

**SAN DIEGO ASSOCIATION OF GOVERNMENTS:
SDCTA RECOMMENDATIONS TO IMPROVE CLARITY AND
TRANSPARENCY FOR THE TAXPAYER**
April 2017

Executive Summary

SDCTA's working group has evaluated the recent errors made by SANDAG in its revenue forecasting and cost estimation and the communication of those errors with the public. The group found that the large quantity of information shared with the public on current and future transportation projects, though important, can in fact make it more difficult for taxpayers to determine the most important facts that will be directly relevant to their neighborhoods. Both the SANDAG Board of Directors and SANDAG's member agencies can improve public understanding of these projects by simplifying the information shared and providing frequent opportunities to discuss that information and relay local priorities between SANDAG, SANDAG member agencies, and San Diego County communities. In order to prevent SANDAG's recent errors from reoccurring and promote an open dialogue and public participation in the region's transportation endeavors, the working group developed six recommendations that will enhance understanding of complex projects and proposals for both SANDAG's member agencies and the public at large. All of the recommendations call for increased communications, so if errors do surface they would be recognized earlier on in the process and corrected, preventing them from becoming larger issues down the road.

Background

The San Diego Association of Governments (SANDAG) is a public agency that serves as the region's metropolitan planning organization, consisting of the 18 cities within San Diego County and the unincorporated areas of the county represented by the County of San Diego. The agency conducts long-range regional planning through collaboration with local governments, citizens, and other relevant groups and allocates transportation funds from federal, state and local sources. SANDAG also provides a warehouse of census data, demographic forecasts and estimates, and crime and traffic data.

SANDAG is governed by a voting Board of Directors composed of County Supervisors, mayors, and city councilmembers or their designees. The Board also consists of advisory members including representatives from various transportation agencies, Imperial County, Mexico, the Southern California Tribal Chairmen's Association, the United States Department of Defense, the San Diego Unified Port District, and the San Diego County Water Authority. The agency also employs a professional staff of engineers, researchers, and planners that provide policy direction to the Board to ensure that the appropriate data is considered when making planning decisions.

TransNet

TransNet is a half-cent sales tax originally adopted by county voters in 1988 to provide a local source of funds for highway expansion, public transit, bike lanes, and road improvement projects in the San Diego region. Voters agreed to a 40-year extension of *TransNet* in November 2004 to continue funding these improvements to reduce congestion and improve quality of life for commuters. The

original *TransNet* generated \$3.3 billion along with \$10 billion in matching funds, and the *TransNet* Extension was estimated to raise \$14 billion in tax revenue along with other matching funds.

The *TransNet* Extension required the creation of an Independent Taxpayer Oversight Committee (ITOC) to hold accountable the funds raised and spent from the tax. The ITOC conducts fiscal, compliance, and performance audits for *TransNet*-funded activities several times throughout the year and provides recommendations for program improvement. The ITOC monitors schedule adherence, cost control, and project delivery to ensure the responsible expenditure of *TransNet* funds.

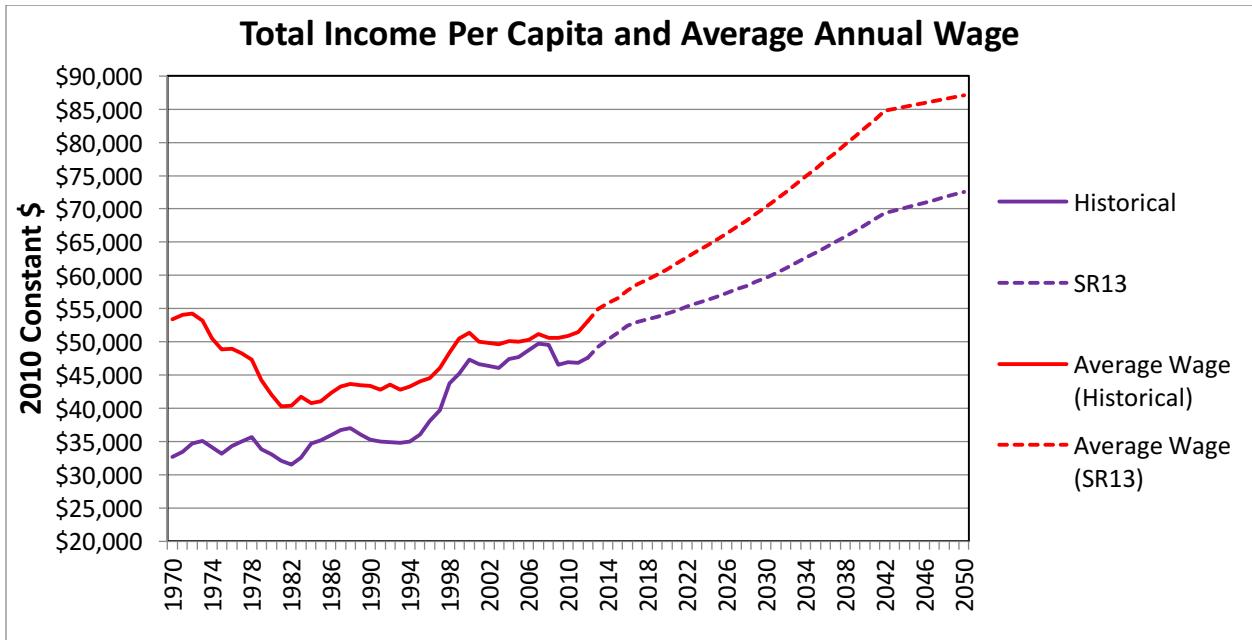
Measure A

In the 2016 November election, SANDAG proposed an additional half-cent sales tax that would raise \$18 billion over 40 years to fund, along with federal and state matching dollars, more transportation and habitat conservation projects throughout the County. The proposal, titled Measure A: San Diego County Road Repair, Transit, Traffic Relief, Safety, and Water Quality Measure, was developed over months of discussion by the Board of Directors, public input, polling, and revisions, but failed to garner the required two-thirds voter support at the ballot box. The projects proposed to be funded by Measure A are included in the 2016 Regional Transportation Improvement Program (RTIP), the five-year plan for transportation infrastructure. These projects are a subset of the projects adopted by the Board of Directors in the 2050 Regional Transportation Plan (RTP), a plan developed with extensive outreach and public input that if fully implemented would cost an estimated \$214 billion in local, state, and federal funding.

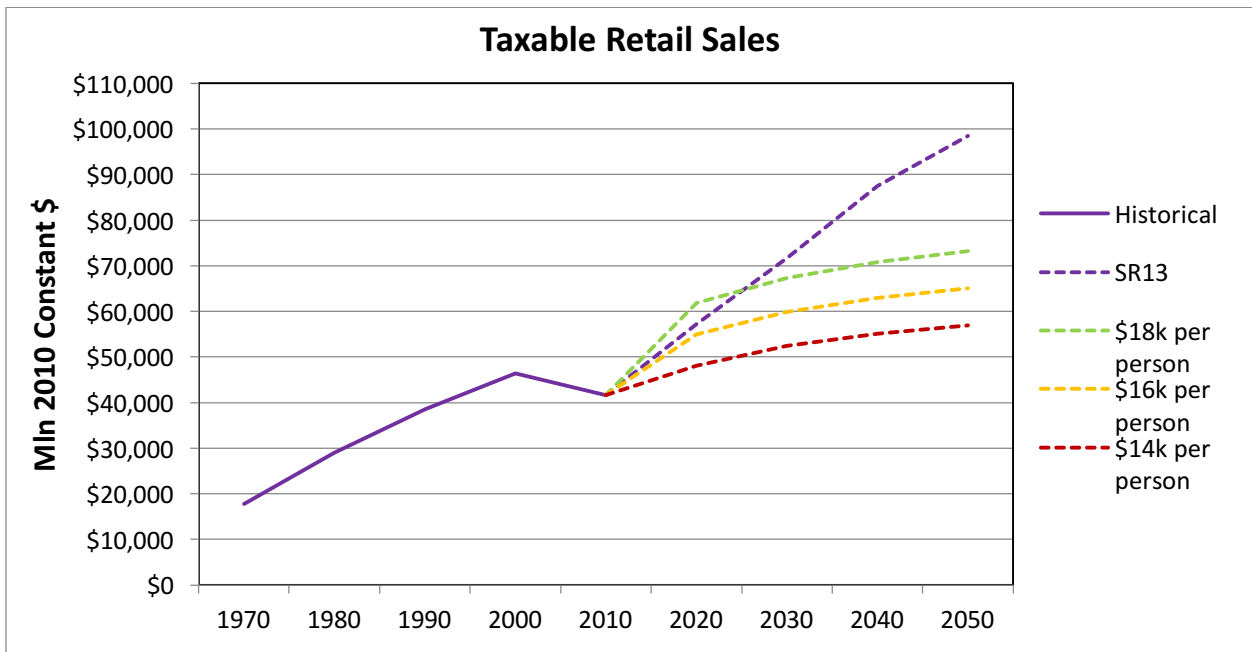
Revenue Projection and Cost Estimation Errors

In October 2016, *Voice of San Diego* reported on a forecasting error that led to a major revenue shortfall from *TransNet* and a potential shortfall for Measure A revenue projections. The error arose from data input into SANDAG's Demographic and Economic Forecasting Model (DEFM), which forecasts information regarding population, income, housing, industry, and labor force. SANDAG staff noticed the error in 2015 and presented to officials an overestimation of taxable retail sales and income growth post-recession—now known to be a consequence of the data input error—and planned to address the issue in the ongoing update to the DEFM. However, staff began further investigating the model after the press brought attention to the error near the election. It became clear that the error had affected the revenue estimates for the *TransNet* Plan of Finance during its creation through 2005. Because the same taxable retail sales estimates were used for the development of revenue projections for Measure A, it is likely those revenue projections would also have been overestimated.

SANDAG staff brought these results to the attention of SANDAG's Board of Directors in December 2016, along with a new, independent forecasting model for *TransNet* Extension and a review of the *TransNet* Program, including revenue and costs. Previous cost estimates were also derived during the development of the *TransNet* Plan of Finance, which was adopted in 2005. Updated costs for the program, adopted by the Board of Directors in 2015 to use in the RTP, increased total costs by \$8.4 billion. According to a SANDAG spokesman, the original project costs used for the *TransNet* Plan of Finance were adjusted for changes in construction cost, but not aspects such as technology, scope, or engineering. The new cost estimates from the RTP were not officially incorporated into the *TransNet* Plan of Finance until the December 2016 meeting.



Source: SANDAG Staff 2015 "Presentation for the Executive Team." SR13 or Series 13 is the DEFM forecast used for TransNet and Measure A projections.



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At the December 2016 meeting, staff noted that SANDAG would need to secure \$17.5 billion in additional funds to complete the *TransNet* Extension Program, which they stated could be accomplished if the agency maintained its current 3:1 ratio for leveraging outside funds.

Seven Point Plan

In response to the apparent errors in the forecasting model, SANDAG staff put forward a seven-point plan to address the error and its impacts on other data and projects, to prevent similar errors from reoccurring, and to implement a system to ensure the Board of Directors is made aware and can properly address similar situations in the future. The plan is as follows:

- “Conduct Detailed Review: Conduct a detailed review of the nature of the error in DEFM and its root cause. Review and validate input data, transformations, and equations in the Series 13 forecasting model (the most recent series completed using DEFM) to ensure accuracy of the data and integrity of the model results. Present this information to the Board of Directors.
- “Conduct Dependency Analysis: Identify key SANDAG reports and deliverables that used data from Series 13. Evaluate the significance of the impacts from any potential forecasting errors and the potential effects on findings and policy recommendations.
- “Map Modeling Process Flow: In preparation for future forecasts, map all data flow from source through databases, models, and outputs to provide transparency and identify areas for improved quality assurance processes. Complete online documentation and visual mapping of interactions in the model, showing all data sources, processes, interactions, and flows.
- “Improve Data Governance: As a first step toward formal data governance, conduct interviews and document the customer-supplier relationship between SANDAG staff and the SANDAG Technical Services Department. This effort will lead to a better understanding of the type of data that agency staff request from Technical Services and a better understanding of how the data are requested, stored, used, and versioned. This information will be used to develop a data warehouse, standardize data extraction routines, and ensure consistency of data.
- “Review and Oversight: Validate the new SANDAG population, housing, and economic forecasting model using an independent expert review committee, including convening a panel of experts in economics, demographics, and land use to review the methods, data sources, and assumptions of the new SANDAG forecasting model. The panel will evaluate the efficacy and sufficiency of the proposed Series 14 forecasting model to adequately forecast population, housing, and economic variables for SANDAG planning purposes.
- “Enhance Transparency: Develop a set of agency methods and standards to ensure data and analytic transparency, including establishing checking points where full disclosure and analysis are provided to ensure that others can see how models were developed, how data was processed, and what assumptions were made along the way.
- “Develop and Formalize Processes: Understand how staff roles, work flows, and technology (e.g., models, databases, software) contribute to producing key agency deliverables. This information will be used to realign the Technical Services Department, as well as add professional quality assurance staff and a dedicated database administrator. This effort will reduce single points of failure, and increase accountability, visibility, and efficiency. Conduct research and prepare an assessment of the current state of software and database platforms to facilitate a plan to implement industry best practices as they relate to data structures, data quality, database design and development, and database governance.”

The San Diego County Taxpayers Association (SDCTA) formed a working group in March 2017 to evaluate how similar errors might be avoided in the future and to offer recommendations to help ensure that SANDAG is sharing accurate and easy-to-understand information with elected officials and taxpayers. Not only would this allow voters to make informed decisions on complex ballot measures, but it would also create clarity around the progress of the agency's programs. SANDAG is in the process of retaining outside experts to analyze whether voters were intentionally misled by the use of errant data in support of Measure A. As such, SDCTA's working group did not address that issue.

Findings

In its review of the seven-point plan, the working group found that the solutions put forward by SANDAG staff are appropriate to address the root causes of the projection errors and to prevent similar errors and their consequences from occurring in the future. In line with its stated goal, however, the working group offers further thoughts and recommendations addressing point six, "Enhance Transparency." These recommendations will be outlined in the SDCTA Recommendations section of this paper.

Finding #1: While there is an abundance of information available to the public, it will continue to be extremely difficult for taxpayers to sift through such materials to assist in making reasoned judgments about SANDAG performance and/or proposals.

While an abundance of important information was made available to the public, the working group came to consensus that it was and would continue to be extremely difficult for taxpayers to sift through these materials to determine what is most important and relevant to making informed judgments on SANDAG performance and/or proposals. The working group determined that, forecasting and cost estimation errors aside, SANDAG currently provides an enormous quantity of information on current projects, regional plans, and potential ballot measures. Working group members who serve or have served on the ITOC also noted the volume of information the ITOC receives from SANDAG staff as part of the oversight process. The agency updates its regional plan based on relevant demographic forecasts every four years and presents an overview of this plan to the public and SANDAG's member jurisdictions and agencies. The five-year subset for implementation of the regional plan, the RTIP, can be modified as needed or amended every quarter with approval of the city council, Board of Supervisors, or governing board and approval of the SANDAG Board of Directors. The agency regularly publishes State of the Commute reports on transportation system performance and usage data collected through its Overall Work Program, which include outlined benefits of completed transportation improvement projects. The public has easy access to the Keep San Diego Moving website which provides status reports on all transportation and transit projects underway in the region.

Finding #2: Board members could improve public understanding of SANDAG performance and proposals by simplifying the voluminous information that is available to the most salient aspects for their respective constituents.

Recognizing that the availability of information, however voluminous it may be, is important for transparency and good governance, the working group also determined that Board members could improve public understanding of SANDAG performance and proposals by simplifying the

voluminous information to the most salient aspects for their respective constituents. Throughout the development of Measure A, the Board of Directors received several draft versions of the expenditure plan and ballot measure language. They sought input from the public, conducted surveys, and met with transit organizations to refine the measure over several months before the final version was approved. All Board of Directors meeting materials are made public via the SANDAG website each week, and these packets can range from 30 to well over 800 pages. These materials often contain dense, complex financial information and extensive notes on project specifics. The working group noted that of the various pieces of legislation that govern SANDAG, SANDAG board policies, and SANDAG bylaws, there is nothing that requires Board members to communicate SANDAG proposals or decisions back to their respective governing bodies whom they represent (e.g., city councils/Board of Supervisors) for deliberation at a member agency level. See Appendix A for a summary of the policies that the working group reviewed.

Finding #3: Governing bodies of municipal members of SANDAG do not consistently give to their representatives either the opportunities to present updates on SANDAG performance to those bodies or adequate guidance to be relayed to SANDAG on their behalf.

Finally, the working group also found that it is likely that many governing bodies of municipal members do not consistently give adequate guidance to their representatives to SANDAG, which would, in theory, necessitate Board members to present clear and digestible information to their respective governing bodies and the constituents they serve. While the region's city councils, in general, regularly voted to submit applications for grant funding, make administrative modifications to the RTIP, and make adjustments to expenditure plans as needed, the working group found a surprisingly low number of council agenda items when their representatives to the SANDAG Board of Directors would present SANDAG proposals, information, or progress and when these representatives could receive subsequent guidance to communicate back to SANDAG. The working group reviewed various agendas during the two years before the Measure A election in November 2016 for a city from each part of the San Diego region. See Appendix B for a full listing of the city council and/or committee agenda that the working group audited.

SDCTA Recommendations

Based on the findings of the working group, SDCTA proposes the following recommendations to help enhance communication and understanding between SANDAG, local governments, and San Diego County residents. These recommendations are subject to adjustments if made necessary by policy changes that would necessitate an adjustment.

1. SANDAG Board of Directors should amend Article VII, Section 2 of the Bylaws to read "The Board of Directors shall provide guidance to committees and working groups. The Board ~~may~~ **shall** advise Member Agencies on the coordination of general plans, or on the resolution of conflicts between the general plans of agencies in the San Diego region."
2. SANDAG staff should provide simple and graphical summary presentations to the Board of Directors that individual Board members may use to communicate back to their local councils and/or constituents. The staff should consider building charts comparing revenue and cost estimates versus historical rates; estimated and actual construction cost inflation rates; charts

comparing estimated versus historical matching funds received; money allocation categories with prioritized projects and their scope; and when appropriate, the ranges (i.e., high and low boundaries) for each of these components to acknowledge a degree of variability in forecasting. When applicable, staff should provide to Board members the above information tailored to local jurisdictions.

3. SANDAG Board of Directors should adjust Policy 025 establishing processes for receiving public input and providing information to the public to incorporate involvement of member jurisdictions in this process so that local governments and other relevant groups can assist in the dissemination of information and the collection of community concerns for program improvements. In other words, SANDAG should maximally utilize the established public engagement processes of its member jurisdictions to attain public participation and engagement, and for those members without set processes for public input on SANDAG priorities, those jurisdictions should maximally utilize the SANDAG public participation process to connect with their constituents.
4. SANDAG Board of Directors should adopt a policy requiring member representatives to report back to their respective agencies on program developments, project updates, changes to voter-approved expenditure plans, and potential ballot measures at least on an annual basis with the summary information recommended in #2 above. The Board of Directors should direct the staff to provide simple summaries for representatives to share with their appointing authorities within the month following the next scheduled council or board meeting that also show the range of potential outcomes due to changes in variables such as migration, labor force participation, income, and unemployment rates.
5. Member jurisdiction city councils and the County Board of Supervisors should adopt policies requiring that SANDAG Board members transmit to the SANDAG Board of Directors their list of local funding/project priorities and community concerns about all policy issues subject to funding or policy direction by SANDAG at least on an annual basis, including transportation, transit, housing, and energy. Each of the cities and the county should also post the information shared by their SANDAG representative on the jurisdiction's website within a week of distribution so that it can be easily accessed by members of the public.
6. SANDAG Board of Directors should adopt a policy requiring member agency representatives to provide reports to the SANDAG Board of Directors on the member agency's utilization of funds provided by SANDAG, as well as the results of any city performance audits or absence thereof. Additionally, member agencies should also adopt policies requiring their SANDAG representatives to report on their local jurisdiction performance audits or absence thereof.

Appendix A: SANDAG Policies

SDCTA reviewed the following SANDAG policies during the drafting of this report:

Policy 001 – Operations Policy: “Board and Policy Advisory Committees Responsibilities.”

Policy 002 – Policy Advisory Committee Membership

Policy 003 – Investment Policy

Policy 004 – Rules of Procedure for Board of Directors, Policy Advisory Committees, and other Legislative Bodies: “This policy is intended to define and clarify Rules of Procedure for the Board of Directors and Policy Advisory Committees (PACs).”

Policy 010 – Ballot Measures: “The purpose of this policy is to provide criteria for use by the Board and Executive Committee to determine what position SANDAG should take on ballot measures and to describe the Board’s ability to place measures on the ballot.”

Policy 015 – Records Management: “This policy provides procedures to ensure SANDAG’s records are maintained in a consistent, orderly, secure and accessible manner.”

Policy 017 – Delegation of Authority: “The purpose of this policy is to establish the authority granted by the Board of Directors to the Executive Director. It also provides the Executive Director with the authority to delegate functions he or she has been delegated by the Board to SANDAG staff.”

Policy 025 – Public Participation/Plan Policy: “This policy establishes a process for obtaining input from and providing information to the public concerning agency programs, projects, and program funding in order to ensure the public is informed and has the opportunity to provide SANDAG with input so plans can reflect the public’s desire.”

Policy 034 – Advertising Policy

Policy 036 – San Diego County Regional Transportation Commission Debt Policy: “The Debt Policy is designed to inform decision making and provide transparency to SANDAG’s financial market participants and the general public.”

California Senate Bill 1703 (2003): “Consolidated all of the roles and responsibilities of SANDAG with many of the transit functions of the Metropolitan Transit Development Board and the North San Diego County Transit Development Board. The consolidation allows SANDAG to assume transit planning, funding allocation, project development, and eventually construction in the San Diego region in addition to its ongoing transportation responsibilities and other regional roles.”

San Diego Association of Governments Bylaws

Appendix B: City Council Agendas

San Diego

In total, “SANDAG” is listed in 29 San Diego City Council meeting materials since 2014. This includes two public comments and several items that mention the use of SANDAG grant funding for projects. The majority of these items involve authorization for applications to SANDAG grant programs and agreements with SANDAG over land, facilities, and implementation of projects. There were also a number of items in which Councilmembers were appointed as the city representative or alternate to the SANDAG Board of Directors or as members on SANDAG committees. None of these items involved the city representative to SANDAG or any other representative from SANDAG making a presentation on the status of SANDAG projects or actions. On June 14, 2016, the staff put forward to the Council a proclamation in opposition to Measure A, which the Council returned to staff.

- 3/8/2014
- 4/8/2014
- 6/17/2014
- 7/1/2014
- 1/20/2015
- 3/17/2015
- 3/24/2015
- 4/28/2015
- 5/12/2015
- 7/14/2015
- 7/28/2015
- 10/20/2015
- 11/16/2015
- 12/14/2015
- 12/16/2015
- 1/19/2016
- 4/19/2016
- 4/26/2016
- 5/17/2016
- 6/13/2016
- 6/14/2016
- 10/18/2016
- 10/25/2016
- 12/6/2016
- 12/19/2016
- 1/10/2017
- 2/7/2017
- 2/13/2017

Since 2014, “SANDAG” is listed in three items in San Diego City Council Infrastructure Committee dockets. On May 14, 2014 and March 22, 2017, the items involved a City contribution agreement with SANDAG for a project. On February 8, 2016, the Infrastructure Committee received a presentation on San Diego Forward: The Regional Plan, which summarized the plan’s vision for proposed projects, greenhouse gas reduction targets, and job growth, as well as a brief note on the progress of *TransNet* and *TransNet* Extension. The presentation also introduced the idea of SANDAG putting a new transportation funding measure on the ballot.

Encinitas

Since 2014, “SANDAG” is directly involved in items for 14 Encinitas City Council meeting agendas since 2014. Most of these items involve staff direction to notify SANDAG of city project priorities, developing agreements with SANDAG to allow for the implementation of projects, and updates from a SANDAG project planner regarding the status of the Coastal Rail Trail Project. On July 8, 2015, the Council received a presentation San Diego Forward: The Regional Plan. On April 27, 2016, an agenda item enabled the city representative to the SANDAG Board of Directors to review Measure A with the Council and community and participate in the Council discussion prior to voting on whether to support placing the measure on the ballot. The representative provided this update after SANDAG Board of Directors met to discuss the potential measure on April 22, 2016.

- 3/12/2014
- 10/9/2014
- 2/25/2015
- 3/9/2015
- 5/20/2015
- 7/8/2015
- 4/27/2016
- 5/11/2016



- 6/15/2016
- 7/27/2016
- 3/22/2017
- 7/13/2016
- 8/24/2016

Chula Vista

Since 2014, “SANDAG” is listed in items for 14 Chula Vista City Council meeting agendas since 2014. Most of these items involve transferring funds due to amendments to the transportation program, acknowledging grant requirements, agreements for project maintenance, and appointments to the SANDAG Board of Directors and other SANDAG committees. On December 2, 2014, then Mayor Cheryl Cox was presented with a plaque for her service on the Board of Directors. In total, there were three presentations from SANDAG planners to the Council to discuss transportation programs. On February 5, 2015, the Council received an update on the 2050 Regional Transportation Plan, and on April 21, 2015, the Council received a presentation from a SANDAG planner on San Diego Forward: The Regional Plan. Lastly, on January 2, 2016, the Council received a presentation from a SANDAG planner on next steps for San Diego Forward and a potential funding measure, what would be Measure A.

- 1/7/2014
- 1/27/2015
- 11/3/2015
- 1/10/2017
- 12/2/2014
- 2/5/2015
- 12/15/2015
- 1/17/2017
- 12/16/2014
- 4/21/2015
- 1/2/2016
- 1/6/2015
- 5/5/2015
- 10/4/2016

La Mesa

Since 2014, “SANDAG” is listed in items for 13 La Mesa City Council meeting agendas since 2014. Most of these items involve grant applications, program budget adjustments, and Regional Transportation Congestion Improvement Program Impact Fees adjustments. On May 12, 2015, the Council received a presentation from a SANDAG planner on San Diego Forward: The Regional Plan, and on July 14, 2015 the Council authorized the submission of a comment letter on the draft Environmental Impact Report for San Diego Forward. On March 22, 2016 and April 26, 2016, the Council engaged in discussions with their representative to SANDAG on potential transportation funding measures to be placed on the ballot by SANDAG. On July 26, 2016, the Council approved a data-sharing Memorandum of Understanding between SANDAG and the Automated Regional Justice Information System.

- 4/22/2014
- 4/28/2015
- 10/13/2015
- 10/25/2016
- 6/10/2014
- 5/12/2015
- 3/22/2016
- 2/24/2015
- 5/26/2015
- 4/26/2016
- 3/10/2015
- 7/14/2015
- 7/26/2016

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