

EXECUTIVE COMMITTEE MEETING FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC),
AND SAN DIEGO TROLLEY, INC. (SDTI)

MINUTES

October 15, 2009

MTS
1255 Imperial Avenue, Suite 1000, San Diego

A. ROLL CALL

Chairman Mathis called the meeting to order at 9:23 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Selby moved for approval of the minutes of the September 17, 2009, Executive Committee meeting. Ms. Lightner seconded the motion, and the vote was 4 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. MTS: Siemens LRV Contract update (Wayne Terry/Tiffany Lorenzen)
Action would receive an update on the status of the Siemens Industry, Inc. (Siemens) procurement of 57 and up to 65 low-floor light rail vehicles (LRVs).

Tiffany Lorenzen, MTS General Counsel, gave an update on the status of the Siemens procurement. She stated that everything went according to plan. On September 30, 2009, an MOU was executed with SANDAG to fully fund the project in the amount of \$228M. Also on that day, an agreement was executed with Siemens to procure the 57 light rail vehicles for a total of \$224M.

Ms. Lorenzen stated that Siemens has gone through an internal consolidation combining several of their mobility units into a new company called Siemens Industry, Inc. On October 1, 2009, a contract amendment was processed to change the name, and an amendment was processed to modify the parent company guaranty that has been put in place while trying to determine whether or not to proceed with the performance bond or letter of credit.

Ms. Lorenzen summarized the next steps for the procurement:

1. By October 30, 2009, Siemens will provide a draft conformed technical specification. This document will summarize all the changes made to the specification that the Utah Transit Authority produced. This will combine all the changes for the new vehicle.
2. Major vehicle components will be ordered starting 6 months from now, and will continue for the next 12 months.

3. The car shells for the LRVs will be delivered in 18 months, the first car will arrive in August of 2011.
4. A post delivery audit will be completed by Mark Abbey, MTS's internal auditor. According to the pre award audit, everything went according to plan, and the certificates of compliance have been signed off.

Mr. Jablonski discussed the performance bond. He stated that when discussion began with Siemens about this procurement, it was discovered that Utah and Denver had gone with a letter of guaranty from Siemens instead of a performance bond. He stated that the cost for the performance bond was estimated at \$2M. Since that time, it has been discovered that the performance bond will cost closer to \$3.3M to \$3.4M.

Mr. Jablonski stated that after discussions with other people in the industry, he feels that the company guaranty is adequate, rather than spending \$3.3M on the performance bond. He asked for committee approval.

Action Taken

Ms. Lightner moved to receive a report and to approve staff's recommendation for a letter of guarantee from Siemens. Mr. Selby seconded the motion, and the vote was 4 to 0 in favor.

2. MTS: Pension Obligation Bonds – Refinancing Options (Tom Lynch)
Action would provide guidance on variable pension obligation bond (POB) refinancing options as developed by staff and forward a recommendation to the Board of Directors.

Mr. Jablonski explained that what is being presented today will produce savings over the next 15 years of \$50M+ in interest payments over the course of the next 15 years, and there will be about \$2.5M savings in operating expenses for interest that will be put towards the operating budget to provide service.

Mr. Lynch, MTS Controller, gave a PowerPoint presentation on the Pension Obligation Bonds (POB). He explained the advantages of refinancing the bonds and presented the background on the bonds. He stated that \$38.7M of the bonds are fixed rate bonds due in maturities in 2024, \$38.8M are variable rate bonds with maturities from 2024-2034.

Mr. Lynch gave the background on the bonds and stated that MTS currently owns \$35.6M dollars of its own bonds. He added that currently MTS has not been able to remarket or refinance the bonds due to market conditions. The total cost of funds, inclusive of all interest expense, interest income, and fees is 7.7% or \$2.9M per year.

Mr. Lynch explained that on September 29, 2009, staff made a presentation to the Budget Development Committee that included various options. Staff was instructed to bring forward two options. Both options involve paying off the bonds in the swap

agreement, utilizing \$30M Dexia Loan, \$5M from CIP and \$6.8M in reserves for a total of \$41.7M.

Mr. Lynch explained that the first option is for a three year loan at LIBOR PLUS 2.2%, and the second option for the six year loan AT 2.85%. He stated that staff's assumption is that option #1 would be paid off at \$10M per year, the overall cost would be \$43.1M. Option #2 would be paid off at \$5M per year and would cost \$46.2M.

Mr. Lynch stated \$5M would be reallocated from existing CIP projects, \$30M will come from future TDA funding, which is currently intended for CIP, but not allocated to any specific project. TDA funds are flexible and can be used for this purpose. He explained that \$6.8M will come from reserves, which would leave the reserve balance at \$23M, 10% of the operating annual budget.

Mr. Lynch reported that both options provide considerable savings, \$55M or more savings in the operating budgets over the long term. Equating to \$1.4M to \$1.7M per year depending on the option chosen. In the existing fiscal year the savings would be \$4.2M to \$4.9M.

Mr. Lynch stated that the staff recommendation is to obtain a six year loan from Dexia for \$30M to pay off the \$38.8M in variable bonds, to pay off the swap agreement for \$2.8M, to reduce CIP by \$5M, pay off \$30M loan with Dexia, utilizing \$6.8M reserves. The \$30M loan from Dexia would be paid with future TDA. Those assumptions include \$5M a year for six years, flexible over time.

Members continued to discuss the purpose of the POB's and the staff options.

Action Taken

Ms. Lightner moved to receive a report and to approve staff's recommendation for Option #2, the six year option, to be forwarded to the MTS Board of Directors for approval. Mr. Selby seconded the motion, and the vote was 4 to 0 in favor.

3. MTS: South Bay Bus Rapid Transit Project (Mike Daney)

This item was pulled from the agenda.

4. MTS: Super Loop Pilot update (Mark Thomsen)

Action would receive a report on the Super Loop Pilot Project.

Mark Thomsen, MTS Senior Transportation Planner, gave a PowerPoint presentation on the SuperLoop Pilot Update. He stated that the SuperLoop began operation four months ago. Included in this presentation are ridership trends, operating results, public acceptance of the design and operating plan. He included service descriptions, marketing updates and the status of the expansion of SuperLoop to Judicial Drive next year.

Mr. Thomsen continued to explain the design of SuperLoop as a bidirectional loop anchored at UTC Transit Center, serving as a regional distributor and local

circulator, with UCSD as the major market. He described the days of operation, frequency, stops and the vehicles.

Mr. Thomsen added that 92% of SuperLoop ridership are UCSD passengers. He stated that during the first quarter of the fall semester SuperLoop averaged thirty-two passengers per revenue hour. He reported on marketing efforts and outreach efforts. He stated that there is on time performance of 95% and the completion rate is 99.9%.

Mr. Thomsen stated that there is one vehicle issue related to neighborhood complaints about the gas engine sound level, he stated that SANDAG is addressing the noise concerns.

Mr. Thomsen reported on the fleet fuel consumption comparisons, and public comments about the service. He stated that public comment included requests to expand service, rerouting to serve additional riders, increase time span, requests to implement Phase 2 and comments complimenting convenience of the service. He continued to report on milestones and Phase 2 status.

Members discussed the Judicial Drive expansion, how the engine noise compares to other buses and ridership numbers.

Action Taken

Mr. Selby moved to receive the report Ms. Lightner seconded the motion, and the vote was 4 to 0 in favor.

5. MTS: Update on James R. Mills Building Security (Bill Burke)
Action would receive a report on security improvements at the James R. Mills Building.

Mr. Bill Burke, MTS Security Director gave a PowerPoint presentation on the update on the James R. Mills Building Security. He stated that through the Transit Security Grant program the project of hardening the facilities, part of which was the implementation and completion of the access card system on all office doors on the 9th and 10th floors.

Mr. Burke described meetings that took place with the County of San Diego on the subject of securing the lobby of the Mills Building. He stated that the County of San Diego offices on all the floors of the building have access cards.

Mr. Burke reviewed the proposed design of the lobby, describing ADA access, x-ray scanner, walk through metal detector, retractable belt barrier, card readers, alarms and turnstiles. He described where security officers would be present to operate the scanning equipment and stated that employees would be entering the building through the front door only, and business entrances would be from the outside.

In response to Mr. Mathis, Mr. Burke stated that the timetable for completion is late January or sooner. In response to Mr. Roberts, he stated that once implemented there will be no more guards than required at present to staff this security project.

Action Taken

Mr. Roberts moved to receive the report Mr. Selby seconded the motion, and the vote was 4 to 0 in favor.

D. REVIEW OF DRAFT OCTOBER 22, 2009, BOARD AGENDA

Recommended Consent Items

6. MTS: Federal Legislative Representation. Action would authorize the Chief Executive Officer (CEO) to execute Task Order No. 5 of the triagency contract with Blank Rome Government Relations, LLP (MTS Doc. No. G0980.0-06) effective November 1, 2009.
7. MTS: Adoption of 2010 MTS Executive Committee and Board of Directors Meeting Schedule. Action would adopt the 2010 Executive Committee and Board of Directors meeting schedule.
8. MTS: Increased Authorization for Legal Services - Paul, Plevin, Sullivan & Connaughton LLP. Action would authorize the CEO to execute MTS Doc. No. G1095.2-07 with Paul, Plevin, Sullivan & Connaughton LLP for legal services and ratify prior amendments entered into under the CEO's authority.
9. MTS: Increased Authorization for Legal Services - Law Offices of Julie Morris Soden. Action would execute MTS Doc. No. G1173.6-08 with the Law Offices of Julie Morris Soden for legal services and ratify prior amendments entered into under the CEO's authority.
10. MTS: Increased Authorization for Legal Services - Liebman, Quigley, Sheppard & Soulema, APC. Action would authorize the CEO to execute MTS Doc. No. G1087.6-07 with Liebman, Quigley, Sheppard & Soulema, APC for legal services and ratify prior amendments entered into under the CEO's authority.
11. MTS: Liability Claims Analysis Report. Action would receive the Liability Claims Analysis Report for MTS, San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI).
12. MTS: Approval of the Old Town Transit Center Improvements and Fund Transfer Memorandum of Understanding (MOU) with SANDAG. Action would: (1) authorize the CEO to execute an MOU with the San Diego Association of Governments (SANDAG) for the construction of Public Utilities Code- (PUC)-mandated improvements at Old Town Transit Center;

and (2) transfer California Department of Transportation- (Caltrans)- contributed funds to SANDAG for these improvements.

13. MTS: Light Rail Vehicle Gearbox Overhaul Kits - Contract Award. Action would authorize the CEO to execute MTS Doc. No. L0900.0-10 with Hi-Tec Enterprises to purchase up to 180 light rail vehicle (LRV) gearbox overhaul kits and an option to purchase an additional 40 if needed (contingent upon receipt of a Buy America waiver from the Federal Transit Administration (FTA)).
14. MTS: Job Access and Reverse Commute Grant. Action would approve Resolution No. 09-23 authorizing the CEO to submit applications for federal fiscal year 2009 Job Access and Reverse Commute (JARC) (5316) "Non-Urban (Rural) Areas - Federal Transit Administration" funding.
15. MTS: LRV Station CCTV Components (Phase 2) - Work Order Amendment. Action would: (1) ratify MTS Doc. No. G1246.0-09 Work Order No. 09.05 for \$99,506.02 with David Evans and Associates for engineering and design services for Capital Improvement Project (CIP) "LRV Station CCTV Components (Phase 2)" previously approved under the CEO's authority; and (2) authorize the CEO to execute MTS Doc. No. G1246.0-09 Work Order Amendment No. 09.05.01 for \$6,553.47 for changes in the scope of design work.

Recommended Consent Items

There was no discussion regarding Consent items.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

Mr. Jablonski stated that a presentation by Move San Diego is on tomorrow's Transportation Committee Agenda. They will present their Fast Plan, a comprehensive plan that covers the majority of the urban area. The subject matter is the greater utilization of bus rapid transit based on a system in Australia.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

In response to Mr. Selby, Mr. Jablonski described the method of reloading a Compass Card.

G. PUBLIC COMMENTS

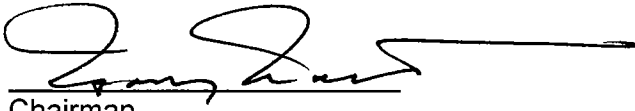
No public comments.

H. NEXT MEETING DATE

The next meeting is scheduled for Thursday, November 5, 2009, at 9:00 a.m. in the Executive Conference Room, following the 9:00 Audit Oversight Committee Meeting.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 10:31 a.m.

A handwritten signature in black ink, appearing to read 'James Mathis', written over a horizontal line.

Chairman

VRogers/
MINUTES - Executive Committee 10-15-09.doc

Attachment: A. Roll Call Sheet

**EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) October 15, 2009 CALL TO ORDER (TIME) 9:23 a.m.
 RECESS None RECONVENE ---
 CLOSED SESSION None RECONVENE ---
 ADJOURN 10:31 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
LIGHTNER <input checked="" type="checkbox"/> (Young) <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
Imperial Beach Rotated to Chula Vista		
RINDONE (VC) <input type="checkbox"/> (Young - CPT) <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
SELBY <input checked="" type="checkbox"/> (Ryan) <input type="checkbox"/>		
Transportation Committee Rep Slot (Mathis)		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD *Nick Rogers*
 CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: *[Signature]*