



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

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

September 11, 2008

9:00 a.m.

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

ACTION RECOMMENDED

- 1. Roll Call
- 2. Approval of Minutes - August 21, 2008 Approve
- 3. Public Comments - 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.

CONSENT ITEMS

- 6. MTS: Annual Anticipated Disadvantaged Business Enterprise Participation Level (AADPL) Methodology for Federal Fiscal Year 2008-2009 Receive
Action would receive the Annual Anticipated Disadvantaged Business Enterprise (DBE) Participation Level (AADPL) Methodology for Federal Fiscal Year 2008-2009 for information.
- 7. MTS: Investment Report for July 2008 Receive
Action would receive a report for information.

CLOSED SESSION

- 24. None

Please turn off cell phones and pagers during the meeting



NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. MTS: C Street Crossover Project MOU and Budget Transfer Approve
Action would: (1) authorize the Chief Executive Officer (CEO) to execute a Memorandum of Understanding (MOU) with the San Diego Association of Governments (SANDAG) for emergency work performed by SANDAG related to the C Street Crossover Project; and (2) approve a fund transfer from Capital Improvement Project (CIP) 11199 - Miscellaneous Capital (All Divisions) with Federal to SANDAG's City College Station Realignment Project (CIP 1049400).

REPORT ITEMS

45. MTS: Preliminary FY 2008 Operations Budget Status Report Receive
Action would receive an MTS preliminary FY 2008 operations budget report.

60. Chairman's Report Information

61. Audit Oversight Committee Chairman's Report Information

62. Chief Executive Officer's Report Information

63. Board Member Communications

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: September 25, 2008

66. Adjournment

DRAFT

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

August 21, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:02 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Emery moved to approve the minutes of the July 17, 2008, MTS Board of Directors meeting. Mr. Ewin seconded the motion, and the vote was 8 to 0 in favor.

3. Public Comment

Dr. Lee Bailey, Transit Task Force – Le Rondelet Condominiums: Dr. Bailey presented a letter along with a petition from the Le Rondelet Condominium complex requesting that MTS relocate the layover location for Route No. 28. He reported that as many as 40 Route No. 28 buses circle their complex while waiting to return to the Old Town Transit Center. He stated that they have written to MTS and received very little response to their request. He requested that MTS work with them to find a better layover location and stated that four suggestions for layover locations are provided within their letter. He stated that they want to be part of the process.

Ms. Sharon Cooney, Director of Governmental Affairs and Community Relations, reported that staff has already designated this area as a quiet zone and is working with the residents at this complex to get the stop sign removed so that buses can operate more quietly at this location.

Clive Richard: Mr. Richard stated that the trolley seems to be able to react and respond well to changing conditions.

EMPLOYEE AWARDS:

Peter Tereschuck Retirement: Mr. Young praised Mr. Peter Tereschuck, who is retiring as General Manager of San Diego Trolley, for his incredible knowledge of how MTS's transportation system works and of transportation trends throughout the country. He also recognized Mr. Tereschuck's understanding of the inner workings of the system and thanked him for his help in creating an ad hoc security/safety subcommittee. He read a resolution adopted by the San Diego City Council proclaiming a Peter Tereschuck Day. Chairman Mathis reported that neither County Supervisor Roberts nor Cox could be present at the meeting and presented, on their behalf, a County of San Diego proclamation of a Peter Tereschuck Day. He read portions of the proclamation. Chairman Mathis presented a momento clock from MTS to Mr. Tereschuck and read the engraved inscription. Mr. Tereschuck thanked everyone for allowing him to serve them and the people of San Diego. He also thanked the 507 employees

of San Diego Trolley. He stated that these employees made his service more meaningful. He gave them credit for delivering the service and recognized them as a highly trained, professional, and dedicated staff.

CONSENT ITEM:

6. MTS: San Diego and Arizona Eastern Railway Company Quarterly Reports and Ratification of Actions Taken by the SD&AE Railway Company Board of Directors at its July 15, 2008, Meeting (SDAE 710)

Recommend that the Board of Directors (1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association, and Carrizo Gorge Railway, Inc. quarterly reports (Attachment A of the agenda item); and (2) ratify actions taken by the SD&AE Railway Company Board of Directors at its meeting on July 25, 2008.
7. MTS: Agreement for Operation of Passengers Excursion Services and for Custody and Control of a Portion of San Diego and Arizona Eastern (SD&AE) Railway Company Right-of-Way as Between SD&AE and the Pacific Southwest Railway Museum (SDAE 710)

Recommend that the Board of Directors authorize Paul Jablonski, SD&AE Railway Company President, to execute the Second Amendment to the Agreement for Operation of Passenger Excursion Services and for Custody and Control of a Portion of the SD&AE Railway Company Right-of-Way (Attachment A of the agenda item) as between SD&AE and the Pacific Southwest Railway Museum.
8. MTS: Job Access and Reverse Commute Grant (AG 220.13)

Recommend that the Board of Directors approve Resolution No. 08-17 (Attachment A of the agenda item) authorizing the CEO to submit applications for federal fiscal years 2007-2009 Job Access and Reverse Commute for Non-Urban (Rural) areas – Federal Transit Administration funding 5316.
9. MTS: September 2008 Minor Service Changes (S RTP 830)

Recommend that the Board of Directors receive this information on service changes scheduled for September 2008 implementation.
10. MTS: Investment Report – June 2008 (FIN 300)

Recommend that the Board of Directors receive a report for information.
11. SDTI: Train to Wayside Communication (TWC) Equipment – Contract Award (CIP 11218-0200)

Recommend that the Board of Directors authorize the CEO to execute a sole-source contract (in substantially the same form as Attachment A of the agenda item) with VECOM USA to replace existing TWC wayside Components that are presently installed at SDTI with an up-to-date model.

12. MTS: El Cajon Transit Center Demolition Memorandum of Understanding (MOU) and Budget Transfer (CIP 11217)

Recommend that the Board of Directors (1) authorize the CEO to execute an MOU (in substantially the same form as Attachment A of the agenda item) with SANDAG for the El Cajon Transit Center building demolition work to be done under the SANDAG/San Diego County Job Order Contracting Agreement and for providing construction management services; and (2) approve a fund transfer from the MTS Blue and Orange Line Station Improvement Project CIP 11217 to SANDAG's El Cajon Transit Center Demolition Project CIP 1129500 (in substantially the same form as shown on Attachment B of the agenda item – Budget Transfer Summary).

13. SDTI – Drug and Alcohol Policy for San Diego Trolley, Inc. (ADM 110.2)

Recommend that the Board of Directors (1) adopt Resolution 08-14 (Attachment A of the agenda item); and (2) adopt SDTI's updated drug and alcohol policy (Attachment B of the agenda item) in order to comply with current Federal Transit Administration regulations.

14. MS: Federal 5311(f) Intercity Bus Program Grant Application (OPS 950.7)

Recommend that the Board of Directors approve Resolution No. 08-18 (Attachment A of the agenda item) authorizing the CEO to submit applications for three Federal 5311(f) Intercity Bus Program grant applications: (1) to support FY 08 operating-subsidy costs for rural service; (2) for improvements to the El Cajon Transit Center; and (3) for improvements to the rural bus stop at the Tecate border crossing.

Public Comment

Lorraine Leighton: Ms. Leighton stated that she didn't feel that staff did enough research before making service changes to Route No. 14 and 871/872 and objected to the recent changes that reduced service.

Action on Recommended Consent Items

Mr. Emery moved to approve Consent Agenda Items No. 6, 7, 8, 9, 10, 11, 12, 13, and 14. Mr. Ewin seconded the motion, and the vote was 10 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:25 a.m.

- a. MTS: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a): San Diego Public-Transit Riders' Alliance v. MTS et al., San Diego Superior Court Case Nos. 07-2007-0082216-CU-TT-CTL and 37-2008-00086580-CU-TT-CTL

The Board reconvened to Open Session at 9:44 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 and gave direction to outside counsel.

NOTICED PUBLIC HEARINGS

25. There were no noticed public hearings.

DISCUSSION ITEMS:

30. SDTC: Pension Obligation Bonds Follow-Up (OPS 960.6)

Mr. Keith Curry, Public Financial Management, provided the Board with an update on the steps already taken to address turbulence in the bond market. He reported that UBS has been replaced by E. J. De La Rosa and Company, MTS has adopted a swap policy, and MTS has purchased its own bonds. He added that MTS is continuing to negotiate with Dexia for the Letter of Credit. Mr. Curry stated that MTS has, through these actions, staunched its excess interest. He also stated that he anticipated receiving the short-term ratings next week. Mr. Curry reported that Board adoption of Resolution 08-16 would approve the documents related to these bond transactions, authorize MTS to resell the bonds, and replace MBIA with a Dexia Letter of Credit.

Action Taken

Mr. Emery moved to adopt MTS Board Resolution No. 08-16 (Attachment A of the agenda item). Mr. Ewin seconded the motion, and the vote was 8 to 1 in favor, with Mr. Young casting the dissenting vote.

31. MTS: Additional Trolley Wraps (MKPC 620.9)

Mr. Rob Schupp, Director of Marketing and Communications, provided background on the results of the current trolley-wrap advertising program. He also provided information on the level of demand for additional wraps and reported that staff is seeking Board approval to expand the current program. He provided examples of some of the additional wraps that are being proposed by advertisers. He also stated that, rather than detracting from the MTS brand, the ads currently running seem to be enhancing the brand image and reported that the Spirit movie wrap actually received national exposure. He stated that the current ads are drawing positive comments from the public as well. He advised the Board that advertising is down by 40 percent nationwide, and advertisers are looking for unique ways to get their message out. He stated that the trolley wraps provide that type of opportunity.

Mr. Schupp reminded the Board that it approved the use of five trolley cars for commercial wraps and five for partnership wraps. He reported that the five commercial wraps are sold out through November and only two sponsorship ads are currently running. He also reviewed other wrap requests that have been received – all commercial in nature. He stated that one of the requests recently received is for a three-car trolley wrap. He reported that an additional \$150,000 (less commissions) could be generated for the next three months if these requests could be granted. He also reported that requests are already being received for next year's Comic-Con. Mr. Schupp pointed out that MTS is still facing budget uncertainties that make this

additional revenue a favorable option. He requested that the Board authorize the wrapping of five additional trolley cars.

Chairman Mathis stated that a three-car wrap creates logistic concerns in providing service. He stated that the contract would have to include provisions protecting MTS from a breach of contract if it is unable to keep three cars together because of maintenance or operational issues. He added that it would be beneficial not to be constrained to five commercial and five sponsorship ads.

Mr. Young recognized the importance of maintaining the MTS brand but pointed out that this should be balanced against the need for additional revenues and stated that he would support staff's request. Mr. Young suggested that staff consider creating additional infrastructure along the system where advertising could be displayed and creative types of opportunities such as video monitors.

In response to a question from Mr. Ewin, Mr. Tereschuck reported that approximately 35 SD 100 trolley cars are in need of refinishing. Mr. Ewin stated the new ads could be displayed on these cars, which would improve their appearance. He added that, if enough ads are displayed, the cars may never need to be refinished. He also reported that he has received nothing but positive feedback about these ads from the public. He stated that having cars with an attractive appearance generates a positive attitude about riding that could carry over to the passenger's attitude inside the cars. He felt that the ads currently displayed are in good taste and suggested pursuing ads that are even more unique.

Mr. McClellan stated that he didn't understand why MTS, given its fiscal situation, would impose any constraints on the number of cars that can be wrapped. He stated that revenue is of utmost importance to a business, and that MTS is a business. He stated that the Trolley has already established its brand and that allowing more ads would reduce MTS's painting expense. Mr. Rindone pointed out that the recommendation to allow the wrapping of 15 trolley cars is less than ten percent of the fleet. He stated that he would support raising the limit to 15 cars because of MTS's current budget problem but was not in favor of lifting the constraint altogether. Mr. Monroe expressed his support of staff's request for the wrapping of 15 trolley cars and felt that this number struck a balance between maintaining the MTS brand and allowing MTS to take advantage of revenue opportunities. Mr. Monroe suggested that the APTA Annual meeting be advertised in this way. In response to a question from Mr. Monroe, Mr. Schupp stated that the commission for this advertising is 20 percent, and Mr. Monroe stated that staff should separately display the portion of the revenue that MTS receives.

Mr. Monroe stated that the three-car wrap would completely eliminate MTS's brand on that three-car consist. It was agreed that the three-car wrap would be voted upon as a separate motion and vote. Mr. Clabby expressed his concern about the effect that a three-car wrap would have on operating and maintenance. He also expressed his support for authorizing the use of 15 trolley cars for wraps while stressing the importance of maintaining MTS's brand, which is nationally recognized. Mr. Schupp stated that if the three-car ad were displayed on U-2 trolley cars, which operate on the Blue Line, operational and maintenance issues could be somewhat mitigated. Mr. Tereschuck reported that this would help mitigate consist issues. Mr. Jones stated that he agreed with Mr. McClellan. He stated that the Board has a responsibility as stewards of MTS to ensure that it stays fiscally sound. He added that taking advantage of an occasional opportunity is a good thing. With regard to a three-car wrap, he felt that the MTS brand is so strong that approving this request poses very little risk of damaging the brand. He stated that MTS has always been a pioneer in this area, and that this would only add

to MTS's image as a pioneer and for thinking outside the box. He stated that he recognized concerns about potential breaches of contract that might result from maintenance or operational issues but added that he believed MTS staff members were capable of writing a contract that would protect MTS in this regard. He stated that the advertiser may reject a contract with those protections. Mr. Emery stated that MTS should give the revenue opportunity priority and at least try the three-car wrap to see if it can be worked out to everyone's satisfaction. Mr. McClellan suggested that the contract guarantee a total number of hours the three-car wrap would be displayed on the system and state that the period of the time the ad is to be displayed would be extended, if necessary, to reach the hourly guarantee. He stated that he thought that a three-car wrap would create heightened interest on the part of the ridership and may actually improve ridership because the public will want to ride in those cars. Mr. Ewin suggested that MTS stay away from guarantees. In response to a question from Mr. Monroe, Mr. Schupp reported that the three-car ad would generate \$81,000 for the three-month period it would be displayed.

Chairman Mathis summarized the Board's discussion as follows: (1) Feedback from the public regarding the wrap ads has been positive; (2) the MTS brand is not being threatened primarily because it is already well established; (3) the wrap ads appear on a very small percentage (ten percent) of the total fleet of light rail vehicles; and (4) the contract could be written with protections in place.

Action Taken

Mr. Young moved to (1) approve advertising wraps on additional trolleys to meet market demand and to maximize revenue opportunities to a maximum of 15 cars; and (2) remove the designation that five trolley wraps be for sponsorship ads and five for commercial ads. Mr. Ewin seconded the motion, and the vote was 10 to 0 in favor.

Mr. Young moved to authorize a three-car advertising wrap, with an overall 15-car cap, with the proper contractual elements to protect MTS in case operational or maintenance issues affect the operation of the three-car consist on which those ads are displayed. Mr. Emery seconded the motion, and the vote was 9 to 0 in favor.

REPORT ITEMS:

45. MTS: Interstate 805 Buses on Shoulders Service (BOSS) Demonstration Project – Status Update (AG 230.11)

Mr. Samuel Johnson, SANDAG Chief Technology Officer, introduced SANDAG Project Manager Eric Adams, Caltrans I-805 Corridor Director Joel Haven, and SANDAG Senior Transportation Planner Jennifer Williamson. He provided a project overview for the Interstate 805 Bus on Shoulder Service three-year demonstration project and described and showed visuals of the concept. Mr. Johnson stated that Route No. 960 has been operating successfully on the shoulder as a test.

Mr. Adams reviewed the corridor that is part of this project reporting that the route will travel from Chula Vista to major employment centers Sorrento Valley and University Towne Center. He added that it parallels a portion of the Bus Rapid Transit route that is planned in that area. He showed how lanes would be downsized by taking one foot each away from other lanes to provide the extra space needed on the shoulder for this project. Mr. Adams then reviewed infrastructure challenges that would have to be addressed and reviewed elements of the

