

# TRANSPORTATION COMMITTEE

June 3, 2005

AGENDA ITEM NO.: **1**

**Action Requested: APPROVE**

## TRANSPORTATION COMMITTEE DISCUSSION AND ACTIONS MEETING OF MAY 20, 2005

The meeting of the Transportation Committee was called to order by Chair Joe Kellejian (North County Coastal) at 9:00 a.m. See the attached attendance sheet for Transportation Committee member attendance.

### 1. APPROVAL OF MEETING MINUTES

Action: Upon a motion by Councilmember Jerry Rindone (South County) and a second by Councilmember Bob Emery (Metropolitan Transit System [MTS]), the Transportation Committee approved the minutes from the May 6, 2005, meeting.

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

Chair Kellejian reminded everyone that it was "Bike to Work Day."

Chuck Lungerhausen, a member of the public, commented about recent news reports related to charging tourists to park at our beaches. He thought this idea could have unforeseen enforcement and toll collection expenses. Charging this fee would encourage tourists to use our transit system. He thought that the ever-increasing cost of gasoline should encourage residents to do the same.

## CONSENT ITEMS

### 3. 2004 CONGESTION MANAGEMENT PROGRAM UPDATE (ACCEPT)

SANDAG is required by state law to update the Congestion Management Program (CMP) every two years. Major changes in the 2004 CMP include an updated CMP roadway network level of service analysis, a new transit corridor analysis, and a proposed change in the process to address deficient roadway segments. The Transportation Committee is asked to accept the Draft 2004 CMP update for public comment and schedule a public hearing for its June 17, 2005, meeting.

Councilmember Jack Feller (North County Transit District [NCTD]) noted that Exhibit 1 on page 9 states that Plaza Drive and Oceanside Boulevard is in Encinitas, and he didn't think that was correct. Mario Oropeza, Senior Planner, responded that that was a mistake, and it was corrected following the agenda mailout.

4. 2004 REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM (RTIP) – AMENDMENT NO. 8 (APPROVE)

At its meeting on July 23, 2004, the SANDAG Board adopted the 2004 Regional Transportation Improvement Program (RTIP), the five-year program of major transportation projects in the San Diego region covering the period from FY 2004/05 to FY 2008/09. Caltrans has requested changes to two of its projects. The Transportation Committee is asked to adopt Resolution No. 2005-25, approving Amendment No. 8 to the 2004 RTIP to incorporate Caltrans' changes.

5. SUMMER 2005 TRANSIT SERVICE CHANGES (INFORMATION)

Changes to bus, trolley, and Coaster service are implemented three times a year: in the fall, winter, and summer. The next scheduled dates for implementing transit service changes are Sunday, June 19, 2005, and Sunday, July 10, 2005, for MTS, which includes the opening of the Mission Valley East Trolley extension and corresponding bus service changes; and Sunday, May 22, 2005, for NCTD. This report is presented to the Transportation Committee for information on the status of the transit system services.

Action: Upon a motion by Councilmember Feller and a second by Councilmember Rindone, the Transportation Committee approved Consent Items 3 through 5, including Resolution No. 2005-25.

### **CHAIR'S REPORT**

6. *TRANSNET* INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE (ITOC) STATUS REPORT (INFORMATION)

Craig Scott, *TransNet* Program Manager, reported that the ITOC committee selections have been completed and the committee held its first meeting. He introduced Mike Boyle, who was selected as the chair of the ITOC.

Mr. Boyle stated that the ITOC met on Wednesday, May 18, 2005. He named the other six members of this committee: Maryam Babaki, Hamid Bahadori, James Callaghan, Doug Gibson, John Meyer, and Jim Ryan, and provided brief information about their experience. He said that the ITOC looks forward to working with the SANDAG Board and staff on the *TransNet* Extension projects.

### **REPORTS**

7. *TRANSNET* PLAN OF FINANCE FOR EARLY ACTION PROGRAM: INITIAL FINANCIAL STRATEGY RECOMMENDATIONS (ACTION)

Craig Scott stated that in January the Board approved a set of projects as part of the *TransNet* Early Action Program (EAP). Based on that action, staff has been working with Caltrans to update project costs and schedules, and to develop detailed revenue

assumptions and other key inputs needed for the updated Plan of Finance process. SANDAG's Financial Advisor, Public Financial Management, Inc. (PFM), has been developing a detailed cash flow model for the Plan of Finance. This model will be used to analyze the cash flow needs of the ongoing requirements of the existing *TransNet* program commitments through FY 2008 and to develop financial strategies for implementing the EAP projects on the accelerated schedules desired.

Mr. Scott stated that the Request for Proposal (RFP) process for financial advisor services resulted in the selection of PFM to continue as SANDAG's Finance Advisor. A Request for Qualifications (RFQs) process has led to the establishment of a short list of qualified firms to serve as bond counsel. An RFQ process for investment banking services has led to a short list of qualified investment banking firms in five specific categories including senior manager for long-term bonds, senior manager for variable/auction rate bonds, dealer for tax-exempt commercial paper, innovative finance transactions, and co-managers. Firms on the investment banking short list would be requested to respond to an RFP for specific services, such as the recommended expansion of the commercial paper program.

Keith Curry, Managing Director of PFM, Inc., stated that they are building a financial model as a tool to allow SANDAG to optimize a financial strategy to jump start the EAP before the *TransNet* Extension goes into effect in 2008. This model will also track expenditures to ensure compliance with the ballot measure. He provided a presentation that outlined the plan objectives, described major model inputs, identified *TransNet* Extension project categories, uses of the financial model, and constraints on the EAP. He explained the recommended Early Action Financing Strategy that would expand the commercial paper program to \$335 million; add two new dealers at \$100 million each and obtain Letter of Credit providers; issue short-term notes to fund project needs beyond the commercial paper, if required; target the cost of capital between 2005-2008 in the 2 -3 percent range; issue "Take Out" financing in 2008; and explore interest rate hedging strategies to lock in relative low, long-term borrowing rates.

Chair Kellejian clarified that the recommended action on this item is to approve the strategy.

Councilmember Jim Madaffer (City of San Diego) questioned an attorney's opinion that links *TransNet* 1 and 2. He asked how solid this opinion is, who wrote the opinion, and how was the link determined. Mr. Curry replied that Mary Collins from the firm of Orrick Herrington and Sutcliffe (SANDAG'S bond counsel) issued the opinion. He stated that the link between the two *TransNet* measures means that you can issue debt secured by both the first and second tax for long-term bonds. He believed the legal opinion to be correct and excellent advice.

Councilmember Madaffer asked to see the opinion before voting on this item.

Jack Limber, General Counsel, explained that because there are several projects common to both *TransNet* measures, the financial elements from both can be used together for financing for these projects.

Councilmember Madaffer agreed that this concept makes sense. He asked if *TransNet 2* funds will be redirected to pay the debt on *TransNet 1* projects. Mr. Curry responded negatively and said that the total *TransNet 1* debt will terminate in 2008.

In response to a question from Councilmember Madaffer, Mr. Curry explained that a couple of years ago SANDAG entered into an agreement that refunded the 2007 and 2008 series of bonds and received a fixed payment in return. We need to use commercial paper to pay off that debt.

Councilmember Madaffer asked if the model will allow us to do "what if" scenarios. He said that we are depending on federal and state money in the future for these projects. He wanted to know how we will deliver the projects we said we would, how short of money we will be to complete the projects, and how much state and federal money would be needed. Mr. Curry answered that the model will incorporate SANDAG's most recent funding estimates, forecast market rates for the financing costs associated with any funds to be borrowed to meet project cash flow needs, look at assumptions for federal and state funding, and then determine if the finance plan is feasible. The model will be interactive and allow for the full examination of all factors. Staff will also be trained to use this model.

Councilmember Madaffer asked if the issuance of bonds is planned for low rates. Mr. Curry replied that for commercial paper, once you hire a dealer you don't have to issue bonds immediate. A line of credit is established that can be drawn down according to actual project cash flow needs. The selection process for bond dealers can move forward as early as next week.

Gary Gallegos, Executive Director, stated that we are working with Caltrans to get the best cost estimates for the Early Action Projects, and we are hiring a consultant to fine-tune those estimates. PFM will use that information for the model.

Mayor Mickey Cafagna (North County Inland) commented that this is a very creative plan. He inquired about the option of issuing a series of smaller bonds rather than one large bond. Mr. Curry believed that the commercial paper program provided a more cost-effective option and that part of the recommendation was to look into the feasibility of hedging options to lock in today's low interest rates.

Councilmember Feller asked about the number of bond dealers. Mr. Curry said that Lehman Brothers is the existing commercial paper dealer. We have identified six firms and they were all fierce competitors.

Supervisor Pam Slater Price (County of San Diego) clarified that *TransNet 2* will not be redirected to pay for *TransNet 1* debt. Mr. Curry stated that *TransNet 1* debt will be retired before *TransNet 2* begins and that proceeds from the commercial paper program will be used to fund the Early Action Projects in the *TransNet* Extension. Mr. Gallegos commented that out of the seven EAPs, three projects are in both measures: State Route (SR) 52, SR 76, and the Mid-Coast Light Rail Line. We will be using dollars from both measures for those three projects.

Supervisor Slater-Price stated that the public will be looking carefully at all these expenditures.

Councilmember Phil Monroe (South County) agreed that what we think we can do versus what projects cost today are different. Mr. Curry agreed and said that it's important to be comfortable with the cost estimates included in the model. Mr. Gallegos said our first focus is the EAPs, but there are 47 major corridor projects in total in the *TransNet* Extension ballot measure.

Councilmember Monroe said he wanted to make sure that all of the projects are done.

Councilmember Madaffer commented that was his point as well. He felt that we may not be able to complete what we said if construction costs continue to increase. Mr. Gallegos said the key to completing the projects is to leverage state and federal dollars. In the early years, our problem may be not enough state and federal dollars to meet the 50/50 match assumption. We may have to use a larger share of *TransNet* monies early on and then a larger share of state and federal dollars on future dollars.

Action: Upon a motion by Mayor Cafagna and a second by Councilmember Feller, the Transportation Committee directed staff to work with the Financial Advisor on the expansion of SANDAG's commercial paper program to \$335 million, as reflected in the recommendations from PFM, including increasing the number of commercial paper dealers from one to three, obtaining the required letter-of-credit providers, and investigating hedging strategies to lock in historically low rates for upcoming long-term debt issuances.

#### 8. DRAFT FY 2006 TRANSIT AGENCY OPERATING BUDGETS (INFORMATION)

Renee Wasmund, Director of Finance, stated that the Transportation Committee has the responsibility for approving the operating budgets of the transit agencies for funding. The Committee previously approved a set of guiding principles, assumptions, and revenue estimates and allocations which the operating entities have used to develop their operating budgets. MTS will hold its budget hearing on June 9 and NCTD on June 16. The SANDAG Board will act on its budget on June 24.

Paul Jablonski, Chief Executive Officer of MTS, gave a presentation on the MTS Budget. The MTS Board created a Board subcommittee for budget development, which met several times. Four finance committee workshops were also held. On April 28, staff presented several service revisions before the Board. A budget public hearing has been set for June 9. Mr. Jablonski reviewed the nonrecurring revenue usage between FY 2005 and FY 2006. He said that the goal is to reach a balanced, sustainable budget. He mentioned that they will receive federal Congestion Mitigation and Air Quality (CMAQ) funds for a three-year period for the Mission Valley East Light Rail Transit project. Those funds will drop off in FY 2009. He reviewed the Capital Improvement Program (CIP), the Comprehensive Operations Analysis (COA), energy prices, an energy analysis, other operational statistics, an FY 2006 budget overview, FY 2006 projected expenses, anticipated Mission Valley East operational expenses, the lack of Jobs Access Reverse Commute (JARC) and Air Pollution Control District (APCD) funding, and a summary of the operating budget five-year projections from FY 2006 to FY 2010.

Mayor Art Madrid (East County) asked if operating smaller buses would be a solution to some concerns. Mr. Jablonski replied that MTS has purchased some smaller-sized buses, but you have to look at service demand to determine whether that is a practical solution. The operator/labor costs account for 70 percent of operational costs. Fuel economy in the smaller vehicles is somewhat better but not significant. You have to match that fuel savings against the training and parts requirements for multiple fleets.

Councilmember Rindone commented that we have to continue to look at new technologies when looking at the standardization of vehicles and services.

Mayor Cafagna complimented Mr. Jablonski and the MTS Board for terrific improvements. He asked when the COA would be concluded. Mr. Jablonski replied that it will be completed by the end of the calendar year and in time for the FY 2007 budget process.

Mayor Cafagna asked if there have been any MTS Board or staff discussions regarding standards of minimum ridership. Mr. Jablonski stated that that subject has been discussed, and it is part of the COA process to look at performance standards. We have standards now, but we have not been as diligent as we could be at eliminating unproductive service.

Chair Cafagna asked about CMAQ funding. Mr. Jablonski explained that CMAQ monies are generally used for capital projects, but for a limited three-year time period they can be used for new services. Mr. Gallegos added that just about the time we run out of CMAQ dollars, the new *TransNet* dollars will kick in.

Councilmember Monroe reiterated that the goal is to create a sustainable operation. MTS has identified cuts this year but they need further study. Restructuring by the COA will be necessary. There are areas not currently being served by transit that have a need to be served.

Chair Kellejian noted that there is usually a drop in ridership following a fare increase but ridership generally bounces back during the next 12-18 months.

Councilmember Feller asked about JARC funding. Mr. Jablonski explained that Congress annually allocates about \$100 million to \$150 million for this program to recognize areas where jobs are being created outside the usual commute corridors. Projects have to be submitted for funding at a 50 percent match.

Diane Hessler, NCTD, provided the NCTD budget presentation. She reported that the budget objective is to develop a balanced operating budget and a viable CIP. The challenges are: operating expenses are increasing faster than revenues, some expense increases are significant and beyond NCTD control, and unfunded capital needs are sizeable and some are time-sensitive. She provided background information related to development of the draft FY 06 and FY 07 budgets. NCTD balanced its budget with expense reductions, revenue generation opportunities, service optimization, fare increases, CIP reductions, service cuts, and the use of reserves. She provided revenue and expense summaries for FY 04 through FY 07. Critical revenue assumptions include passenger fare and service levels, ridership projections, proposed fare increases, and operating grants. Critical expense assumptions are employee wages and benefits, union contracts expiring in June 2005 and June 2006, CalPERS

mandatory contribution rate increases, service levels and expenses, other expense assumptions related to service levels and efficiencies, professional and contracted services, purchased transportation, fuel costs, new items, and materials and supplies. She mentioned that half of the budget is for wages and benefits.

Ms. Hessler noted that the CIP was developed before the revenue estimates were available, and they are proposing modifications to the CIP to balance the operating budget. NCTD has unfunded CIP needs. She described the next steps for budget approval.

Chair Kellejian commented that at the joint Transportation Committee/NCTD Board meeting, staff recommended service cuts and Board members tried to add those changes back into the budget. He stated that service cuts are hard, but if you set criteria for continued service then you should live by those criteria.

Councilmember Rindone asked Ms. Hessler about the reliance on reserves. Ms. Hessler replied that reserves totaling approximately \$2.2 million will be used in FY 06 and FY 07 to balance the budget.

Councilmember Rindone asked what percent of reserves will remain after the \$2.2 million is used. Ms. Hessler responded that there would be a balance of about \$10 million in reserves, or approximately 15 percent of the budget. Mr. Gallegos noted that NCTD has balanced its budget and not used reserves to fund continuing operations.

Councilmember Emery reminded Committee members that balanced budgets don't recognize unfunded CIPs and infrastructure needs. The operational costs of Mission Valley East will not be met by fares, and we will need to fill that gap with other funds.

Supervisor Ron Roberts (County of San Diego) stated that the relationship between capital and operations changes over time.

Supervisor Roberts passed along a request by Supervisor Slater-Price that in the future agenda reports, NCTD provide budget spreadsheets in the same fashion as MTS.

Mr. Gallegos said that one of the lessons we have learned and did incorporate into the *TransNet* Extension was to capitalize the operations cost so that it is part of the project cost. We have also included a replacement schedule.

Mayor Madrid raised the question of exploring the possibility of merging MTS and NCTD.

Chair Kellejian noted that there are a number of differences between the two operating entities that need to be considered when discussing that concept.

Councilmember Madaffer complimented Ms. Hessler on her report. He also commended NCTD for a job well done.

Councilmember Madaffer stated that related to the question posed by Mayor Madrid, Senate Bill (SB) 1703 envisioned the flattening of the organization and a reduction in

bureaucracy. He asked how SANDAG looks at this suggestion. Mr. Gallegos said that the key to merging these two entities is having consensus among policy makers in the region.

Councilmember Madaffer suggested that NCTD's efficiencies in various categories be applied in San Diego.

Councilmember Monroe said that the theory that ridership would rebound in 12-18 months following a fare increase has not occurred since the last MTS fare increase. He noted that without Petco Park, ridership would not have returned to levels prior to the last fare increase.

Councilmember Rindone agreed that this is the first time that MTS has not seen a return in ridership following a fare increase; however, other factors such as transit not serving new job centers, trying to provide operational efficiencies, and changing demographics have to be taken into account.

Mr. Stocks thanked Ms. Hessler for the presentation. He said that if the reason to consolidate the two operating entities is for efficiencies sake, NCTD is a well-run organization. The two agencies exist because there are differences, and we want to ensure representation for the two areas.

Councilmember Feller noted that the recently approved NCTD fare increase is the first one in two years, and before that the last fare increase occurred in 1998. He didn't think NCTD would experience a ridership reduction as a result of that fare increase.

Mayor Madrid commented that *TransNet* was a countywide ballot measure, and SANDAG is a regional body. We need to establish a mindset to embrace the consolidation concept.

Action: This report was presented for information.

## 9. SOUTH BAY BUS RAPID TRANSIT PROJECT UPDATE (INFORMATION)

Jennifer Williamson, Senior Planner, presented this status report of the South Bay Bus Rapid Transit (BRT) project. She stated that we have made significant inroads in the planning of this project. It has been included in the 2030 MOBILITY Plan (Regional Transportation Plan) and is one of the highest-ranked projects in that plan. At the May 6 meeting, the Transportation Committee approved the inclusion of this project in the *TransNet* Early Action Projects. *TransNet* provides funding to begin operations of this project in 2010 between downtown San Diego and Chula Vista, and in 2015 to the Otay Mesa Border crossing. We have been fortunate to receive \$900,000 in federal funding as a result of efforts by Congressman Bob Filner to support the planning of this project.

Ms. Williamson described the routing for this project, which begins in downtown San Diego, travels east on SR 94, then south along the I-805 corridor to Chula Vista. From I-805, it continues through Chula Vista into a dedicated transitway through the Otay Ranch Villages, terminating at the Eastern Urban Center. In 2015, this route would be extended to the Otay Mesa border crossing along SR 125. Interim and full implementation plans for the project are being developed on parallel time frames. Interim implementation would use freeway

shoulder lanes for priority until the I-805 Managed Lanes are constructed. Full implementation would occur once the I-805 Managed Lanes are complete, which Caltrans projects will occur in 2013. The Interim implementation would use interim stations to tie into the freeway shoulders; full project implementation would include direct access ramps to freeway stations. Both interim and full implementation would use the dedicated transitway in Otay Ranch. Interim implementation would have 15-minute peak/30-minute off-peak service; full implementation would provide 10-minute peak/15-minute off-peak service. Staff has been working closely with Caltrans and the California Highway Patrol (CHP) on a shoulder lane demonstration project on SR 52/I-805 for possible future application to the Interim South Bay BRT project along I-805. Use of freeway shoulders for transit priority has been successful in Minnesota for many years where over 200 miles of freeway shoulders are used by transit. We hope to begin this shoulder lane demonstration project this summer.

Ms. Williamson reviewed the three proposed freeway stations (Plaza Boulevard, Plaza Bonita, and H Street) and the potential site locations, describing the opportunities and constraints associated with each site. Plaza Bonita, in particular, has several issues related to developing a BRT station on the site, including concerns from Westfield Corporation about impacts to the Plaza Bonita Shopping Center. Mr. Gallegos stated that we have been meeting with Westfield on similar issues regarding a transit center and LRT station for the Mid-Coast project at the University Town Center shopping center.

Councilmember Madaffer commented that the shopping center has an obligation and a duty to provide public transit opportunities for both customers and employees.

Councilmember Rindone agreed with Councilmember Madaffer. He mentioned the provincial attitude of the management of the Fashion Valley Shopping Center related to the Mission Valley West line.

Leon Williams, Chair of MTS, said that if you are going to be effective you have to have some bargaining power to encourage a solution to the problem.

Ms. Williamson stated that for the Interim project, serving Plaza Bonita is likely not practical because, without a direct access ramp, the BRT routing from the freeway through the Plaza Bonita Shopping Center would increase travel time for riders by 10-12 minutes. As a result, we are working on an interim location near Sweetwater Road, which is an existing Caltrans park-and-ride.

Ms. Williamson provided information about arterial stations, including an innovating design to accommodate a BRT station along Brandywine Road proposed by the City of Chula Vista. Ms. Williamson then described the next steps in the process which include traffic studies, preliminary engineering, and environmental work.

Councilmember Rindone requested that the next time this item is on the agenda, it be set at the beginning rather than at the end of the meeting so that more Committee members will be present to hear about this project.

Action: This report was presented for information.

10. UPCOMING MEETINGS

Chair Kellejian announced that there will be a tour of the Mission Valley East project following the Board meeting on June 24, 2005.

The next meetings of the Transportation Committee are scheduled for June 3 and June 17, 2005.

11. ADJOURNMENT

Chair Kellejian adjourned the meeting at 11:42 a.m.

Attachment: Attendance Sheet

**CONFIRMED ATTENDANCE  
SANDAG TRANSPORTATION COMMITTEE MEETING  
MAY 20, 2005**

GEOGRAPHICAL AREA/ ORGANIZATION	JURISDICTION	NAME	MEMBER/ ALTERNATE	ATTENDING	COMMENTS
North County Coastal	City of Solana Beach	Joe Kellejian (Chair)	Member	Yes	
	City of Encinitas	Jerome Stocks	Alternate	Yes	
North County Inland	City of Poway	Mickey Cafagna	Member	Yes	
	City of Vista	Judy Ritter	Alternate	Yes	
East County	City of Santee	Jack Dale	Member	No	
	City of La Mesa	Art Madrid	Alternate	Yes	
South County	City of Chula Vista	Jerry Rindone	Member	Yes	
	City of Coronado	Phil Monroe	Alternate	Yes	
City of San Diego	----	Jim Madaffer	Member	Yes	
	----	Scott Peters	Alternate	No	
		Dick Murphy	Alternate	No	
County of San Diego	----	Ron Roberts	Member	Yes	
	----	Pam Slater-Price	Alternate	Yes	
	----	Dianne Jacob	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 Oceanside	Jack Feller	Member	Yes	
	City of Vista	Judy Ritter	Alternate	No	Sat as NC Inland Alt.
	City of Escondido	Ed Gallo	Alternate	No	
San Diego County Regional Airport Authority	City of Lemon Grove	Mary Sessom	Member	No	
	Governor's Appointee	Xema Jacobson	Alternate	No	
ADVISORY/LIAISON Caltrans	----	Pedro Orso-Delgado	Member	Yes	Arrived late
	—	Bill Figge	Alternate	Yes	
Regional Planning Stakeholders Working Group	—	Sandor Shapery	Member	Yes	