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Agenda

JOINT MEETING OF THE BOARD OF DIRECTORS
 for the
 Metropolitan Transit System,
 San Diego Transit Corporation, and
 San Diego Trolley, Inc.

May 8, 2008

9:00 a.m.

James R. Mills Building
 Board Meeting Room, 10th Floor
 1255 Imperial Avenue, San Diego

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**ACTION
 RECOMMENDED**

- | | | |
|----|--|---------|
| 1. | <u>Roll Call</u> | |
| 2. | <u>Approval of Minutes</u> - April 24, 2008 | Approve |
| 3. | <u>Public Comments</u> - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board. | |

**Please turn off cell phones and pagers
 during the meeting**



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

CONSENT ITEMS

6. MTS: Investment Report Receive
Action would receive a report for information.

CLOSED SESSION

24. None.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. MTS: MTS Access/ADA Suburban Paratransit Option Years Approve
Action would authorize the Chief Executive Officer (CEO) to execute one option year for each of the following contracts with First Transit, Inc.: (1) Americans with Disabilities (ADA) suburban/flex-paratransit services (MTS Doc. No. B0338.4-08); and (2) MTS Access services (MTS Doc. No. B0368.4-08).
31. MTS: Construction and Maintenance Agreement for Park Boulevard Pedestrian Bridge Approve
Action would authorize the CEO to execute the Construction and Maintenance Agreement for the Park Boulevard Pedestrian Bridge and the related easements and right-of-entry permits.
32. MTS: Increased Authorization for Legal Services Approve
Action would authorize the CEO to enter into a contract amendment MTS Doc. No. G1111.1-07) with the Law Offices of Wheatley Bingham & Baker for legal services and ratify prior amendments entered into under the CEO's authority.

REPORT ITEMS

45. MTS: Status of Fare Increase Receive
Action would receive a report on the initial results of the fare-related changes that MTS introduced on January 1, 2008.
60. Chairman's Report Information
61. Audit Oversight Committee Chairman's Report Information
62. Chief Executive Officer's Report Information
63. Board Member Communications Information

64. Additional Public Comments Not on the Agenda
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.
65. Next Meeting Date: May 22, 2008
66. Adjournment

METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL

MEETING OF (DATE): 5/8/08

CALL TO ORDER (TIME): 9:01 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: _____

RECONVENE: _____

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 9:45 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input type="checkbox"/> (Hueso) <input type="checkbox"/>		<input checked="" type="checkbox"/>
CLABBY	<input checked="" type="checkbox"/> (Selby) <input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
FAULCONER	<input type="checkbox"/> (Hueso) <input type="checkbox"/>		<input checked="" type="checkbox"/>
MAIENSCHIN	<input type="checkbox"/> (Hueso) <input type="checkbox"/>		<input checked="" type="checkbox"/>
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCCLELLAN	<input checked="" type="checkbox"/> (Hanson-Cox) <input type="checkbox"/>		
MCLEAN	<input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>		
MONROE	<input checked="" type="checkbox"/> (Downey) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (McCann) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
RYAN	<input type="checkbox"/> (B. Jones) <input type="checkbox"/>		<input checked="" type="checkbox"/>
YOUNG	<input checked="" type="checkbox"/> (Hueso) <input type="checkbox"/>		9:41 a.m. during AI 63
ZARATE	<input type="checkbox"/> (Parra) <input type="checkbox"/>		<input checked="" type="checkbox"/>

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

JOINT MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC), AND
SAN DIEGO TROLLEY, INC. (SDTI)

April 24, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

FINANCE WORKSHOP

1. Roll Call

Chairman Rindone called the meeting to order at 8:14 a.m. A roll call sheet listing Board member attendance is attached.

2. MTS: FY 2009 Budget Development

Mr. Paul Jablonski, MTS CEO, stated that FY 2009 was going to be a challenging year because MTS was facing a \$6.5 million deficit. He stated that MTS has lost about \$22 million in funding for operations in the last 11 months. He stated that he visited with state legislators in Sacramento on Monday, and that the tenor in Sacramento is very grim. He said that he hoped the operating element of the state budget would stay intact but that spillover funds are still very much at risk. He reported that MTS recently purchased 26 articulated buses using Proposition 1B funding of \$20 million and had to pay \$1.5 million in sales tax. He added that discussions with the delegation included why the state is bonding for funding only to have recipients of the funding pay sales tax. He stated that it might not be possible to get a broad exemption from sales tax but maybe an exemption for expenditures that use bond funding could be obtained.

Ms. Atkins suggested that staff provide Board members with three bullet points defining what MTS is asking for from the state legislature. She stated that Board members should be writing legislators regarding these items to ensure that MTS's message is being carried forward. She stated that legislators are under a lot of strain to make decisions regarding funding for very important items like funding for schools, and MTS may get forgotten. She stated that they need to be reminded that many people need to use transit to get to doctor appointments, school, and work. Mr. Jablonski stated that he would provide Board members with the requested points and the appropriate contact information. Mr. Rindone requested that a sample letter also be included.

Mr. Larry Marinesi, MTS Budget Manager, reviewed a breakdown of revenues and expenses, energy distribution, fuel-price projections for CNG and diesel, the impact of each on operations, and historical energy rates for the last four years. He also covered the four categories that have been reviewed for balancing the budget. Mr. Jablonski pointed out that only one of the categories, Service Adjustments, impacts MTS riders and was considered last of all of the options. Mr. Marinesi presented savings in each of these categories over a five-year period.

Ms. Sharon Cooney, MTS Director of Government Affairs and Community Relations, provided the Board with a brief review of a short-term funding proposal by SANDAG for continuation of the Sorrento Valley Coaster Connection (SVCC) for nine months. She stated that this has become necessary because the Air Pollution Control District (APCD) will no longer be providing funding for this service. In response to a question from Ms. Atkins, Ms. Cooney responded that MTS has a very good chance of being able to swap Jobs Access Reverse Commute urban funding for rural funding to help make this proposal work. She added that SANDAG is working with the employers in Sorrento Valley to develop some type of shuttle program.

Mr. Rob Schupp, Director of Marketing and Communications, reviewed options for a new shelter advertising contract that could potentially generate up to \$800,000 in additional revenue and would result in having improved shelters on the system. He reported that, in addition to the options presented, MTS wants to explore the option of taking over ownership of the shelters. He stated that staff wants to work with cities that currently prohibit advertising on shelters to drop that prohibition.

Mr. Jablonski stated that the Personnel Adjustments category comprises the largest element of the proposed actions. He stated that the hiring freeze implemented in 2006 on certain open positions will be continued for those positions for at least the next year. He added that merit increases, albeit reduced, are being recommended for continuation because of previous actions MTS has taken regarding programs that benefit employees. He stated that merit increases have averaged four percent for the last couple of years and that this action will save \$2.6 million and will represent 40 percent of the solution. In response to a question from Mr. Monroe, Mr. Telfer explained that performance incentive bonuses are one-time payments while merit increases raise an employee's salary level. In response to a question from Mr. Ewin, Mr. Jablonski stated that only a handful of employees are at the top of their salary range. He added that the Board approved an adjustment to salary ranges of three percent last year but no adjustment has been approved for this year.

Ms. Cooney then reviewed the five options for increasing trolley fares, which require a SANDAG-approved amendment to the TransNet II ordinance. She stated that bus fare increases were implemented in January 2008 as a result of the Regional Fare Study, and trolley fares are Phase II of that study. She reported that the Executive Committee favored a \$2.50 fare with unlimited transfers (two-hour time frame) and a downtown fare of \$1.75. Ms. Cooney stated that the first public hearing on fare adjustments for trolley as well as for the Coaster will be held May 30. In response to a question from Ms. Atkins, Ms. Cooney stated that the consultant favored a \$2.25 fare with no free transfers (passengers could purchase a Day Pass if they need to transfer) because it would be consistent with bus fares, and it would generate the same revenue as the \$2.50 fare that allows transfers. She added that trolley fare increases would be implemented by September. Mr. Jablonski added that MTS favors a nonzone fare system because it makes the process more expeditious and is easier to enforce. He reminded the Board that 75 percent of MTS's riders currently use a monthly pass.

Ms. Cooney then explained the service adjustments being considered and reported that Tier I adjustments would have minimal impact on the system. She added that many of the Tier I adjustments would be recommended anyway. She reported that Tier II would involve cutting the span and/or frequency of service and focuses on weekends when riders have other options. She stated that any of the adjustments that affect more than 25 percent of a particular route would require a public hearing prior to approval and implementation.

Mr. Marinesi reported that MTS is currently \$2 million under budget for FY 2008 and may be able to reduce reserve usage for budget balancing purposes to \$3.5 million by the end of the year. He then reviewed the calendar for the budgetary process going forward from this point.

Mr. Monroe stated that he felt MTS was earning too little revenue on its vendor contracts. Mr. Tereschuck stated that the Coaster gets the same percentage on its vendor contracts that MTS does. Mr. Monroe stated that he would like to have MTS's vendor contracts brought back to the Board for discussion. Staff explained for Mr. Monroe how the fuel projections were developed.

Mr. Monroe stated that he would like to see a breakdown of the SVCC shuttle routes that serve the Coaster and the employees in Sorrento Valley. Ms. Cooney stated that the Planning Department has that information and will be presenting it before any action is taken regarding this service. She added that SANDAG is working on a more demand-responsive type of service. Mr. Rindone stated that the SANDAG Board disagreed with MTS figures regarding the subsidy amount for this service and asked that staff bring a clarification back to the Board.

Mr. Monroe stated that he didn't think that an organization could effectively identify variances in individual performance and that merit increases should be given in equal amounts across the board to all employees. He stated that this approach fosters teamwork attitudes.

Mr. Monroe stated that the age for qualifying for senior fares should not be increased one year at a time as proposed but all at once, especially given the financial crisis that MTS is facing. He stated that he was advised during the Executive Committee that this would be a politically unpopular action.

Action Taken

Mr. McLean moved to receive a report on the FY 2009 operating budget report and direct staff to begin implementation of measures proposed during staff's presentation to reduce MTS's \$6.5 million budget deficit for FY 2009. Mr. Monroe moved to second the motion, and the vote was 11 to 0 in favor.

3. Public Comment

There were no public comments under this section of the agenda.

4. Adjournment

Chairman Rindone adjourned the Finance Workshop at 9:14 a.m.

BOARD MEETING

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:14 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Young moved to approve the minutes of the April 10, 2008, MTS Board of Directors meeting. Mr. Emery seconded the motion, and the vote was 11 to 0 in favor.

3. Public Comment

There were no public comments.

CONSENT ITEM:

6. MTS: Job Access and Reverse Commute Grant (AG 210.9)

Recommend that the Board of Directors approve Resolution No. 08-6 (Attachment A of the agenda item) authorizing the CEO to submit applications for fiscal year 2006 Job Access and Reverse Commute for Nonurban (Rural) areas – Federal Transit Administration funding 5316.

Action on Recommended Consent Item

Mr. Emery moved to approve Consent Agenda Item No. 6. Ms. Atkins seconded the motion, and the vote was 11 to 0 in favor.

NOTICED PUBLIC HEARINGS:

There were no noticed public hearings.

CLOSED SESSION:

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:15 a.m.

- a. MTS: CONFERENCE WITH LEGAL COUNSEL ANTICIPATED LITIGATION SIGNIFICANT EXPOSURE TO LITIGATION Pursuant to California Government Code Section 54956.9(a): Case Names Unspecified (Disclosure Would Jeopardize Negotiations)
- b. SDTC: CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6. Agency-Designated Representative – Jeff Stumbo. Employee Organization – Amalgamated Transit Union, Local 1309.

The Board reconvened to Open Session at 10:13 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported the following:

- a. The Board received a report from General Counsel.
- b. The Board received a report from agency negotiators and outside counsel.

DISCUSSION ITEMS:

30. MTS: Trolley Wraps (MKPC 620.9)

Mr. Rob Schupp, Director of Marketing and Communications, reviewed the proposal for allowing additional trolley wraps. He reported that not only will this proposal provides an opportunity to

created themed "Green" trolley wraps to communicate the environmental benefits of using public transportation, but it will create sponsorship revenues and improve the look of trolleys that need painting. He reviewed MTS's current three-month "for earth" campaign and provided a history of trolley wraps. Mr. Schupp also presented depictions of three different wrap options. He stated that sponsorship information would be incorporated into the particular wrap selected.

Chairman Mathis stated that trolley cars that are currently wrapped are only on the Blue Line. He stated that wrapping U-2 cars will result in having wrapped cars on all three lines. In response to a question from Mr. Ewin, Mr. Schupp stated that the wraps are guaranteed to last for one year. Mr. Lewis stated he favored ideas that would offset the need to raise fares. He also stated that he would like to see the Board approve a flat fare for the trolley and thanked staff for being creative in its approach to addressing the budget deficit. In response to a question from Mr. Emery, Mr. Schupp reported that five trolleys are currently reserved for the wrap program and approval of this proposal would add another five.

Mr. Emery stated that he preferred the solid-green trolley because it would fall in line with the Board's intention when it created the solid-red trolley. He stated the design should be something simple and clean. Chairman Mathis favored a theme that was more interesting. In response to a question from Mr. Ewin, Mr. Schupp reported that MTS's complete logo would be displayed along with its web site address on each wrap. In response to a question from Mr. Rindone, Mr. Schupp stated that wraps can be removed at any time, and the program can also be revisited at any time.

Mr. Rindone stated that the current solid-red trolley is a very recognizable symbol, and he was reluctant to approve a wrap program. He stated that it was because of this reason that he would only support a six-month wrap program. He stated that he felt the program should be brought back to the Board at the end of six months. Chairman Mathis stated that there are 124 trolleys that are not wrapped and reminded the Board that MTS is trying to identify itself as part of the Green movement. He stated that this is an important consideration. Mr. Monroe expressed his support of the solid-green trolley wrap. Mr. Ewin added that having a trolley wrap that generates revenue is better than having a faded trolley running on the system.

Mr. Jablonski pointed out that a memo on MTS Earth Fair activities was placed at the table for each Board member. He stated that it was a very successful event for MTS.

Action Taken

Ms. Atkins moved to approve wrapping five additional trolleys with "green" imagery, MTS ridership messages, and limited corporate branding by third parties as official wrap sponsors with a six-month update to the Board. Mr. Ewin seconded the motion, and the vote was 12 to 0.

31. MTS: Senior and Disabled Lift Replacement Project – Fund Transfer and Contract Award (CIPs 11216, 11221, 11148)

This item was deferred.

Action Taken

No action was taken.

32. MTS: Fare Box Support Equipment – SANDAG MOU and Fund Transfer
(CIP's 11198, 11146, 11187, 11233, 11235, 11197)

Mr. Elliot Hurwitz, MTS Contract Services Administrator, reported that approval of this proposed transfer would allow the purchase of additional farebox support equipment for the South Bay, East County, and Chula Vista divisions. He explained that the funding would come from projects that having funds remaining and are being closed out and from the existing project for these items.

Action Taken

Mr. Emery moved to (1) execute a memorandum of understanding between the San Diego Association of Governments and MTS to transfer capital project funds for fare box support equipment (in substantially the same form as shown in Attachment A of the agenda item); and (2) transfer funds from various MTS projects to Capital Improvement Program 11198 (MTS Contract Services SBMF Miscellaneous Equipment) for fare box support equipment (see Attachment B of the agenda item). Mr. Young seconded the motion, and the vote was 12 to 0 in favor.

33. MTS: Pension Obligation Bonds (OPS 960.6)

Mr. Cliff Telfer, MTS Chief Financial Officer, reminded the Board that MTS issued about \$77.5 million in taxable pension obligation bonds in 2004. He stated that about half of these bonds were variable-rate demand bonds at a rate of 1.87 percent and the other half were fixed. He stated that in August, MTS executed a swap to achieve a synthetic fixed rate of 4.424 percent for these bonds. He stated that the bond market has since developed liquidity problems, and MTS is experiencing a leakage problem of \$50,000 to \$60,000 per month.

Mr. Keith Curry, Public Financial Management (PFM) explained that staff would like to replace MBIA, MTS's POB insurer, with a letter of credit to reduce the market's impact on MTS's variable rate bonds. Mr. Curry explained that problems have developed because rating agencies are increasing the capital charge requirements on bond insurers and have reduced the ratings on some bond insurance providers as a result. He reported that Fitch Ratings have downgraded MBIA from AAA to AA but not Moody's and Standard & Poors. He stated that MTS's bonds have begun to experience a dislocation in terms of rate as a result of these actions. He stated that when he presented this item to the Executive Committee on April 17, 2008, these bonds were 163 basis points over the swap rate. He stated that the bonds are currently 77 basis points over the swap rate now. He stated that once a letter of credit is entered into, the insurer could be dropped or the policy could be put into a trust. He stated that PFM monitors the market situation on a daily basis, and, if it starts to appear that MBIA is righting itself, the recommended transaction may not need to be pursued. He stated the UBS staff members do not see this market problem going away in the near term. He also stated that if MTS were to remarket the bonds into a traditional fixed-rate mode, it would incur a swap termination cost of approximately \$2.3 million. He stated that it would be more cost effective to continue the swap until its expiration in 2012 and consider a fixed-rate remarketing at that time. He stated that entering into an interest-rate swap in August saved approximately \$500,000. Mr. Curry advised the Board that final documents will be brought back to the Board in June for approval.

In response to a question from Mr. Mathis, Mr. Curry reported that the risk to MTS would be if the documents are approved and signed, and the market rights itself the next day.

