale (East County) asked if the transit boards had considered using compressed natural gas (CNG) as an alternative. Ms. Hessler replied that the NCTD Board's mandate has been to replace diesel fueled vehicles with CNG vehicles over time. They have scheduled 15 new CNG vehicles in the next capital cycle. They operate a little less efficiently than diesel, but CNG prices are not as volatile as that for diesel.

MTS Executive Director Paul Jablonski next provided the MTS preliminary budget presentation. He provided background information including fixed-route bus services; the light rail transit (LRT) system; ferry; demand-responsive, rural, and ADA paratransit services; an integrated transit system with a uniform fare structure, coordinated routes and schedules, and regional marketing, as well as authority as the municipal taxicab regulatory agency; and owner of the San Diego and Arizona Eastern (SD&AE) Railway.

As a side note, Mr. Jablonski stated that the trolley seems to be carrying around 30 percent of the gate for Padres games.

Mr. Jablonski mentioned that there is a half-day session planned with the MTS Board on May 8 to discuss the details for developing a strategy for balancing the budget.

Jablonski reported that previously there were three boards (MTDB, San Diego Transit Corporation [SDTC], and San Diego Trolley, Inc. [SDTI]), now the MTS Board sits for all three entities. He listed the members of the MTS Board.

Mr. Jablonski stated that with all MTS bus and LRT services combined there are 241,000 average weekday passengers, 73 million annual passengers, and 1,877 employees. He provided facts related to LRT and bus operations, and its other functions including the Coronado Bay Ferry; Taxicab Administration; SD&AE Railway; regional bus stop, shelter, and bench programs; and transit center maintenance.

Mr. Jablonski reviewed the LRT and bus infrastructure needs, and the impacts of the aging infrastructure needs. He said that they will need to replace 120 vehicles over next 40 years, and this element is unfunded. He said that the real issue is that when infrastructure ages it requires more costs and labor in order to maintain it.

Mr. Jablonski reviewed the MTS mid-year FY 04 operating budget changes as of February 2004, which showed a projected surplus for FY 04 of \$262,830. The MTS mid-year FY 04 operating budget had \$173.9 million in operating expenses, \$67.2 million in operating revenues, requiring a \$106.7 million operating subsidy. He said he was confident that they will be on budget at year's end.

Mr. Jablonski stated that the plan adopted by the MTS plan in June 2003 contained the following five major components: use contingency reserves, use federal capital funds for preventative maintenance for operations, fare increases in FY 05 and FY 06, greater use of *TransNet* for operations, and annual service reductions and operational efficiencies.

He reviewed the FY 05 sources of revenue, revenue trends, expenditures, MTS budget assumptions, and the MTS preliminary FY 05 operating budget. He provided information on the ranges of the unfunded deficit in FY 05 through FY 09. The cost pressures include: energy costs (diesel, CNG), pension costs, liability insurance costs, health insurance costs, and workers compensation.

Mr. Jablonski noted that the policy choices are: (1) a sustainable level of service components (efficiency improvements, budget and cost reductions, and adjustments to low-performance services), (2) nonrecurring revenue components (MTDB contingency reserve and federal CMAQ funds for Mission Valley East [MVE] for FY 05-08), and (3) other considerations such as new service proposals.

He said that it is critical for the region to recognize that a significant funding shortfall exists, *TransNet's* reauthorization is a necessity for the continuance of our existing programs, and replacing aging infrastructure is an unfunded priority that threatens the reliability and cost-effectiveness of our system.

In response to a question from Councilmember Feller, Mr. Jablonski explained that the personnel figures did not include all of the contract employees.

Councilmember Jerry Rindone (South County) stated that as a result of the consolidation, MTS has been left with some staffing gaps, and there will be some examination of that at MTS with recommendations for staffing adjustments within the next six months.

Councilmember Rindone explained that the fare increase mentioned by Mr. Jablonski, was approved by the MTS Board to be spread out over three years.

Councilmember Rindone said that the MTS report did not include projections of *TransNet Extension* funding. He stated that the passage of the *TransNet Extension* is critical, and we all need to work together towards that end.

Chair Pro Tem Cafagna acknowledged that MTS staff was gutted as part of consolidation. He wondered if the MTS staff is doing part of the work that transferred to SANDAG, and if the efficiencies expected from consolidation will work themselves out over time. Mr. Jablonski responded that MTDB went from 100 employees to 40, and the vast majority of those are involved in the operation of our contracted system. If you take that out, there are only 10-12 people left to handle other duties. He noted that he just gave the MTS Board a reorganization plan. He said that the way to gain efficiencies is by looking at SDTC and SDTI and determine if they have functions that can be blended under MTS such as finance and accounting, human resources, and potentially facilities or procurement. We are looking to create the functions in a regionalized basis.

Chair Pro Tem Cafagna asked if he has calculated those efficiencies in the budget. Mr. Jablonski replied negatively as they are still in the infancy of reorganization at this point. He added that there are pension and union issues related to consolidating these entities.

Supervisor Ron Roberts (County of San Diego) said that an audited review of the impacts of the consolidation should be conducted. He stated that there have been some changes with SDTI and SDTC that have had nothing to do with consolidation. He thought that more is being spent administratively as a result of consolidation. He commented that MTS is "in shambles" due to the lack of staff and experienced personnel.

Councilmember Emery agreed that not all of the results to date were foreseen through consolidation planning; however, we are attempting to put together an agency that was required by Senate Bill (SB) 1703. We need to be looking at the whole process. We should be looking at what can we do to further assist the two operating organizations and to pay close attention to infrastructure replacement costs. He does not agree with Supervisor Roberts' assessment that MTS is "in shambles."

Supervisor Roberts stated that Mr. Jablonski is doing a great job. The external audit he mentioned was for the whole system, not just for MTS. This state legislation was imposed on the region. He would like to know the full cost of consolidation.

Chair Pro Tem Cafagna stated that there were those who supported SB 1703 as the lesser of several evils. He felt that there would be an eventual benefit to consolidation. As required in this legislation, SANDAG is to provide a report to the state Legislative Analyst's Office (LAO) to prove that consolidation is working and efficiencies have been made.

Councilmember Christy Guerin (North County Coastal) agreed that there are concerns about reorganization. Several SANADG Board members had expressed concern about the disparate number of MTDB employees that transferred to SANDAG versus the limited number of NCTD employees. She said that we will need to get a handle on these impacts if we are going to do the LAO report. The SANDAG Board asked for a true accounting related to employees and efficiencies and the cost to each agency. She hoped that SANDAG staff could report back on this.

Eric Pahlke, SANDAG Chief Deputy Executive Director for Operations, responded that some information on a preliminary basis was transmitted to SANDAG Board members recently. We are working on the requirement for an analysis of the consolidation at the end of this calendar year as part of SB 1703. Tom Larwin, SANDAG Chief Deputy Executive Director for Policy, stated that a memo was sent to the SANDAG Board that covered staffing costs. However, it did not include efficiencies. He noted that not all of the employees that are slated for transfer to SANDAG have moved. Once everything gets in place then management systems will be put in place that will require reactions. He estimated that it will be a couple of years before things settle down. He acknowledged the legitimacy of the concerns but didn't feel that we would have solutions until we get further along in the process.

Councilmember Dale (East County) commented that he takes the trolley to events in downtown San Diego even though it takes more time and costs more than driving. He thought it was important that the public see elected officials using the mass transit system. He said that the MTS Board has to make some really hard decisions when it comes to eliminating low-performing routes, but we simply cannot afford to continue to fund those trips. He said that the SANDAG Board and area city councils need to support those hard decisions. Councilmember Dale also commented that consolidation is about more than just cost efficiencies; if it had only been about cost savings we would have done it without SB 1703.

Mayor Pro Tem Monroe said there is another way of looking at efficiency and that is to increase service, increase fares, and increase passenger miles. The objective of consolidation was to provide better service and we need to improve on this.

Mayor Pro Tem Monroe mentioned that radio personality Roger Hedgecock has started a campaign that is anti-transit, and this worries him. He suggested that SANDAG develop a strategy to engage in a dialogue with Mr. Hedgecock.

Councilmember Judy Ritter (NCTD) said that are looking to move people. She noted that SB 1703 was a mandate. She pointed out that MTS and NCTD have very different organization structures. Planning for NCTD has always been done at SANDAG so few staff were transferred over. It will take time to complete the consolidated organization.

Chair Pro Tem Cafagna noted that our problems are greater than efficiencies. He reminded Committee members that this bill came along with a jobs protection provision so we are looking at attrition to streamline staffing.

Action: Upon a motion by Councilmember Emery and a second by Councilmember Dale, the Transportation Committee received this report for information.

9. UPCOMING MEETINGS

The next meetings of the Transportation Committee are scheduled for May 7, 2004 and May 21, 2004.

Mr. Pahlke noted that the Board Room will be under construction so the May 21 Transportation Committee meeting will be in another location.

10. ADJOURNMENT

Chair Kellejian adjourned the meeting at 10:43 a.m.

Attachment

**CONFIRMED ATTENDANCE  
SANDAG TRANSPORTATION COMMITTEE MEETING  
APRIL 16, 2004**

GEOGRAPHICAL AREA/ORGANIZATION	JURISDICTION	NAME	MEMBER/ALTERNATE	ATTENDING	COMMENTS
North County Coastal	City of Solana Beach	Joe Kellejian (Chair)	Member	Yes	
	City of Encinitas	Christy Guerin	Alternate	Yes	
North County Inland	City of Poway	Mickey Cafagna	Member	Yes	
	City of San Marcos	Corky Smith	Alternate	Yes	
East County	City of Santee	Jack Dale	Member	Yes	
	City of Santee	Hal Ryan	Alternate	No	
South County	City of Chula Vista	Jerry Rindone	Member	Yes	
	City of Coronado	Phil Monroe	Alternate	Yes	
City of San Diego	----	Dick Murphy (Vice Chair)	Member	No	
	----	Jim Madaffer	Alternate	No	
County of San Diego	----	Ron Roberts	Member	Yes	
	----	Dianne Jacob	Alternate	No	
	----	Bill Horn	Alternate	No	
Metropolitan Transit Development Board	City of Poway	Bob Emery	Member	Yes	
	MTDB	Leon Williams	Alternate	Yes	
North County Transit Development Board	City of Vista	Judy Ritter	Member	Yes	
	City of Oceanside	Jack Feller	Alternate	Yes	
	City of Del Mar	Dave Druker	Alternate	No	
San Diego County Regional Airport Authority	City of Oceanside	Terry Johnson	Member	Yes	
	City of Lemon Grove	Mary Sessom	Alternate	Yes	
ADVISORY/LIAISON Caltrans	----	Pedro Orso-Delgado	Member	Yes	
	—	Bill Figge	Alternate	Yes	