



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

Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

November 14, 2012
 9:00 a.m.

James R. Mills Building
 Executive Conference Room
 1255 Imperial Avenue, San Diego

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ACTION RECOMMENDED

1. ROLL CALL
2. APPROVAL OF MINUTES - June 14, 2012 Approve
3. PUBLIC COMMENTS
4. COMMITTEE DISCUSSION ITEMS
 - a. MTS Management Pension Formula Approve
 Action would forward a recommendation to the Board of Directors to adopt Resolution 12-17, MTS Employee Pension Formula.
 - b. San Diego Transit Corporation Pension Plan Actuary Report Receive
 Action would receive a report for information and provide guidance on issues / policy decisions.

Please SILENCE electronics
 during the meeting

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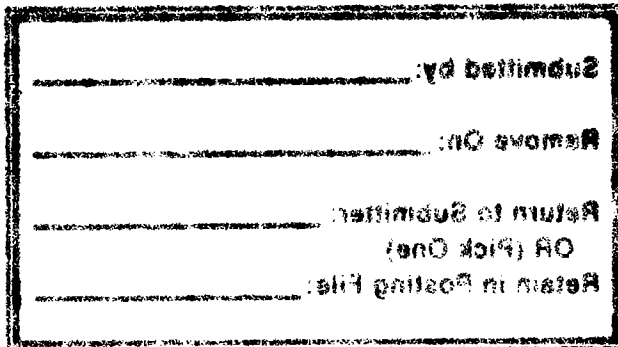
Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.



4 COMMITTEE DISCUSSION ITEMS - Continued

- | | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| c. | <u>FY 2013 Operating Budget Update</u>
Action would receive a report for information and provide guidance on issues / policy decisions. | Receive |
| d. | <u>FY 2013 Capital Improvement Plan Amendment</u>
Action would forward a recommendation to the Board of Directors to amend the FY 2013 Capital Improvement Program. | Approve |

5. ADJOURNMENT



BUDGET DEVELOPMENT COMMITTEE
METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF NOVEMBER 14, 2012

CALL TO ORDER: 9:00 A.M.

ADJOURN: 10:50 A.M.

COMMITTEE MEMBER	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
CUNNINGHAM <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
McCLELLAN <input checked="" type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/>		
YOUNG <input type="checkbox"/>		

SIGNED BY CLERK OF BUDGET DEVELOPMENT COMMITTEE:


VICKI ROGERS

CONFIRMED BY OFFICE OF GENERAL COUNSEL:


KAREN LANDERS

Cc: Accounts Payable
Attachment to Minutes

VickiRogers//Roll Call Sheets

JOINT MEETING OF THE BUDGET DEVELOPMENT COMMITTEE FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS)
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

June 14, 2012

MINUTES

1. ROLL CALL

Chairman Roberts called the Budget Development Committee (BDC) meeting to order at 8:28 a.m. A roll call sheet listing BDC member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Mathis moved to approve the minutes of the May 11, 2012, MTS BDC meeting. Mr. Cunningham seconded the motion, and the vote was 3 to 0 in favor with Mr. McClellan and Mr. Young absent.

3. PUBLIC COMMENTS

There were no public comments.

4a. MTS: PENSION PLAN COMPARISON

Mr. Jablonski stated that this meeting is the beginning of the discussions related to Supervisor Roberts' request at the last BDC and Board Meeting that he would like pensions to become part of the budget process. He added that he thought a good place to start is to describe the pensions across the organization and to point out their substantial differences.

Mr. Jablonski stated that San Diego Transit Corporation (SDTC) has 687 union members (IBEW and ATU) and 68 management employees. He pointed out that there are 2 unions: the Amalgamated Transit Union (ATU) includes bus drivers and International Brotherhood of Electrical Workers (IBEW) includes the mechanics. They are in a self-administered private pension plan and also contribute to Social Security (SS). He described the basics of the plan for all of the employees and the definitions of tiers.

He described that San Diego Trolley, Incorporated (SDTI) has 488 union members, including IBEW and Transit Enforcement Officers Association (TEOA). The IBEW includes trolley operators and maintenance staff. TEOA includes the Code Enforcement officers. SDTI has a CalPERS plan that was set up without having SS. In lieu of SS, they opted for the State pension plan. He described the tiers of both the TEOA and IBEW. Negotiations continue with IBEW.

Mr. Roberts asked about what the normal contribution rate would be for SS if there were SS. Mr. Jablonski replied there are two portions to SS, the base SS is 6.2% and Medicare is 1.45%. The employer matches that both.

There are 125 people in the MTS management group, which have a separate CalPERS plan. The difference is that SS is paid by employees since MTDB did not opt out of SS. He described the details of the plan which include no employee contributions and no 2nd tier.

Mr. Jablonski stated that the SDTC plan has no restrictions, and anything could be done: 2nd tiers could be implemented, caps could be put in place, different sets of rules could be created for the management staff vs. labor, co-existence could be created with a 401(k). He stated that on the CalPERS side, there are limitations as CalPERS offers only six plans.

Mr. Jablonski stated that ten cities were looked at in MTS's jurisdiction, as well as the County of San Diego, SANDAG and NCTD. He gave an overview of the chart that was made available to committee members depicting the plan comparison as of May 2012. He pointed out that in those jurisdictions there are contributions for the existing employees that range from 0-8%.

Mr. Jablonski continued by showing various similar systems' plans throughout the country. He stated that there is some commonality between the transit systems that were compared and the vast majority of the systems do pay SS, the majority of the systems in California have CalPERS, and the majority of the systems around the country have self-administered programs. He compared the rest of the systems and their statistics.

He stated that he plans to implement contributions for all management employees beginning this year on a gliding slope premise over the next few years. He stated that this is a little bit of a change from what was brought to the board the last time

Mr. Jablonski noted that the authority of equalizing pension benefits and administration of pension plans was the responsibility of the CEO. The reason he is presenting this to the BDC is to get guidance on proper direction for this change in benefit.

Mr. Jablonski continued by explaining that the plan design of the organization's 2nd tier will be brought back to the BDC. The intent is to equalize the management side to come into the proper level at age 60 if not higher, instead of 55.

Mr. Roberts stated that there are no zero contributions at the county and there shouldn't be any zero contributions at MTS. Everyone should help by contributing to their own pension. He pointed out that agencies should recognize that demographic changes in ages are part of what is driving this not just the stock market. Anything less than 60 years or tiered pensions should be analyzed and MTS should be heading in that direction.

Mr. Jablonski stated that there is homework to do with respect to the self-administered plan as well as the separate CalPERS plans of SDTI and MTS. He noted that research will be done and options will be brought back to the BDC.

Action Taken

Mr. Mathis moved to receive the report. Mr. Cunningham seconded the motion, and the vote was 3 to 0 in favor, with Mr. McClellan and Mr. Young absent.

CLOSED SESSION:

4b. Closed Session Items

The Committee convened to Closed Session at 8:53 a.m.

CLOSED SESSION – CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6

The Board reconvened to Open Session at 9:24 a.m.

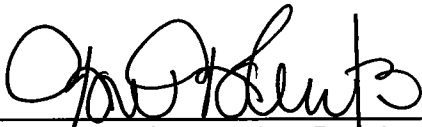
Oral Report of Final Actions Taken in Closed Session

Karen Landers, General Counsel, reported the following:

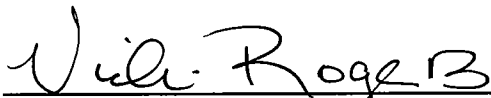
Committee received a report and gave direction to staff.

5. Adjournment

Chairman Roberts adjourned the meeting at 9:25 a.m.



Chairman of the Budget Development Committee



Clerk of the Budget Development Committee

Attachment: A. Roll Call Sheet

BUDGET DEVELOPMENT COMMITTEE
METROPOLITAN TRANSIT SYSTEM

ROLL CALL

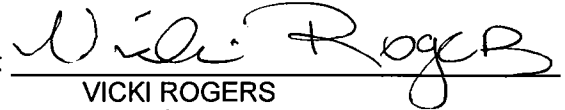
MEETING OF: June 14, 2012

CALL TO ORDER: 8:28 a.m.

ADJOURN: 9:25 a.m.

COMMITTEE MEMBER	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
CUNNINGHAM <input checked="" type="checkbox"/>	8:28 a.m.	
MATHIS <input checked="" type="checkbox"/>		
McCLELLAN <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/>		
YOUNG <input type="checkbox"/>		

SIGNED BY CLERK OF BUDGET DEVELOPMENT COMMITTEE:


VICKI ROGERS

CONFIRMED BY OFFICE OF GENERAL COUNSEL:


KAREN LANDERS

Cc: Accounts Payable
Attachment to Minutes

VickiRiogers//Roll Call Sheets



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Agenda Item No. 4a

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BUDGET DEVELOPMENT COMMITTEE

November 14, 2012

SUBJECT:

MTS MANAGEMENT PENSION FORMULA (SHARON COONEY)

RECOMMENDATION:

That the Budget Development Committee forward a recommendation to the Board of Directors to adopt Resolution 12-17 (Attachment A), MTS Employee Pension Formula.

Budget Impact

Board action will result in a reduction in future pension costs; Attachment B - CalPERS Valuation report projects future savings.

DISCUSSION:

The Agency currently contracts with the California Public Employees' Retirement System (CalPERS) to provide a pension plan of 2.7% at age 55 to MTS employees. During fiscal year 2013, the Budget Development Committee directed staff to implement of a second tier pension formula to apply to new management staff hires.

After researching the best pension modification options for the Agency, staff proposed to change the formula to 2% at age 60, a plan that is currently offered by CalPERS. Then, in August 2012, the California Public Employees' Pension Reform Act of 2013 ("PEPRA") was enacted, with a January 1, 2013 effective date. Reform measures included in the law affect all public agencies that offer governmental pension plans, including MTS and its subsidiaries SDTC and SDTI. Provisions of the act include employee cost-sharing, compulsory reduced retirement formulas, increased retirement ages, limitations on pensionable compensation, antispiking provisions, limitations on postretirement employment, forfeiture of pension benefits upon conviction of certain felonies, health benefit equitability, and prohibitions on pension funding holidays.

Several provisions in PEPRA impact staff's initial proposal to add a 2% at age 60 pension formula for newly hired MTS employees. First, PEPRA restricts plan availability for new



miscellaneous members hired after January 1, 2013, to 2% at age 62, a formula that will not even become available until after its effective date. Second, PEPRAs requires that the plan that was available on December 31, 2012, be offered to new hires who were members of CalPERS or a reciprocal pension plan prior to December 31, 2012.

Based on the legislation's requirements, staff recommends changing the formula offered to new hires as soon as possible, prior to the December 31, 2012, date, to 2% at age 60, an action that requires a Board resolution to implement. This action would lower MTS' pension burden going forward for new hires who are members of CalPERS or another retirement fund with reciprocity. Without this action, affected new hires will be eligible for the 2.7% at age 55 formula that management staff currently receives.

There are three steps that must be completed to adopt the amendment MTS is seeking.

- In Step 1, which has been completed, MTS requested CalPERS to prepare a special valuation that discloses the costs or savings related to the benefit change that is being considered (Attachment B).
- In Step 2, which is the subject of today's requested action, staff recommends that the Budget Development Committee forward a recommendation that the Board of Directors to adopt Resolution 12-17 (Attachment A) authorizing the contract amendment required for implementation of the 2% at 60 years pension formula for new MTS employees. A Summary of the Major Provisions that will apply to new employees is provided as Attachment C to this report. In addition, the Board is asked to authorize the Chief Executive Officer to execute the "Certification of Governing Body's Action," "Certification of Compliance with Government Code Section 7507," and "Certification of Compliance with Government Code Section 20475" (Attachment D-1, -2 and -3 respectively). The last of these certifications, Certification of Compliance with Government Code Section 20475) is a certification of compliance with the Meyers Milias Brown Act (Govt. Code § 3500 et seq.), which concerns union activity. As the proposed amendment only impacts MTS, which has no union employees, MTS has met the applicable statutory obligations.
- In Step 3, the Board of Directors will be asked to adopt a Final Resolution authorizing the requested contract amendment with CalPERS. Government Code Section 7507 requires that the future annual costs or benefit change of the proposed contract be made at a public meeting at least two weeks prior to the adoption of the final Resolution. It is anticipated that the final Resolution item will be presented at the December 13, 2012, Board meeting with an adoption date of December 23, 2012, the first date of the next MTS pay period, as required by CalPERS. The contract amendment would go into effective the following day, so any new employees hired on or after December 24, 2012, would receive the 2% at age 60 pension benefit. Employees hired after January 1, 2013, who are already members of CalPERS (or a reciprocal pension system), would then receive this formula instead of MTS' current 2.7% at age 55 benefit.

Staff is continuing to evaluate and seek guidance on the new PEPRAs legislation, and future updates will be provided to the Board as they become available.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments:

- A. Resolution of Intention; Exhibit – Amendment to Contract
- B. CalPERS Valuation Report
- C. Summary of the Major Provisions
- D-1. Certification of Governing Body's Action
- D-2. Certification of Compliance with Government Code Section 7507
- D-3. Certification of Compliance with Government Code Section 20475

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
GOVERNING BOARD
SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 20475 (Different Level of Benefits).
Section 21353 (2% @ 60 Full formula) is applicable to local
miscellaneous members entering membership for the first
time in the miscellaneous classification after the effective
date of this amendment to contract.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Governing Board
San diego Metropolitan Transit Development Board

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective April 4, 1977, and witnessed March 28, 1977, and as amended effective May 29, 1978, February 10, 1995, July 13, 2000, October 27, 2000 and June 9, 2003 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 12 are hereby stricken from said contract as executed effective June 9, 2003, and hereby replaced by the following paragraphs numbered 1 through 14 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members entering membership in the miscellaneous classification on or prior to the effective date of this amendment to contract and age 60 for local miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after April 4, 1977 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
 - (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.
 - (e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.
 - (f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.
 - (g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.
4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Employees other than local safety members (herein referred to as local miscellaneous members).

5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **ELECTIVE OFFICIALS; AND**
 - b. **SAFETY EMPLOYEES.**
6. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after June 9, 2003 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after November 7, 1977, the effective date of Social Security coverage, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
7. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after June 9, 2003 and not entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract shall be determined in accordance with Section 21354.5 of said Retirement Law, subject to the reduction provided therein for service on and after November 7, 1977, the effective date of Social Security coverage, for members whose service has been included in Federal Social Security (2.7% at age 55 Full and Modified).
8. The percentage of final compensation to be provided for each year of credited current service as a local miscellaneous member entering membership for the first time in the miscellaneous after the effective date of this amendment to contract shall be determined in accordance with Section 21353 of said Retirement Law (2% at age 60 Full).
9. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 20965 (Credit for Unused Sick Leave).
 - b. Section 20042 (One-Year Final Compensation).
 - c. Section 20903 (Two Years Additional Service Credit).
 - d. Section 20475 (Different Level of Benefits). Section 21354 (2% @ 60 Full formula) is applicable to local miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract.
10. Public Agency, in accordance with Government Code Section 20834, shall not be considered an "employer" for purposes of the Public Employees' Retirement Law. Contributions of the Public Agency shall be fixed and determined as provided in Government Code Section 20834, and such contributions hereafter made shall be held by the Board as provided in Government Code Section 20834.

11. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.
12. Public Agency shall also contribute to said Retirement System as follows:
 - a. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - b. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
13. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.
14. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the ____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

GOVERNING BOARD
SAN DIEGO METROPOLITAN
TRANSIT DEVELOPMENT BOARD

BY _____
KAREN DE FRANK, CHIEF
CUSTOMER ACCOUNT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk



California Public Employees' Retirement System
 Actuarial Office
 P.O. Box 942709
 Sacramento, CA 94229-2709
 TTY: (916) 795-3240
 (888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

October 12, 2012

CALPERS ID: 7490546841

Employer Name: SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD

Rate Plan: MISCELLANEOUS PLAN

Re: New Second Tier Plan (Section 20475: Different Level of Benefits Provided for New Employees; Section 21353 2%@60 Full Formula)

Dear Requestor:

In the table below, we show your 2012-2013 employer contribution rates before and after opening a second tier.

Of the five rate components, the first three are specific to the pool to which the plan belongs and the last two are specific to your agency. However, the Phase out of Normal Cost Difference will normally be 0% beginning with rates established for 2010-2011, so it has no impact from that time on.

The Side Fund will continue to be paid off by the first tier plan since all the past service on which it is based belongs to those current members who will continue in the first tier. The scheduled dollar amounts payable will continue as before. However, because newly hired members will be covered by the second tier, the number of members and payroll in the first tier will (after several years) gradually decline. The Amortization of Side Fund rate component is the dollars needed to pay off the side fund divided by the payroll. So as long as the Side Fund remains, **the first tier rate will increase as its payroll decreases**. The first tier side fund is scheduled to be paid off after 13 years from June 30, 2012.

Therefore, in determining the employer contributions savings, Amortization of Side Fund should be excluded. For your agency, the ultimate annual employer savings equals the difference between the Normal Cost and Surcharges rates times the second tier payroll. For 2012-2013 the Normal Cost and Surcharges percentage savings is $(9.981\% + 0.653\%) - (6.640\% + 0.465\%) = 3.529\%$. **The ultimate employer annual dollar savings is about 3.5% of the second tier fiscal year payroll.**

The Risk Pool's Payment on Amortization Bases is a temporary adjustment to the pool's contribution to "get the pool back on schedule". This temporary adjustment varies in amount and duration from pool to pool.

As of June 30, 2010	Existing Plan	New Second Tier Plan
	2.7%@55	2%@60 for newly hired members
2012-2013 Employer Contribution Rate:		
Risk Pool's Net Employer Normal Cost	9.981%	6.640%
Risk Pool's Payment on Amortization Bases	4.544%	1.206%
One-Year Final Compensation	0.653%	0.465%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	3.137%	0.000%
Total Employer Contribution Rate	18.315%	8.311%
2012-2013 Employee Contribution Rate	8.000%	7.000%

The employee rate reduction of 1% would begin immediately after you hire your first employee and last indefinitely.

To initiate an amendment to the contract, please follow the Contract Amendment Report process on MyCalPERS with our Retirement Contract Services Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

The information is based on the June 30, 2010 annual valuation and is good until June 30, 2013. Note, however, that your rate after June 30, 2013 could change substantially. If your agency has not taken action to amend its contract by June 30, 2013, **you must contact the Retirement Contract Services Unit for an updated cost analysis.**

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

The June 30, 2010 Section 2 Risk Pool actuarial valuation report applicable to your new second tier plan can be viewed on the following website:
<http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/risk-pooling/valuation-reports.xml>

If you have questions, please call (888) CalPERS (225-7377).



NANCY E. CAMPBELL, ASA, MAAA
Enrolled Actuary
Supervising Pension Actuary, CalPERS

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch
Public Agency Contract Services
(888) CalPERS (225-7377)

SUMMARY OF MAJOR PROVISIONS

2% @ 60 Formula (Section 21353)
Local Miscellaneous Members

SERVICE RETIREMENT

To be eligible for service retirement, a member must be at least age 50 and have five years of CalPERS credited service. There is no compulsory retirement age.

The monthly retirement allowance is determined by age at retirement, years of service credit and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 60. If retirement is earlier than age 60, the percentage of final compensation decreases for each quarter year of attained age to 1.092% at age 50. If retirement is deferred beyond age 60, the percentage of final compensation increases for each quarter year of attained age to 2.418% at age 63.

Final compensation is the average monthly pay rate during the last consecutive 36 months of employment, or 12 months if provided by the employer's contract, unless the member designates a different period of 36 or 12 consecutive months when the average pay rate was higher.

DISABILITY RETIREMENT

Members substantially incapacitated from performing the usual duties for the position for his/her current employer, and from performing the usual duties of the position for other CalPERS covered employers (including State agencies, schools, and local public agencies), and where similar positions with these other employers with reasonably comparable in pay, benefits, and promotional opportunities are not available, would be eligible for disability retirement provided they have at least five years of service credit. The monthly retirement allowance is 1.8% of final compensation for each year of service. The maximum percentage for members who have between 10.000 and 18.518 years of service credit is one-third of their final compensation. If the member is eligible for service retirement the member will receive the highest allowance payable, service or disability. If provided by the employer's contract, the benefit would be a minimum of 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum benefit of 50% of final compensation.

INDUSTRIAL DISABILITY RETIREMENT

If provided by the employer's contract, members permanently incapacitated from performing their duties, as defined above under Disability Retirement, and the disability is a result of a job-related injury or illness may receive an Industrial Disability Retirement benefit equal to 50% of their final compensation. If provided in the employer's contract and the member is totally disabled, the disability retirement allowance would equal 75% of final compensation in lieu of the disability retirement allowance otherwise provided. If the member is eligible for service retirement, the service retirement allowance is payable. The total allowance cannot exceed 90% of final compensation.

PRE-RETIREMENT DEATH BENEFITS

Basic Death Benefit: This benefit is a refund of the member's contributions plus interest and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months).

1957 Survivor Benefit: An eligible beneficiary may elect to receive either the Basic Death Benefit or the 1957 Survivor Benefit. The 1957 Survivor Benefit provides a monthly allowance equal to one-half of the highest service retirement allowance the member would have received had he/she retired on the date of death. The 1957 Survivor Benefit is payable to the surviving spouse or registered domestic partner until death or to eligible unmarried children until age 18.

1959 Survivor Benefit: (If provided by the employer's contract and the member is not covered under social security.) A surviving spouse or registered domestic partner and eligible children may receive a monthly allowance as determined by the level of coverage. This benefit is payable in addition to the Basic Death Benefit or 1957 Survivor Benefit. Children are eligible if under age 22 and unmarried.

Pre-Retirement Optional Settlement 2 Death Benefit: (If provided by the employer's contract.) The spouse or registered domestic partner of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit in lieu of the lump sum Basic Death Benefit. The benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2, the highest monthly allowance a member can leave a spouse or registered domestic partner.

COST-OF-LIVING ADJUSTMENTS

The cost of living allowance increases are limited to a maximum of 2% compounded annually unless the employer's contract provides a 3, 4, or 5% increase.

DEATH AFTER RETIREMENT

The lump sum death benefit is \$500 (or \$600, \$2,000, \$3,000, \$4,000 or \$5,000 if provided by the employer's contract) regardless of the retirement plan chosen by the member at the time of retirement.

TERMINATION OF EMPLOYMENT

Members who have separated from employment may elect to leave their contributions on deposit or request a refund of contributions and interest. Those who leave their contributions on deposit may apply at a later date for a monthly retirement allowance if the minimum service and age requirements are met. Members who request a refund of their contributions terminate their membership and are not eligible for any future benefits unless they return to CalPERS membership.

EMPLOYEE CONTRIBUTIONS

Miscellaneous members covered by the 2% @ 60 formula contribute 7% of reportable earnings. Those covered under a modified formula (coordinated with Social Security) do not contribute on the first \$133.33 earned.

The employer also contributes toward the cost of the benefits. The amount contributed by the employer for current service retirement benefits generally exceeds the cost to the employee. In addition, the employer bears the entire cost of prior service benefits (the period of time before the employer provided retirement coverage under CalPERS). All employer contribution rates are subject to adjustment by the CalPERS Board of Administration.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch

Public Agency Contract Services

P.O. Box 942709

Sacramento, CA 94229-2709

(888) CalPERS (225-7377)

CERTIFICATION OF GOVERNING BODY'S ACTION

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

_____ of the
(governing body)

(public agency)

on _____.
(date)

Clerk/Secretary

Title

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 7507**

I hereby certify that in accordance with Section 7507 of the Government Code
the future annual costs as determined by the System Actuary for the
increase/change in retirement benefit(s) have been made public at a public meeting
of the

_____ of the
(governing body)

(public agency)

on _____ which is at least two weeks prior to the adoption of the
(date)

Resolution / Ordinance.

Adoption of the retirement benefit increase/change will not be placed on the consent
calendar.

Clerk/Secretary

Title

Date _____

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 20475**

I hereby certify that the _____ of the
(governing body)

(public agency)

has fully discharged all of the obligation imposed by Chapter 10 (commencing with
Section 3500) of Division 4 of Title 1, Government Code.

By _____

Title

Witness

Date



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

Agenda

Item No. 4b

JOINT MEETING OF THE
BUDGET DEVELOPMENT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.7 (PC 50101)

November 14, 2012

SUBJECT:

FY 2012 SDTC PENSION ACTUARIAL VALUATION

RECOMMENDATION:

That the Budget Development Committee (BDC) receive a report on the valuation results of the San Diego Transit Corporation (SDTC) Pension Plan and provide recommendations to the MTS Board of Directors on the MTS contribution rates for the Plan affecting the FY14 operating budget. Also receive a report and provide guidance on alternatives for the future actuarial valuations.

Budget Impact

Varies based upon varying methodologies.

DISCUSSION:

Robert T. McCrory, FSA from EFI Actuaries will first present to the Budget Development Committee the San Diego Transit Corporation Pension Plan valuation results for FY12. This valuation report will affect the MTS contribution rate in the FY14 operating budget. Second, Mr. McCrory will provide recommended changes / alternatives for the valuation of the Plan going forward. He will discuss plan costs and structure, and GASB and California Actuarial Advisory Panel (CAAP) developments. Changes to the valuation process will affect the July 1, 2013 Plan valuation and the FY15 MTS operating budget.

A handwritten signature in black ink, appearing to read 'Paul C. Jablonski', is written over a horizontal line.

Paul C. Jablonski



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Chief Executive Officer

Key Staff Contact: Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Preliminary Actuarial Valuation Results as of July 1, 2012



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 Seattle, WA 98112
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ROBERT T. MCCRORY | *Executive Vice President*

October 10, 2012

Mr. Clifford J. Telfer
 Vice President of Finance and Administration
 San Diego Transit
 1255 Imperial Avenue, Suite 1000
 San Diego, CA 92101

Re: Preliminary Actuarial Valuation Results

Dear Cliff:

The actuarial valuation of the Retirement Plans of San Diego Transit Corporation (the Plan, the Corporation) as of July 1, 2012 is currently being prepared. This letter presents some preliminary calculations of the actuarial cost of the Plan and the required District contributions for the 2013-14 fiscal year.

Missing from these calculations is the effect of changes in Plan provisions due to ongoing labor negotiations and the impact of the recently passed California Public Employees' Pension Reform Act of 2013 (PEPRA, AB 340). The impacts of the labor negotiations and AB 340 are expected to be substantial, affecting benefits, actuarial assumptions, the funding method, liabilities, and Plan cost. More will be said on these issues below.

The costs and contributions contained in this letter are based on member and financial data as of July 1, 2012. Benefit provisions for all members are assumed to be unchanged from those in effect a year ago, and no changes have been made in actuarial methods or assumptions.

Actuarial Experience During 2011-12

We first consider in the table below the Plan's actuarial experience during 2011-12.

	Cost in Dollars	Cost as % of Payroll
July 1, 2011	\$ 9,995,241	30.686%
Expected change in cost based on prior valuation and deferred investment gains/losses	534,835	1.772%
Change in cost due to investment experience from July 1, 2011 through June 30, 2012	278,041	0.857%
Change in cost due to demographic and salary experience	(25,235)	0.643%
Change in cost due to entry of new hires into the Plan since the prior valuation	212,663	(1.030%)
July 1, 2012	\$ 10,995,545	32.928%

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The nation's leader in plan-specific, interactive asset allocation optimization counseling
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In reviewing the experience of the past year, we can see that it continues to be dominated by investments. Plan cost increased by almost exactly \$1 million, of which about 80% was due to a combination of the continued recognition of 2008-09 asset losses and a loss of 3.4% on assets during the past year. New Plan members increased covered payroll by \$1.6 million, adding a bit over \$200,000 to the Corporation contribution.

Please note that the results above are preliminary and have not been reviewed in our internal audit process.

Plan Changes

As noted above, two major events will influence the design and funding of the Plan in the future. First, we understand that labor negotiations have taken place with regard to Plan benefits. Second, the passage of AB 340 has changed the pension landscape in California.

These events have raised a number of issues that need to be resolved before we can complete the valuation. Three of these are listed below:

1. When last we heard, negotiations with the ATU had not been completed. If they have been concluded, can you provide us with the benefit provisions agreed to?
2. Have you discussed with your legal counsel whether your Plan falls under the ambit of AB 340? If it does, will this affect the future Plan provisions?
3. During 2011-12 the income statement listed employee contributions. We assume that some changes have been made to require or permit such contributions. Could you please provide us with details?

Other questions will undoubtedly arise as we proceed, but this will serve as a start. Perhaps the best approach would be to call me and fill me in on the general situation there. Then we can decide how to proceed.

I hope this is helpful. I look forward to hearing from you.

Sincerely,



Robert T. McCrory, FSA
Executive Vice President



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
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Agenda

Item No. 4c

JOINT MEETING OF THE
BUDGET DEVELOPMENT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.7 (PC 50101)

November 14, 2012

SUBJECT:

FY 2013 OPERATING BUDGET UPDATE

RECOMMENDATION:

That the Budget Development Committee receives an updated budgetary report and provides guidance on issues / policy decisions.

Budget Impact

The implementation of the additional security coverage proposal will add approximately \$254,000 to the operating budget. The proposed January 2013 service implementation and additional headcount change will work within the constraints of the existing budget and will have no budget impact.

DISCUSSION:

Staff will present to the Budget Development Committee a variety of updates and their potential impacts on the fiscal year 2013 operating budget. Staff will present preliminary results of service increases implemented in June and September 2012, as well as information on additional service proposed for implementation in January 2013. The fiscal year 2013 operating budget included service increases for January 2013 with a subsidy impact of up to \$1.5 million annually.

Staff will also present a proposal for additional security coverage and review an additional headcount change. The Transit Enforcement Department is requesting approval for additional staffing to enhance the MTS security program. The proposal includes ten additional FTE Security Officers and two 8-hour overtime shifts for Code

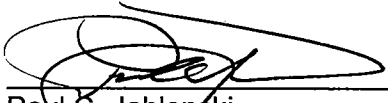


Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB 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.

Compliance personnel. The goals of this task force include expanded late night visibility onboard trains focusing on gang and graffiti activity, crowd control of the high school children, miscellaneous fare evasion and quality of life issues. The proposed additional service will cost approximately \$435,000 annually. This would have a \$254,000 impact on the FY 13 budget.

Staff is also proposing the addition of Contract Administrator position. This position is proposed to exercise contract administration oversight over SDMTS' procurement and service agreements. The Contracts Administrator will assist the Manager of Procurement in ensuring MTS contractors and project managers adhere to contract terms and conditions during contract performance. The position will also assist contract officers and project managers alike in the monitoring and analysis of contract performance through a contract database. MTS will work within the constraints of the existing budget to fund this position and will have no budget impact during FY 13.

Staff will be seeking direction from the Budget Development Committee on policy decision relating to these items.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com



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San Diego, CA 92101-7490
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Agenda

Item No. 4d

JOINT MEETING OF THE
BUDGET DEVELOPMENT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.7 (PC 50101)

November 14, 2012

SUBJECT:

FY 2013 CAPITAL IMPROVEMENT PLAN AMENDMENT

RECOMMENDATION:

That the Budget Development Committee forward a recommendation to the MTS Board to approve the amended FY 2013 Capital Improvement Program.

Budget Impact

This action would increase the FY 2013 Capital Improvement Program budget from \$74,930,000 to \$176,468,000, an increase of \$101,538,000.

DISCUSSION:

Since the FY13 Capital Improvement Plan (CIP) was approved by the MTS Board of Directors, MTS has received additional funding that was not included in the original plan. In total, funding adjustments of just over \$101,538,000 need to be added to the FY13 CIP. The majority of this funding adjustment, \$69,470,000 of the \$101,538,000, is funding earmarked for the Blue Line / Orange Line rehabilitation. The specific funding adjustments are detailed in Attachment A and can be summarized as follows:

- FY10/11 Prop 1B funding received in July - \$69,470,000 (supporting the rehabilitation of the Blue and Orange Lines).
- FY11/12 Prop 1B - Security funding awarded in July - \$2,779,000 (funding 5 security projects).



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- Total net State Transit Assistance (STA) funding increased by \$21,534,000.
 - The BDC and Board provided direction as part of the FY13 Operating Budget process adding FY13 STA to the CIP totaling \$22,228,000. However, \$5,024,000 of this STA was included in the Operating Budget to fund additional service, pay off the Dexia Pension Debt, and to increase the Contingency Reserves as directed by the Board.
 - A revision the FY12 STA amount. The original estimate was \$19,480,000 and the actual was \$18,785,000, resulting in a decrease of \$695,000.
- Federal discretionary State of Good Repair (SGR) funding awarded in July - \$13,000,000 (funding the East County Bus Maintenance Facility (ECBMF) and Transit Asset Management (TAM) system.
- Final numbers received for Federal 5307, 5309, TDA carry-forward, transfers, and Mendoza, Argentina proceeds – decrease of approximately \$220,000.

The majority of the additional funding is dedicated to specific projects. The complete list of projects and the funding per project is included in Attachment B. Below is a summary of the adjustments by project for the dedicated funding:

- LRV Procurement - Increasing the FY13 expenditures to include the \$69,470,000 of Prop 1B (as mentioned above) and \$15,450,000 of STA for MTS's share of the 8 additional LRV cars, bringing the total number of cars to 65.
- ECBMF - This project was fully funded with STA. Since MTS had funded ECBMF with STA funds, the \$10,000,000 in SGR allows MTS to free up \$10,000,000 in STA for other projects (see below for details of the project allocations).
- TAM System - This project is added as a result of the SGR award, \$3,000,000 in SGR money and \$750,000 in local match.
- Five security projects funded with FY11/12 Prop 1B - Security, \$2,779,000 in total, were incorporated as per the Security Grant Program project approvals.

A total of \$10,089,000 in funding remains to be allocated. The staff proposal for this remainder is as follows:

- Bus Replacement - Adding \$7,749,000 of funding to this project.
- Substation SCADA Design - The funding for this project was spread across multiple fiscal years, however SANDAG has requested \$1,200,000 in additional funding to this project in FY13.
- Miscellaneous Capital - Adding \$1,000,000 to this project, in anticipation of small projects arising out of the Blue Line rehabilitation.
- SDSU Monitoring System - This project requires another \$80,000 in funding for the contract for the iLon portion of this project.
- System Rail, Ties and Ballast - This project requires another \$60,000 to complete the JOC project at San Miguel crossing.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Fiscal Year 2013 Funding Sources
B. Fiscal Year 2013 Capital Improvement Projects List

San Diego Metropolitan Transit System FY 2013 Funding Sources (\$000s)

Funding Description	Approved FY13	Adjustments	Proposed FY13
Federal FY12 - 5307 Funding Estimate	\$ 39,952		\$ 39,952
FY11 - 5307 Carryforward from FY12 grant	901		901
Federal FY12 - 5309 Funding Estimate	13,437		13,437
Transportation Development Act (TDA)	31,300		31,300
Proposition 1B	15,723	69,470	85,193
Proposition 1B - Security	2,779	2,779	5,558
California State Transit Assistance (STA)	19,480	21,534	41,014
State of Good Repair Grants (SGR)	-	13,000	13,000
Mendoza U2 Sale Proceeds	2,841	484	3,325
Compressed Natural Gas (CNG) Tax Credits	1,573		1,573
Project Transfers	4,924	(704)	4,220
Total Available Funding	\$ 132,910	\$ 106,562	\$ 239,472
Preventive Maintenance - Federal 5307	(19,763)		(19,763)
ADA Preventive Maintenance -Federal 5307	(3,995)		(3,995)
SANDAG Planning Study - Federal 5307	(729)		(729)
Preventive Maintenance - Federal 5309	(13,437)		(13,437)
Preventive Maintenance - FY13 TDA Match	(8,300)		(8,300)
SANDAG Planning Study - FT13 TDA Match	(182)		(182)
Operations Usage - \$5.0M TDA; \$1.5M CNG Credits; \$2.4M STA	(6,573)	(2,424)	(8,997)
Variable Pension Obligation Bonds (Dexia)	(5,000)	(2,600)	(7,600)
Total Preventative Maintenance/SANDAG Planning	\$ (57,980)	\$ (5,024)	\$ (63,004)
Available Funding for FY 13 Capital Program	\$ 74,930	\$ 101,538	\$ 176,468

**San Diego Metropolitan Transit System
Capital Improvement Program - Project List
Fiscal Year 2013**

Att. B, AI 4d, 11/14/2012

Project Description	Funding Thru FY 2012	FY 2013 Funded	FY 2013 Unfunded	FY 2014	FY 2015	FY 2016	FY 2017	Budget FY13 - FY17
LRV Procurement	43,313	100,643		31,038	31,038			162,719
EC Facility Redevelopment	19,117	25,890						25,890
MTS Bys Replacement	19,657	24,438	2,551	19,970	20,325	20,700	19,745	101,729
Transit Asset Management System (TAM)		37,750						37,750
Paratransit Vehicles	3,871	2,940	320	2,530	2,175	1,800	2,755	12,520
Substation SCADA Design	1,000	1,846						1,846
New ERP System	1,300	1,300		750	725			2,775
Misc. Capital								1,250
CCTV System Upgrade	1,041	1,250						1,050
RTMS South Bay and East County Divisions	2,235	1,000		1,900				2,900
Mainline Drainage and Slope Improvements	403	991						991
SDSU Monitoring System		860						860
Video Surveillance System for New Buses		731						731
SD100 Traction Motor overhaul		660		1,135	1,135	1,135	1,135	5,200
S70 Passenger Window Retrofit		660						660
New Wheel Truing Machine - construction	2,200	650						650
Network Infrastructure	380	510						510
Video Surveillance System for ADA/Paratransit Vehicles		505						505
MVE / Orange Line Signal Print Verification & Revisions		500						500
PCIDs For Station Renewal		495						495
SDTC Security Improvement		465						465
Barrier System at SYTC		458						458
CCI Handheld Units		458						458
Fiber Optics Link		400						400
Blue Line Wireless Nodes		400						400
Light Rail Vehicle Electronic Components	1,180	360				180		540
SD100 Operator Seats Replacement		325						325
ADA and Rural RCS Radio Replacement		320						320
LRV Brake Overhaul	2,225	300		800	800	1,200	1,200	4,300
Operations Control Center upgrade		293						293
C Street Traffic Signals	-	292						292
Elevator and Escalator Modifications	250	250		150	200			600
Substation Rehabilitation (Standardization)	5,498	250						250
Roof replacement on Builds B and C		200						200
Rail Grinding	1,648	190						190
Facilities Station Cleaning Equipment Replacement		150						150
LRV Body Rehabilitation	2,960	140						140
Building "A" Air-condition and Heater Replacement	125	140						140
Transit Store Security Improvement		100						100
TransitWatch re-write		75						75

San Diego Metropolitan Transit System
Capital Improvement Program - Project List
Fiscal Year 2013

Att. B, AI 4d, 11/14/2012

Project Description	Funding Thru FY 2012	FY 2013 Funded	FY 2013 Unfunded	FY 2014	FY 2015	FY 2016	FY 2017	Budget FY13 - FY17
<i>System rail, ties and ballast</i>	<i>1,295</i>	<i>60</i>		<i>110</i>	<i>110</i>	<i>110</i>	<i>110</i>	<i>500</i>
MTS (IAD) Server Room HVAC Improvements		60						60
Building A Rollup Door Replacements	50	50						50
Track Tamping Machine Upgrade		30						30
Portable Compressor		20						20
Electric Utility Shop Vehicle		15						15
LED Interior / Exterior Lighting Upgrade SD100			1,470					1,470
OCS Standardization	1,740		975					975
System Grade Crossing Replacements			900	900	900	900	900	4,500
IAD HVAC & Roof Repair	209		862	367				1,229
Orange Line Crossing Signal Upgrades			810	1,038	1,038	1,038	1,038	4,962
SD100 Inverters Overhaul			500	500	500	500		2,000
ADA Vehicle Cameras			500					500
SD100 Propulsion System Overhaul			485	485	485			1,456
ADA AVL / MDT Equipment			425					425
Power Yard Switch Automation / Replacement			400	1,300				1,700
Parking Lot Pavement and Striping			300					300
MVE Interlocking Manual Turn Back			265	175				440
Replace Wiggins Forklift 10K Capacity			200					200
S70 Brake Tooling			200					200
Installation Of Interlocking Event Recorders	78		150					150
Sanding / Shop			150					150
Switch Frog and Crossing Diamond Replacement			100	300				400
IAD Generator Power Distribution Upgrades			100					100
Top Bus Stop Improvements			96	80				176
Removal of Commercial Street Switches			75	75	75			225
Service Lanes Compressed Air System			20					20
LRV HVAC Overhaul	3,429			1,200	1,200	1,200	1,200	4,800
Buffer/Coupler Overhaul SD100	980			520	500			1,020
SD100 Traction Motor Disconnects	1,070			500	600			1,100
MTS Service Trucks (3-F450's)	240			330	200			530
LRV Tires	3,630			286	460	432	500	1,678
Santa Fe Depot Operations Improvements				250				250
CNG Compressor Replacement				150	150			300
LRV Gearbox Overhaul	2,500							-
Project Totals	123,624	176,468	11,854	66,839	62,616	29,195	28,583	375,555



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Agenda

Item No. 4b

JOINT MEETING OF THE
BUDGET DEVELOPMENT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.7 (PC 50101)

November 14, 2012

SUBJECT:

FY 2012 SDTC PENSION ACTUARIAL VALUATION

RECOMMENDATION:

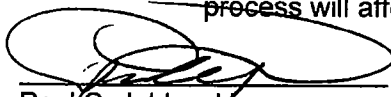
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Budget Impact

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DISCUSSION:

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Paul C. Jablonski

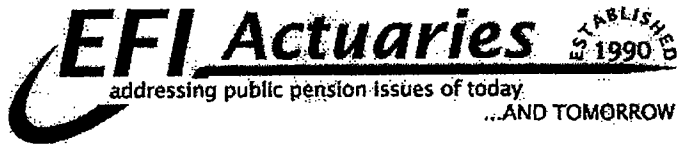


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Chief Executive Officer

Key Staff Contact: Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Preliminary Actuarial Valuation Results as of July 1, 2012



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ROBERT T. MCCRORY | *Executive Vice President*

October 10, 2012

Mr. Clifford J. Telfer
Vice President of Finance and Administration
San Diego Transit
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

Re: Preliminary Actuarial Valuation Results

Dear Cliff:

The actuarial valuation of the Retirement Plans of San Diego Transit Corporation (the Plan, the Corporation) as of July 1, 2012 is currently being prepared. This letter presents some preliminary calculations of the actuarial cost of the Plan and the required District contributions for the 2013-14 fiscal year.

Missing from these calculations is the effect of changes in Plan provisions due to ongoing labor negotiations and the impact of the recently passed California Public Employees' Pension Reform Act of 2013 (PEPRA, AB 340). The impacts of the labor negotiations and AB 340 are expected to be substantial, affecting benefits, actuarial assumptions, the funding method, liabilities, and Plan cost. More will be said on these issues below.

The costs and contributions contained in this letter are based on member and financial data as of July 1, 2012. Benefit provisions for all members are assumed to be unchanged from those in effect a year ago, and no changes have been made in actuarial methods or assumptions.

Actuarial Experience During 2011-12

We first consider in the table below the Plan's actuarial experience during 2011-12.

	Cost in Dollars	Cost as % of Payroll
July 1, 2011	\$ 9,995,241	30.686%
Expected change in cost based on prior valuation and deferred investment gains/losses	534,835	1.772%
Change in cost due to investment experience from July 1, 2011 through June 30, 2012	278,041	0.857%
Change in cost due to demographic and salary experience	(25,235)	0.643%
Change in cost due to entry of new hires into the Plan since the prior valuation	212,663	(1.030%)
July 1, 2012	\$ 10,995,545	32.928%

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WASHINGTON, DC ■ PHILADELPHIA ■ SEATTLE ■ SAN FRANCISCO

Mr. Clifford J. Telfer
October 10, 2012

Page 2

In reviewing the experience of the past year, we can see that it continues to be dominated by investments. Plan cost increased by almost exactly \$1 million, of which about 80% was due to a combination of the continued recognition of 2008-09 asset losses and a loss of 3.4% on assets during the past year. New Plan members increased covered payroll by \$1.6 million, adding a bit over \$200,000 to the Corporation contribution.

Please note that the results above are preliminary and have not been reviewed in our internal audit process.

Plan Changes

As noted above, two major events will influence the design and funding of the Plan in the future. First, we understand that labor negotiations have taken place with regard to Plan benefits. Second, the passage of AB 340 has changed the pension landscape in California.

These events have raised a number of issues that need to be resolved before we can complete the valuation. Three of these are listed below:

1. When last we heard, negotiations with the ATU had not been completed. If they have been concluded, can you provide us with the benefit provisions agreed to?
2. Have you discussed with your legal counsel whether your Plan falls under the ambit of AB 340? If it does, will this affect the future Plan provisions?
3. During 2011-12 the income statement listed employee contributions. We assume that some changes have been made to require or permit such contributions. Could you please provide us with details?

Other questions will undoubtedly arise as we proceed, but this will serve as a start. Perhaps the best approach would be to call me and fill me in on the general situation there. Then we can decide how to proceed.

I hope this is helpful. I look forward to hearing from you.

Sincerely,



Robert T. McCrory, FSA
Executive Vice President



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

Agenda

Item No. 4c

JOINT MEETING OF THE
BUDGET DEVELOPMENT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.7 (PC 50101)

November 14, 2012

SUBJECT:

FY 2013 OPERATING BUDGET UPDATE

RECOMMENDATION:

That the Budget Development Committee receives an updated budgetary report and provides guidance on issues / policy decisions.

Budget Impact

The implementation of the additional security coverage proposal will add approximately \$254,000 to the operating budget. The proposed January 2013 service implementation and additional headcount change will work within the constraints of the existing budget and will have no budget impact.

DISCUSSION:

Staff will present to the Budget Development Committee a variety of updates and their potential impacts on the fiscal year 2013 operating budget. Staff will present preliminary results of service increases implemented in June and September 2012, as well as information on additional service proposed for implementation in January 2013. The fiscal year 2013 operating budget included service increases for January 2013 with a subsidy impact of up to \$1.5 million annually.

Staff will also present a proposal for additional security coverage and review an additional headcount change. The Transit Enforcement Department is requesting approval for additional staffing to enhance the MTS security program. The proposal includes ten additional FTE Security Officers and two 8-hour overtime shifts for Code




Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB 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.

Compliance personnel. The goals of this task force include expanded late night visibility onboard trains focusing on gang and graffiti activity, crowd control of the high school children, miscellaneous fare evasion and quality of life issues. The proposed additional service will cost approximately \$435,000 annually. This would have a \$254,000 impact on the FY 13 budget.

Staff is also proposing the addition of Contract Administrator position. This position is proposed to exercise contract administration oversight over SDMTS' procurement and service agreements. The Contracts Administrator will assist the Manager of Procurement in ensuring MTS contractors and project managers adhere to contract terms and conditions during contract performance. The position will also assist contract officers and project managers alike in the monitoring and analysis of contract performance through a contract database. MTS will work within the constraints of the existing budget to fund this position and will have no budget impact during FY 13.

Staff will be seeking direction from the Budget Development Committee on policy decision relating to these items.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com



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

Agenda

Item No. 4d

JOINT MEETING OF THE
BUDGET DEVELOPMENT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.7 (PC 50101)

November 14, 2012

SUBJECT:

FY 2013 CAPITAL IMPROVEMENT PLAN AMENDMENT

RECOMMENDATION:

That the Budget Development Committee forward a recommendation to the MTS Board to approve the amended FY 2013 Capital Improvement Program.

Budget Impact

This action would increase the FY 2013 Capital Improvement Program budget from \$74,930,000 to \$176,468,000, an increase of \$101,538,000.

DISCUSSION:

Since the FY13 Capital Improvement Plan (CIP) was approved by the MTS Board of Directors, MTS has received additional funding that was not included in the original plan. In total, funding adjustments of just over \$101,538,000 need to be added to the FY13 CIP. The majority of this funding adjustment, \$69,470,000 of the \$101,538,000, is funding earmarked for the Blue Line / Orange Line rehabilitation. The specific funding adjustments are detailed in Attachment A and can be summarized as follows:

- FY10/11 Prop 1B funding received in July - \$69,470,000 (supporting the rehabilitation of the Blue and Orange Lines).
- FY11/12 Prop 1B - Security funding awarded in July - \$2,779,000 (funding 5 security projects).



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- Total net State Transit Assistance (STA) funding increased by \$21,534,000.
 - The BDC and Board provided direction as part of the FY13 Operating Budget process adding FY13 STA to the CIP totaling \$22,228,000. However, \$5,024,000 of this STA was included in the Operating Budget to fund additional service, pay off the Dexia Pension Debt, and to increase the Contingency Reserves as directed by the Board.
 - A revision the FY12 STA amount. The original estimate was \$19,480,000 and the actual was \$18,785,000, resulting in a decrease of \$695,000.
- Federal discretionary State of Good Repair (SGR) funding awarded in July - \$13,000,000 (funding the East County Bus Maintenance Facility (ECBMF) and Transit Asset Management (TAM) system).
- Final numbers received for Federal 5307, 5309, TDA carry-forward, transfers, and Mendoza, Argentina proceeds – decrease of approximately \$220,000.

The majority of the additional funding is dedicated to specific projects. The complete list of projects and the funding per project is included in Attachment B. Below is a summary of the adjustments by project for the dedicated funding:

- LRV Procurement - Increasing the FY13 expenditures to include the \$69,470,000 of Prop 1B (as mentioned above) and \$15,450,000 of STA for MTS's share of the 8 additional LRV cars, bringing the total number of cars to 65.
- ECBMF - This project was fully funded with STA. Since MTS had funded ECBMF with STA funds, the \$10,000,000 in SGR allows MTS to free up \$10,000,000 in STA for other projects (see below for details of the project allocations).
- TAM System - This project is added as a result of the SGR award, \$3,000,000 in SGR money and \$750,000 in local match.
- Five security projects funded with FY11/12 Prop 1B - Security, \$2,779,000 in total, were incorporated as per the Security Grant Program project approvals.

A total of \$10,089,000 in funding remains to be allocated. The staff proposal for this remainder is as follows:

- Bus Replacement - Adding \$7,749,000 of funding to this project.
- Substation SCADA Design - The funding for this project was spread across multiple fiscal years, however SANDAG has requested \$1,200,000 in additional funding to this project in FY13.
- Miscellaneous Capital - Adding \$1,000,000 to this project, in anticipation of small projects arising out of the Blue Line rehabilitation.
- SDSU Monitoring System - This project requires another \$80,000 in funding for the contract for the iLon portion of this project.
- System Rail, Ties and Ballast - This project requires another \$60,000 to complete the JOC project at San Miguel crossing.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Fiscal Year 2013 Funding Sources
B. Fiscal Year 2013 Capital Improvement Projects List

San Diego Metropolitan Transit System

FY 2013 Funding Sources (\$000s)

Funding Description	Approved FY13	Adjustments	Proposed FY13
Federal FY12 - 5307 Funding Estimate	\$ 39,952		\$ 39,952
FY11 - 5307 Carryforward from FY12 grant	901		901
Federal FY12 - 5309 Funding Estimate	13,437		13,437
Transportation Development Act (TDA)	31,300		31,300
Proposition 1B	15,723	69,470	85,193
Proposition 1B - Security	2,779	2,779	5,558
California State Transit Assistance (STA)	19,480	21,534	41,014
State of Good Repair Grants (SGR)	-	13,000	13,000
Mendoza U2 Sale Proceeds	2,841	484	3,325
Compressed Natural Gas (CNG) Tax Credits	1,573		1,573
Project Transfers	4,924	(704)	4,220
Total Available Funding	\$ 132,910	\$ 106,562	\$ 239,472
Preventive Maintenance - Federal 5307			
ADA Preventive Maintenance - Federal 5307	\$ (19,763)		\$ (19,763)
SANDAG Planning Study - Federal 5307	(3,995)		(3,995)
Preventive Maintenance - Federal 5309	(729)		(729)
Preventive Maintenance - FY13 TDA Match	(13,437)		(13,437)
SANDAG Planning Study - FT13 TDA Match	(8,300)		(8,300)
Operations Usage - \$5.0M TDA; \$1.5M CNG Credits; \$2.4M STA	(182)		(182)
Variable Pension Obligation Bonds (Dexia)	(6,573)	(2,424)	(8,997)
	(5,000)	(2,600)	(7,600)
Total Preventative Maintenance/SANDAG Planning	\$ (57,980)	\$ (5,024)	\$ (63,004)
Available Funding for FY 13 Capital Program	\$ 74,930	\$ 101,538	\$ 176,468

**San Diego Metropolitan Transit System
Capital Improvement Program - Project List
Fiscal Year 2013**

Att. B, AI 4d, 11/14/2012

Project Description	Funding Thru FY 2012	FY 2013 Funded	FY 2013 Unfunded	FY 2014	FY 2015	FY 2016	FY 2017	Budget FY13 - FY17
EC Facility Redevelopment	19,117	25,890		31,038	61,038			162,719
WTS Bus Replacement	19,657	24,438	2,537	19,970	20,326	20,700	19,745	107,729
Transit Asset Management System (TAMS)		3,760						3,760
Paratransit Vehicles	3,871	2,940	320	2,530	2,175	1,800	2,755	12,520
Suburban Station Design	1,000	1,345						1,846
New ERP System	1,300	1,300		750	725			2,775
WTS Capital	1,000	1,250						1,250
CCV System Upgrade		1,050						1,050
RTMS South Bay and East County Divisions	2,235	1,000		1,900				2,900
Mainline Drainage and Slope Improvements	403	991						991
SDCT Surveillance System		360						860
Video Surveillance System for New Buses		731						731
SD100 Traction Motor overhaul		660		1,135	1,135	1,135	1,135	5,200
S70 Passenger Window Retrofit		660						660
New Wheel Truing Machine - construction	2,200	650						650
Network Infrastructure	380	510						510
ADA Compliance System for ADA Paratransit Vehicles		505						505
MVE / Orange Line Signal Print Verification & Revisions		500						500
PCIDs For Station Renewal		495						495
SDCT Shopbay Improvement		465						465
Barrier System at SYTC		458						458
CCI Handheld Units		458						458
Fiber Optics Link		400						400
Blue Line Wireless Nodes		400						400
Light Rail Vehicle Electronic Components	1,180	360				180		540
SD100 Operator Seats Replacement		325						325
ADA and Rural RCS Radio Replacement		320						320
LRV Brake Overhaul	2,225	300		800	800	1,200	1,200	4,300
Stations Control Center Upgrade		293						293
C Street Traffic Signals	-	292						292
Elevator and Escalator Modifications	250	250		150	200			600
Substation Rehabilitation (Standardization)	5,498	250						250
Roof replacement on Builds B and C		200						200
Rail Grinding	1,648	190						190
Facilities Station Cleaning Equipment Replacement		150						150
LRV Body Rehabilitation	2,960	140						140
Building "A" Air-condition and Heater Replacement	125	140						140
Transit Store Security Improvement		100						100
TransitWatch re-write		75						75

San Diego Metropolitan Transit System
Capital Improvement Program - Project List
Fiscal Year 2013

Att. B, A14d, 11/14/2012

Project Description	Funding Thru FY 2012	FY 2013 Funded	FY 2013 Unfunded	FY 2014	FY 2015	FY 2016	FY 2017	Budget FY13 - FY17
System rail ties and ballast	1,295	60		110	110	110	110	500
MTS (IAD) Server Room HVAC Improvements		60						60
Building A Rollup Door Replacements	50	50						50
Track Tamping Machine Upgrade		30						30
Portable Compressor		20						20
Electric Utility Shop Vehicle		15						15
LED Interior / Exterior Lighting Upgrade SD100			1,470					1,470
OCS Standardization	1,740		975					975
System Grade Crossing Replacements			900	900	900	900	900	4,500
IAD HVAC & Roof Repair	209		862	367				1,229
Orange Line Crossing Signal Upgrades			810	1,038	1,038	1,038	1,038	4,962
SD100 Inverters Overhaul			500	500	500			2,000
ADA Vehicle Cameras			500					500
SD100 Propulsion System Overhaul			485	485	485			1,456
ADA AVL / MDT Equipment			425					425
Power Yard Switch Automation / Replacement			400	1,300				1,700
Parking Lot Pavement and Striping			300					300
MVE Interlocking Manual Turn Back			265	175				440
Replace Wiggins Forklift 10K Capacity			200					200
S70 Brake Tooling			200					200
Installation Of Interlocking Event Recorders	78		150					150
Sanding / Shop			150					150
Switch Frog and Crossing Diamond Replacement			100	300				400
IAD Generator Power Distribution Upgrades			100					100
Top Bus Stop Improvements			96	80				176
Removal of Commercial Street Switches			75	75	75			225
Service Lanes Compressed Air System			20					20
LRV HVAC Overhaul	3,429			1,200	1,200	1,200	1,200	4,800
Buffer/Coupler Overhaul SD100	980			520	500			1,020
SD100 Traction Motor Disconnects	1,070			500	600			1,100
MTS Service Trucks (3-F450's)	240			330	200			530
LRV Tires	3,630			286	460	432	500	1,678
Santa Fe Depot Operations Improvements				250				250
CNG Compressor Replacement				150	150			300
LRV Gearbox Overhaul	2,500							-
Project Totals	123,624	176,468	11,854	66,839	62,616	29,195	28,583	375,555



AGENDA ITEM NO.

4C

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT)
TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM

1. INSTRUCTIONS

This Request to Speak form must be filled out and submitted in advance of the discussion of your item to the Clerk (please attach any written statement to this form). Communications on hearings and agenda items are generally limited to three minutes per person unless the Committee authorizes additional time; however, the Chairperson may limit comment to one or two minutes each if there are multiple requests to speak on a particular item. General public comments on items not on the agenda are limited to three minutes. Please be brief and to the point. No yielding of time is allowed. Subjects of previous hearings or agenda items may not again be addressed under General Public Comments.

(PLEASE PRINT)

DATE	11-14-12
Name	Maria Cortez
Address	4236 Marlborough Ave
Telephone	(619) 283-7815
Organization Represented	MIDCITY SAY-ITCH
Subject of Your Remarks	School Bus passes
Regarding Agenda Item No.	4C
Your Comments Present a Position of:	<input checked="checked" type="checkbox"/> SUPPORT <input type="checkbox"/> OPPOSITION

2. TESTIMONY AT NOTICED PUBLIC HEARINGS

At Public Hearings of the Board, persons wishing to speak shall be permitted to address the Board on any issue relevant to the subject of the Hearing.

3. DISCUSSION OF AGENDA ITEMS

The Chairman may permit any member of the public to address the Board on any issue relevant to a particular agenda item.

4. GENERAL PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA

Public comment on matters not on the agenda will be limited to five speakers with three minutes each, under the Public Comment Agenda Item. Additional speakers will be heard at the end of the Board's Agenda.

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AGENDA ITEM NO.

4C

REQUEST TO SPEAK FORM

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(PLEASE PRINT)

DATE	Nov. 14, 2012		
Name	Jobana A. Castellon		
Address	3670 Van Dyke Ave. San Diego CA 92105		
Telephone	(619) 408-2198		
Organization Represented	Mid City CAU		
Subject of Your Remarks	Student Bus Passes		
Regarding Agenda Item No.	4C		
Your Comments Present a Position of:	<input checked="" type="checkbox"/>	SUPPORT	<input type="checkbox"/> OPPOSITION

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AGENDA ITEM NO.

4C

REQUEST TO SPEAK FORM

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(PLEASE PRINT)

DATE	11/14/2012
Name	Congressman Bob Filner / Mayor Elect
Address	400 333 F St.
Telephone	619-422-5963
Organization Represented	
Subject of Your Remarks	Bus Pass for students
Regarding Agenda Item No.	
Your Comments Present a Position of:	<input checked="" type="checkbox"/> SUPPORT <input type="checkbox"/> OPPOSITION

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AGENDA ITEM NO.

4C

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

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(PLEASE PRINT)

DATE	10/14/12			
Name	Richard	Barrera		
Address	1732	Granada Ave, SD 92102		
Telephone	619-937-	8619		
Organization Represented	SD Unified School Dist.			
Subject of Your Remarks	Transit Passes for Students			
Regarding Agenda Item No.	4C			
Your Comments Present a Position of:	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> SUPPORT	<input type="checkbox"/> OPPOSITION

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BUDGET DEVELOPMENT COMMITTEE

RESOLUTION TO AMEND

MANAGEMENT PENSION FORMULA

NOVEMBER 14, 2012



Budget Development Committee

Executive Summary

- MTS currently offers 2.7% at age 55 pension through CalPERS
- During budget development in June, staff was directed to implement a second-tier 2% at age 60 pension formula for employees not yet hired.



Budget Development Committee

- In August, the California Public Employees' Pension Reform Act of 2013 (PEPRA) was enacted with a January 1, 2013 effective date.
- Applies to all public agencies that offer governmental pension plans, including MTS and its subsidiaries SDTC and SDTI
- Designed to control costs by requiring employee contributions, reducing benefit levels...



Budget Development Committee

PEPRA contains several vague requirements. While all of the terms are not yet fully understood, the primary provisions that affect MTS require:

- 2% formula for new hires beginning January 1, 2013, instead of the 2% formula that the Board authorized
- employee cost-sharing up to 50% of “normal cost”



Budget Development Committee

- The majority of PEPRA's provisions are consistent with the pension reform initiatives we set in motion prior to this legislation.
- However, there is a loophole in the law that we need to close.



Budget Development Committee

- New hires who were members of CalPERS or a reciprocal pension plan prior to December 31, 2012, would be eligible for the pension plan MTS had in effect on December 31, 2012, even if those employees are hired 10 years from now
- To close the loophole, we must modify our pension formula prior to Dec. 31, 2012



Budget Development Committee

Necessary Next Steps:

- Step 1, which has been completed, was receiving a special valuation from CalPERS that discloses the costs or savings related to the benefit change that is being considered (Attachment A).

Budget Development Committee

Necessary Next Steps:

- Step 2, which is the subject of today's requested action, is having the Board of Directors adopt Resolution No. 12-17 (Attachment B) authorizing the contract amendment required for implementation of the 2% at 60 years pension formula for new MTS employees.



Budget Development Committee

Necessary Next Steps:

- Step 3, the Board of Directors will be asked to adopt a final resolution authorizing the requested contract amendment with CalPERS at the December 13, 2012 Board meeting.



Budget Development Committee

- Effective January 1, 2013, MTS will offer the 2%@62 pension formula, required by PEPRA
- Staff is continuing to evaluate and seek guidance on the new PEPRA legislation, and future updates will be provided to the Board as they become available.



Budget Development Committee

Recommendation:

We ask that the Board of Directors adopt Resolution No. 12-17 (Attachment A) establishing a new MTS employee pension formula of 2% at 60.



BUDGET DEVELOPMENT COMMITTEE

RESOLUTION TO AMEND

MANAGEMENT PENSION FORMULA

NOVEMBER 14, 2012



Budget Development Committee

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- However, there is a loophole in the law that we need to close.

Budget Development Committee

- New hires who were members of CalPERS or a reciprocal pension plan prior to December 31, 2012, would be eligible for the pension plan MTS had in effect on December 31, 2012, even if those employees are hired 10 years from now
- To close the loophole, we must modify our pension formula prior to Dec. 31, 2012



Budget Development Committee

Necessary Next Steps:

- Step 1, which has been completed, was receiving a special valuation from CalPERS that discloses the costs or savings related to the benefit change that is being considered (Attachment A).

Budget Development Committee

Necessary Next Steps:

- Step 2, which is the subject of today's requested action, is having the Board of Directors adopt Resolution No. 12-17 (Attachment B) authorizing the contract amendment required for implementation of the 2% at 60 years pension formula for new MTS employees.



Budget Development Committee

Necessary Next Steps:

- Step 3, the Board of Directors will be asked to adopt a final resolution authorizing the requested contract amendment with CalPERS at the December 13, 2012 Board meeting.



Budget Development Committee

- Effective January 1, 2013, MTS will offer the 2%@62 pension formula, required by PEPRA
- Staff is continuing to evaluate and seek guidance on the new PEPRA legislation, and future updates will be provided to the Board as they become available.



Budget Development Committee

Recommendation:

We ask that the Board of Directors adopt Resolution No. 12-17 (Attachment A) establishing a new MTS employee pension formula of 2% at 60.



Retirement Plans of San Diego Transit Corporation

1

Actuarial Valuation and Outlook

ACTUARIAL VALUATION JUNE 30, 2012
EFFECT OF NEGOTIATED PLAN CHANGES AND AB 340

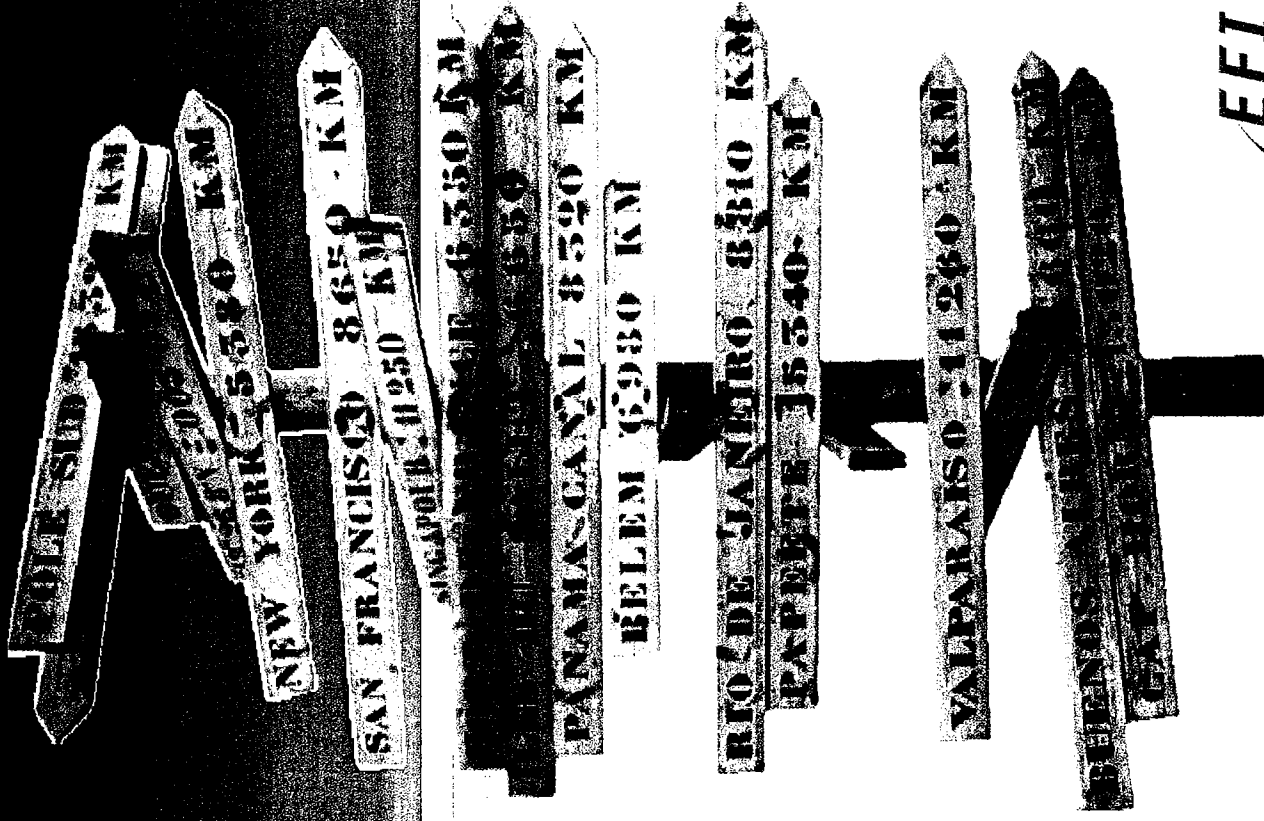
BOB MCCRORY, FSA
EFI ACTUARIES



Where are we going?

2

- Cost is decreasing
- Funding levels are decreasing as well
- How we can change that result



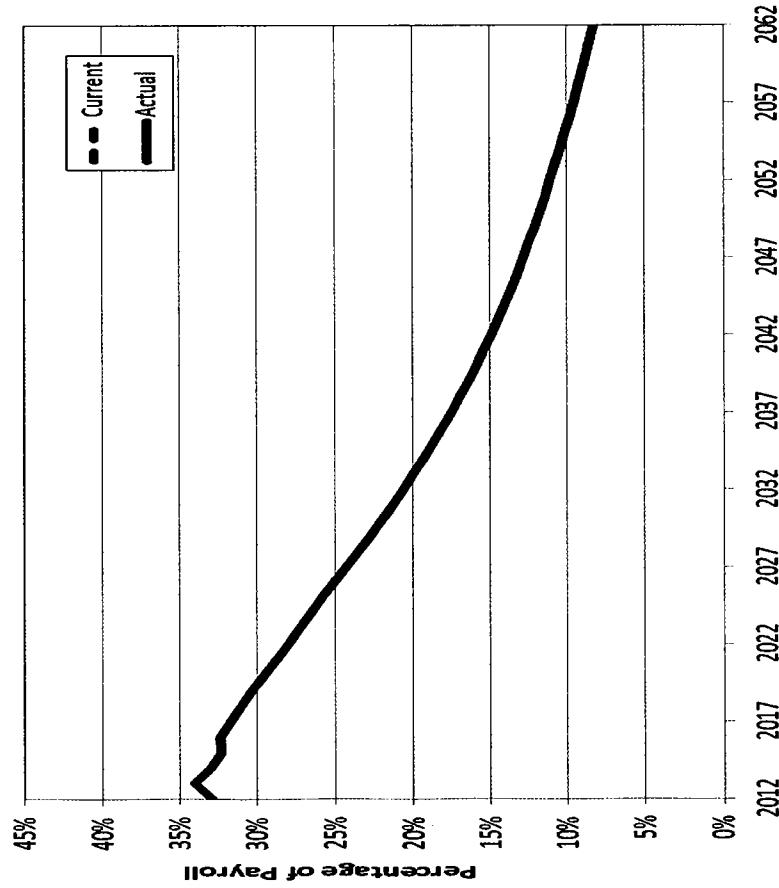
EFI

Cost & Funding Projections

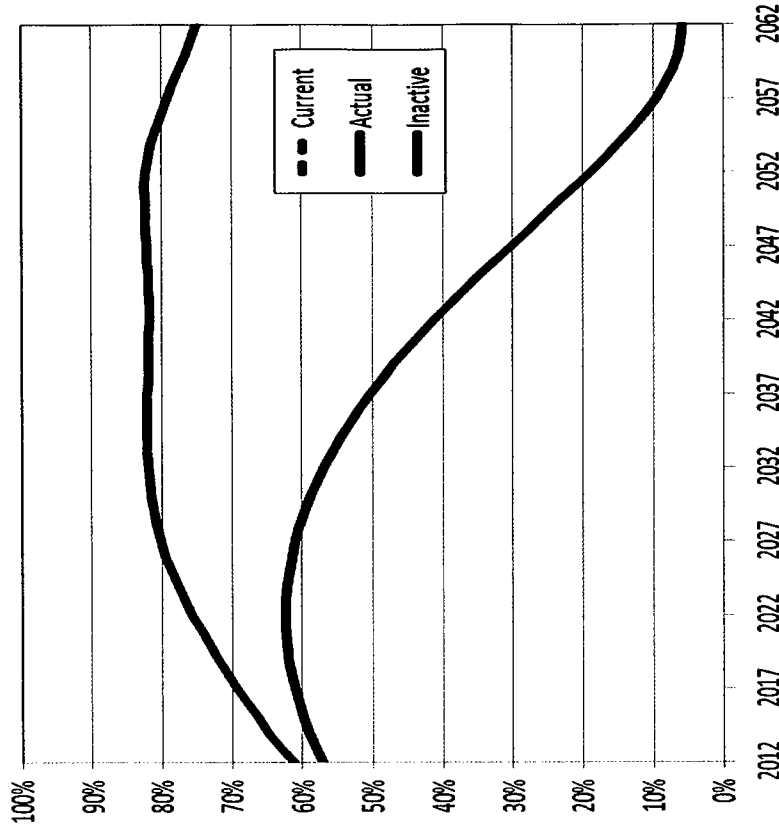
(Current Funding Method and Amortization)

3

Projected DB Plan Cost



Projected Funded Ratio



Year

Year

EFI

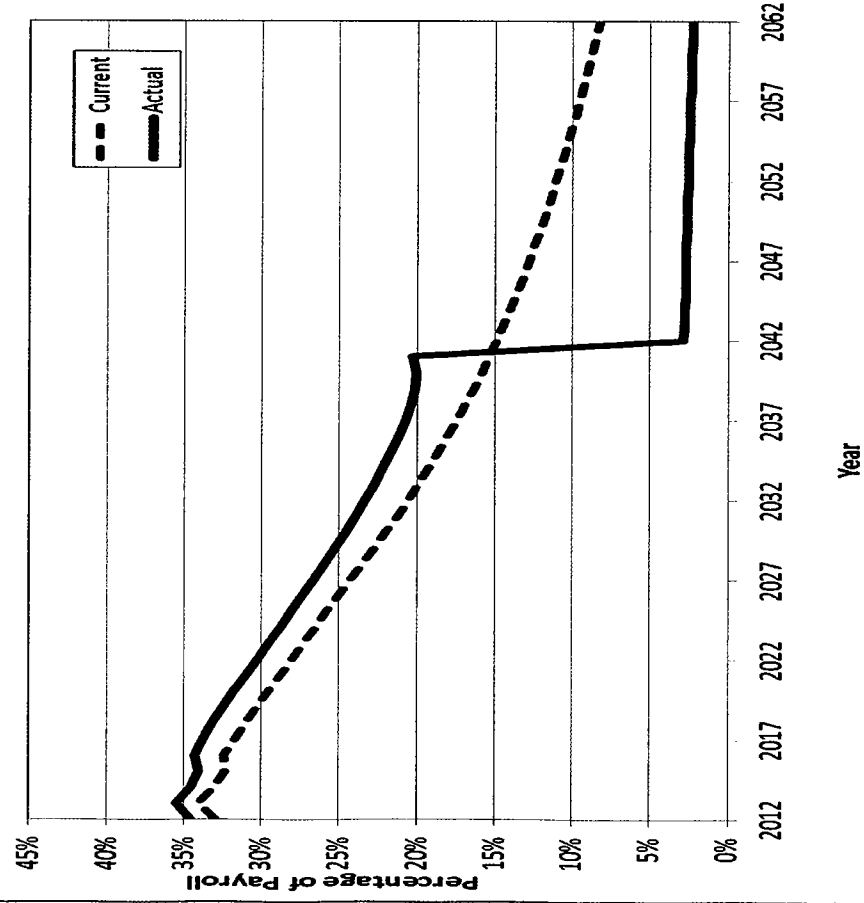
November 14, 2012

Cost & Funding Projections

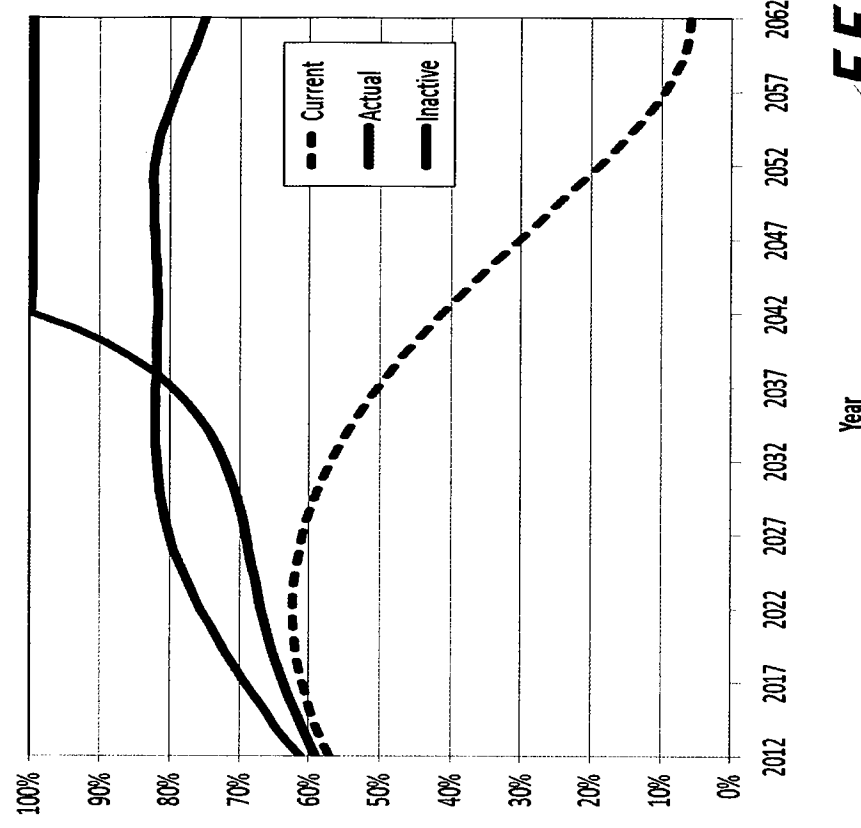
(Proposed Funding Method and Amortization)

4

Projected DB Plan Cost



Projected Funded Ratio



Plan for Today

5

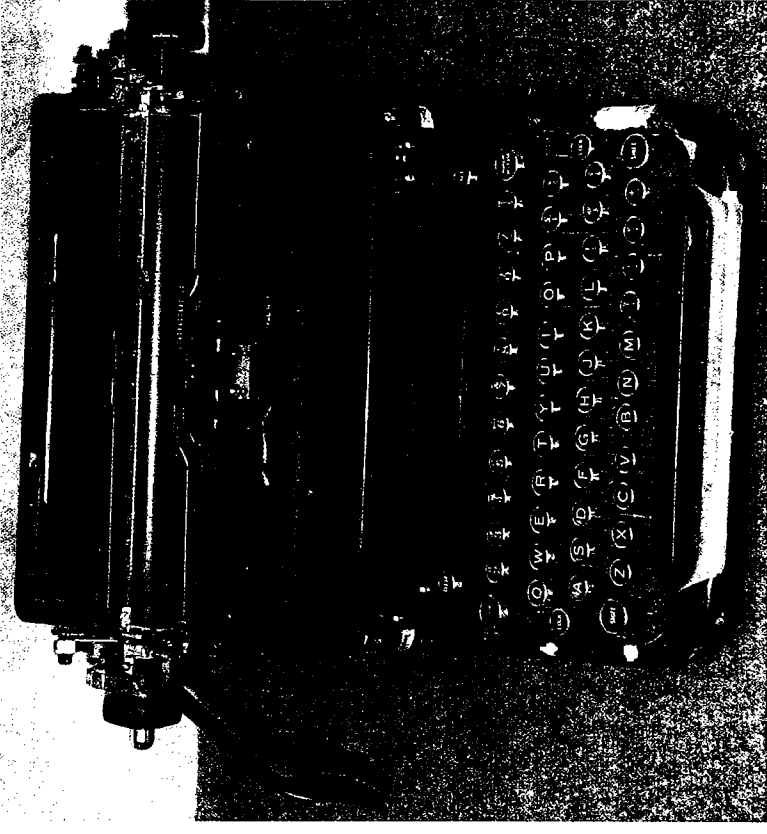
- **History**
- **2012 Actuarial Valuation**
- **Cost/Funding Projections**
- **Recent Changes: GASB, PEPRA, CAAP**
- **Proposed Changes in Funding Policy**



Plan History

6

- **Recent History**
 - Experience Study
 - July 1, 2010, 2011 Valuation Results
 - July 1, 2012 Valuation Results
- **History of Plan Cost**
- **History of Plan Funded Ratios**
- **History of Active Membership**
- **Projection of Future Cost and Funding**



November 14, 2012

Experience Study Results

7

Assumption	Experience	Recommendation	Impact on Plan Cost (% of payroll)
Service Retirement	More retirements than expected for ATU, especially for ages 55-61. Retirements were close to expected for IBEW, and less than expected for Clerical/Non-Contract, mainly between ages 55-61.	New sets of retirement rates are proposed for ATU, Clerical and Non-Contract members, primarily for ages 55 to 61, bringing assumptions more in line with recent experience.	+ 0.1%
Termination	Termination experience among ATU/IBEW members was close to expected. Termination experience for Clerical/Non-Contract members was also close to that assumed, but age/service profile was different than expected.	Propose new termination rates for Clerical and Non-Contract members that more closely match the age and service profile of recent terminations. No changes proposed to current assumptions for ATU/IBEW.	+ 0.1%
Disability	Significantly fewer than expected disabilities for ATU/IBEW, even when including 10 years of experience. Disabilities were close to expected for Clerical/Non-Contract members.	Reduce single disability rate for ATU/IBEW from 0.85% to 0.70%. No changes proposed to current disability assumption for Clerical/Non-Contract.	+ 0.0%
Mortality	Fewer deaths than expected for ATU/IBEW, especially when measured on benefit-weighted basis. More deaths than expected for Clerical/Non-Contract members.	Propose use of RP-2000 tables for ATU/IBEW, with age adjustments for female retirees and male disabled members. No change in current assumption is proposed for Clerical/Non-Contract members. (currently 1994 GAM, unisex).	+ 4.4%
Longevity and Promotion Pay Increases	Review of actual longevity and promotion increases show a pattern of steep increases in early years, with gradual, steady increases in later years.	Propose new rates for ATU, Clerical and Non-Contract to more accurately reflect actual experience, as well as expected pay progression described in most recent ATU/IBEW contracts.	- 0.6%
Economic Assumptions	Current inflation assumption (3.5%) is high. Return assumption (8.00%) is optimistic.	Reduce inflation and pay growth assumption to 3.0%. Reduce return assumption to 7.5%.	+ 2.1%
Total Change in Contribution Rate			+ 6.1%

November 14, 2012

Actuarial Valuation

(After Assumption Changes)

8

	<u>Cost in Dollars</u>	<u>Cost as % of Payroll</u>
July 1, 2009	\$7,696,660	22.708%
Change in cost due to demographic gains/losses from July 1, 2009 to July 1, 2010	316,725	1.471%
Change in cost due to gains/losses from salary increases from July 1, 2009 to July 1, 2010	(684,755)	(0.549)%
Change in cost due to entry of new hires into the Plan from July 1, 2009 to July 1, 2010	97,883	(0.251)%
Change in cost due to investment gains/losses from July 1, 2009 to July 1, 2010	(446,079)	(1.405)%
July 1, 2010 (Before Assumption Changes)	\$6,980,434	21.974%
Change in cost due to assumptions adopted from Actuarial Experience study for January 1, 2006 through June 30, 2010	1,981,891	6.131%
July 1, 2010 (After Assumption Changes)	\$8,962,325	28.105%

EFI

Actuarial Valuation

9

	<u>Cost in Dollars</u>	<u>Cost as % of Payroll</u>
July 1, 2010	\$ 8,962,325	28.105%
Expected change in cost based on prior valuation and deferred investment gains/losses	989,086	3.085%
Change in cost due to investment experience from July 1, 2010 through June 30, 2011	(299,262)	(0.938%)
Change in cost due to demographic and salary experience	170,577	0.923%
Change in cost due to entry of new hires into the Plan since the prior valuation	172,515	(0.489%)
July 1, 2011	\$ 9,995,241	30.686%



Actuarial Valuation

(Before Plan Changes)

10

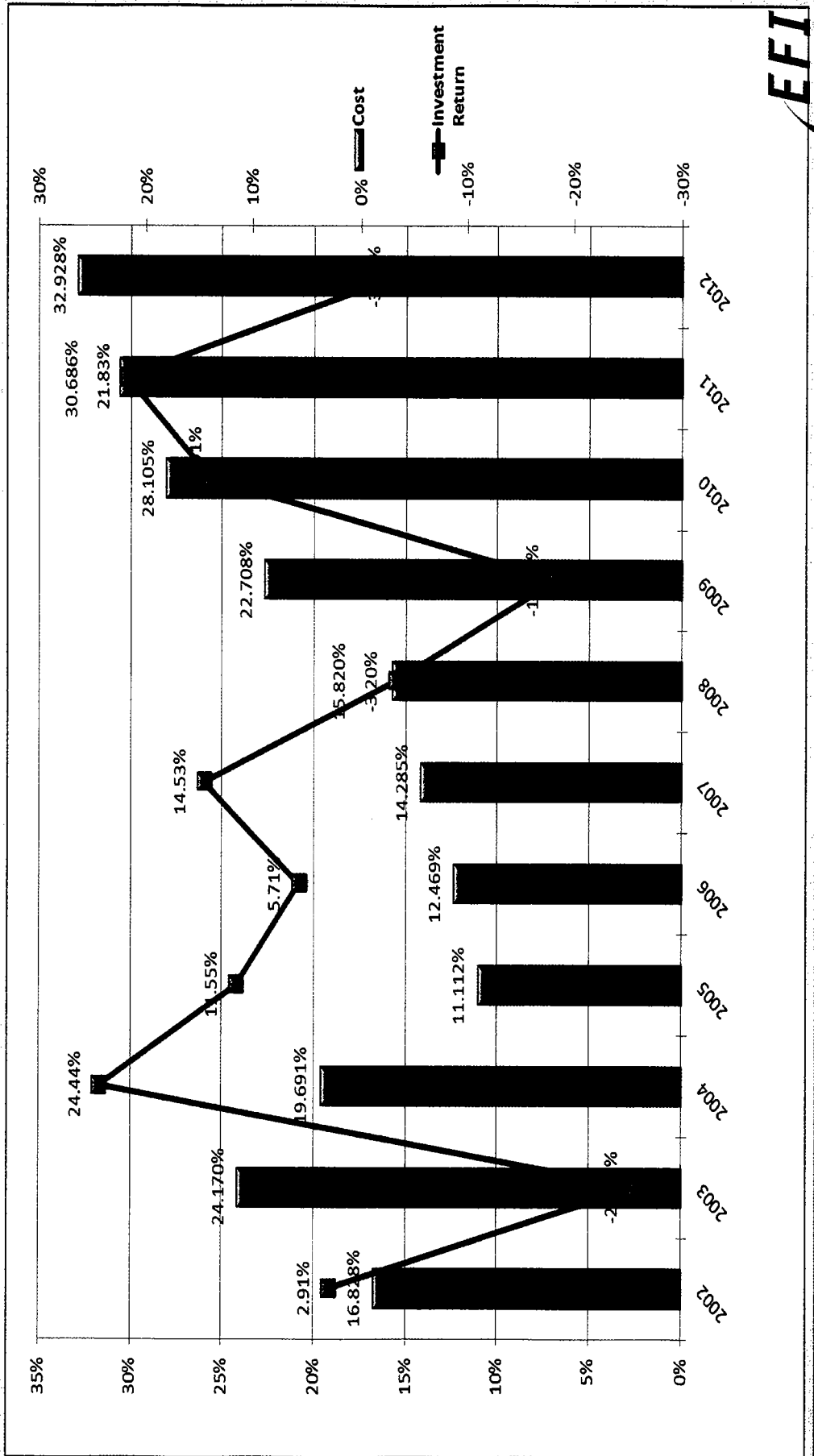
	<u>Cost in Dollars</u>	<u>Cost as % of Payroll</u>
July 1, 2011	\$9,995,241	30.686%
Expected change in cost based on prior valuation and deferred investment gains/losses	534,835	1.772%
Change in cost due to demographic and salary gains/losses from July 1, 2011 to July 1, 2012	(25,235)	0.643%
Change in cost due to entry of new hires into the Plan from July 1, 2011 to July 1, 2012	212,663	(1.030)%
Change in cost due to investment gains/losses from July 1, 2011 to July 1, 2012	278,041	0.857%
July 1, 2012	\$10,995,545	32.928%

November 14, 2012



History of Plan Cost

11

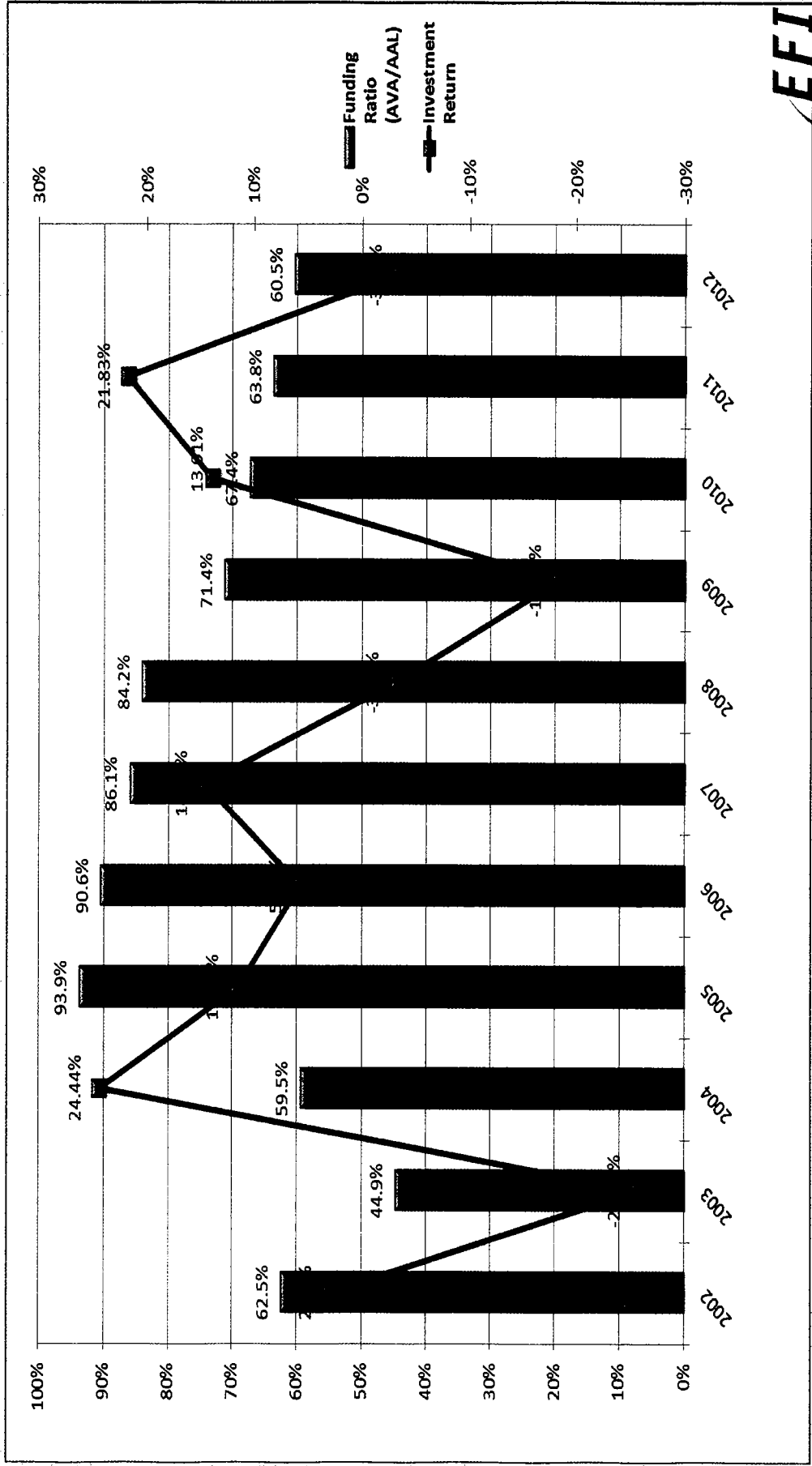


November 14, 2012

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History of Funded Ratio

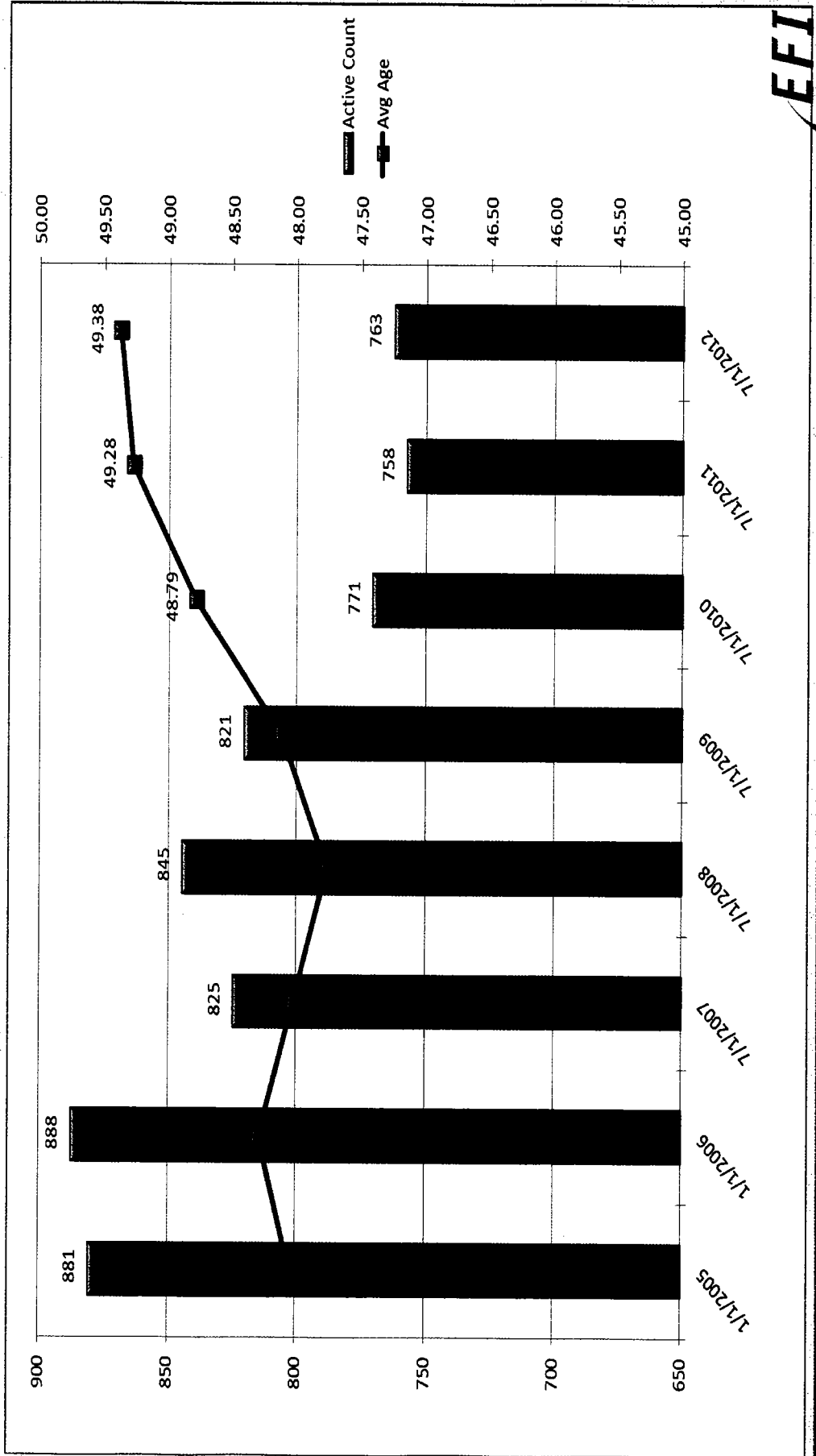
12



EFFI

History of Active Membership

13



November 14, 2012

Cost & Funding Projections

14

Projection.xls - Worksheet to project District costs for SD
11/9/2012 10:58

Valuation Date: 7/1/2012

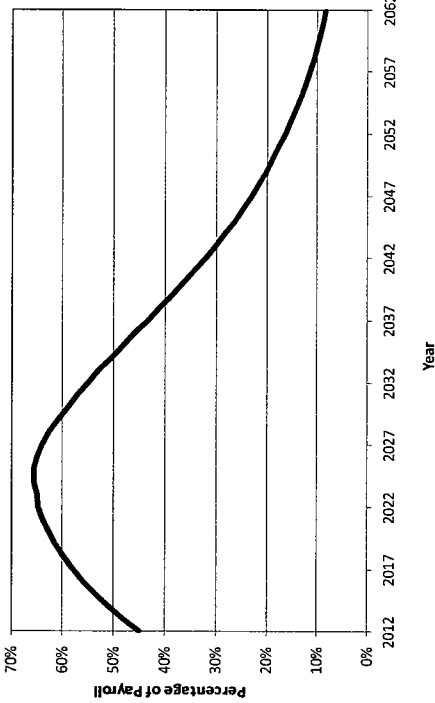
Fiscal Year	Mkt Return
2013	7.50%
2014	7.50%
2015	7.50%
2016	7.50%
2017	7.50%
2018	7.50%
2019	7.50%
2020	7.50%
2021	7.50%
2022	7.50%
Ultimate	7.50%

AV (0) or MV (1):	Market:
Amort (2012):	30
Final Amort:	30
Step Per Year:	1

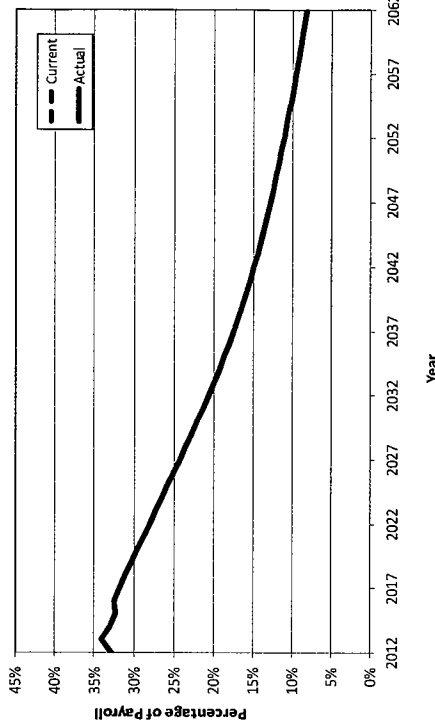
Date	Cost \$M	Cost %	Funding
7/1/2012	\$ 10.99	32.91%	\$7.24%
7/1/2013	\$ 11.34	34.09%	\$8.16%
7/1/2014	\$ 10.98	33.02%	\$9.13%
7/1/2015	\$ 10.76	32.31%	\$9.89%
7/1/2016	\$ 10.85	32.48%	\$10.50%
7/1/2017	\$ 10.67	31.77%	\$11.09%
7/1/2018	\$ 10.49	31.08%	\$11.56%
7/1/2019	\$ 10.33	30.35%	\$11.93%
7/1/2020	\$ 10.18	29.60%	\$12.19%
7/1/2021	\$ 10.05	28.85%	\$12.36%
7/1/2022	\$ 9.93	28.09%	\$12.40%

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7/1/2019	\$ 10.33	30.35%	\$11.93%
7/1/2020	\$ 10.18	29.60%	\$12.19%
7/1/2021	\$ 10.05	28.85%	\$12.36%
7/1/2022	\$ 9.93	28.09%	\$12.40%

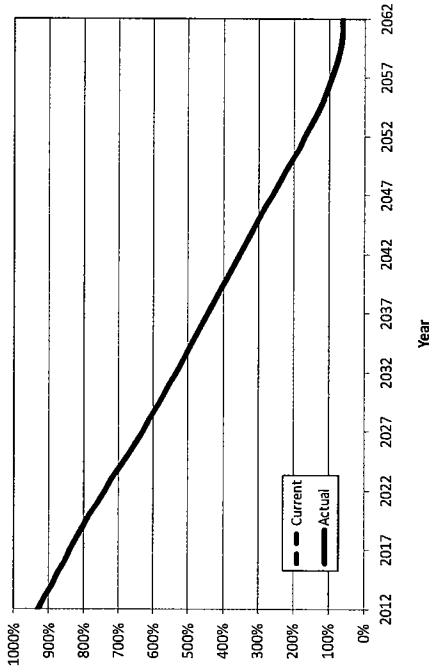
Projected DB Benefits



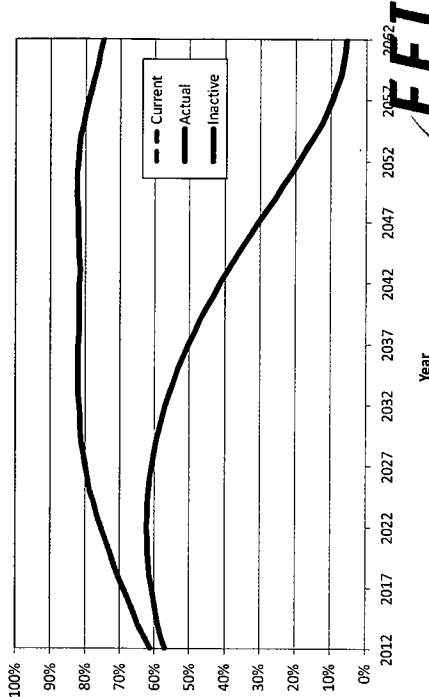
Projected DB Plan Cost



Projected Assets/Benefits Ratio



Projected Funded Ratio



November 14, 2012

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Looking Ahead

15

- GASB
- PEPRA
- California Actuarial Advisory Panel
- Where does current SDTC funding policy fall?
- How should SDTC funding policy be changed?



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GASB and California PEPRA

16

- GASB Statements 67 and 68

- Unfunded actuarial accrued liability will appear on balance sheet
 - Income will be consistent with balance sheet – and volatile

- California Public Employees' Pension Reform Act (PEPRA, AB 340)

- Uniform formula for all general employees

- Employees required to pay half of the normal cost

- Limits on compensation (base pay, limited to Social Security Taxable Wage Base)

- No regulatory mechanism in place to interpret the law

California Actuarial Advisory Panel

17

- Established based on recommendation from Public Employee Post-Employment Benefits Commission
- Purpose: “To provide impartial and independent information on pensions, other postemployment benefits, and best practices to public agencies”

Establishing law says “opinions ... are nonbinding and advisory only”

Prohibits the opinions of the panel from being used as the basis of litigation

- Responsibilities include “Defining the range of actuarial model policies and best practices for public retirement plan benefits”

Exposure Draft

18

- Panel recently issued exposure draft on model funding policies, with request for comments
 - Intent to provide guidance to actuaries and others on plan funding
- Defined five categories for elements of funding policies
 - Model, Acceptable, Acceptable but Not Generally Recommended, Not Recommended, Not Acceptable
 - ✧ Terminology expected to change before final document issued (particularly “Acceptable but Not Generally Recommended”)
 - ✧ Specifically avoided “best practice”; model practice is a safe harbor, not necessarily best method for funding all plans
- Document is being circulated widely, may be the basis for further regulation or legislation
 - GFOA, American Academy of Actuaries, others



Exposure Draft

19

- Document identifies five policy objectives
 - Fully fund benefits
 - Maintain generational equity
 - Manage contribution volatility
 - Support accountability and transparency
 - Address principal/agent issues
- Discussion of how various policies achieve (or do not achieve) objectives
 - Actuarial cost methods
 - Asset smoothing
 - Amortization policy
 - Other policies (direct rate smoothing, etc.)

Summary Grid

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California Actuarial Advisory Panel Model Actuarial Funding Policies – Summary of Practice Categories
This summary does not include all the policy alternatives discussed in the CAAP Model Funding Policies document. Please direct all comments to the complete document.

Category	Actuarial Cost Method	Asset Smoothing Method	UAAL Amortization
Model Practices	Entry Age cost method Level percent of pay "Funding to retirement age" Individuality based Normal Cost Normal Cost based on current benefit structure ("replacement life" Entry Age)	Smooth actuarial gain or loss on market value (MVA) Fixed smoothing periods Maximum MVA corridors 5 years, 50%/150% corridor 7 years, 60%/140% corridor 10 years, 70%/130% corridor Combine smoothing layers only to avoid "tail volatility"	Layered fixed amortization periods by source of UAAL Level percent of pay amortization Amortization periods: Active or Inactive plan amendments: Demographic or up to 15 years Experience Gain/loss: 15 to 20 Assumption / method changes: 15 to 25 Early Retirement Incentives: 5 or less Surplus: 30 years
Acceptable Practices	Projected Unit Credit method Aggregate cost method, with Entry Age based disclosures Frozen Initial Liability method, with Entry Age Based disclosures Entry Age method with "Funding to Decrement" or with Normal Cost based on composite projected benefit	Five year (or shorter) smoothing with no corridor Rolling smoothing periods with model corridors plus additional analysis	Level dollar fixed period layered amortization with model amortization periods Rolling amortization of a single gain/loss layer with period that avoids negative amortization, with model periods for other sources of UAAL
Acceptable but Not Generally Recommended Practices	Aggregate or Frozen Initial Liability without Entry Age based disclosures	15 years, 80%/120% corridor	Layered fixed amortization periods ≤ 25 years for all sources of UAAL Rolling amortization of a single gain/loss layer ≤ 20 years Rolling amortization of assumption/method changes with period that avoids negative amortization 30 year fixed amortization of method change
Non-recommended Practices	Entry Age with Normal Cost based on open tier ("Ultimate" Entry Age)	Longer than 5 year smoothing with no corridor	Layered fixed amortization periods ≤ 30 years Rolling amortization of a single gain/loss layer ≤ 25 years Rolling amortization of entire UAAL (including plan changes) ≤ 20 years
Unacceptable Practices	Traditional Unit Credit for pay related plans	Longer than 15 year smoothing	Single fixed amortization period, with periodic restarts Layered fixed amortization periods > 30 years Rolling amortization of a single gain/loss layer > 25 years Rolling amortization of entire UAAL > 20 years

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November 14, 2012

CAAP Classification as Applied to SD Transit

21

Category	Funding Method	Asset Smoothing	Amortization
Model	Entry Age Normal (Individual, to Final Decrement)	Five Years, 20% Corridor	Layered Amortization of Each Source of UAL Over 5 to 20 Years
Acceptable	Entry Age Normal (Individual, to Decrement)		Rolling Amortization of Gain/Loss, Layered Amortization of All Other Sources
Acceptable/NGR	Entry Age Normal (Aggregate, to Decrement)		Layered Fixed Amortization Periods ≤ 25 Years
Not Recommended			Layered Fixed Amortization Periods ≤ 30 Years
			Rolling Amortization of Entire UAL Over ≤ 20 Years
Unacceptable			Rolling Amortization of Entire UAL Over > 20 Years

Cost & Funding Projections

(Current Funding Policy)

22

Projection.xls - Worksheet to project District costs for SD
11/9/2012 14:57

Valuation Date: 7/1/2012

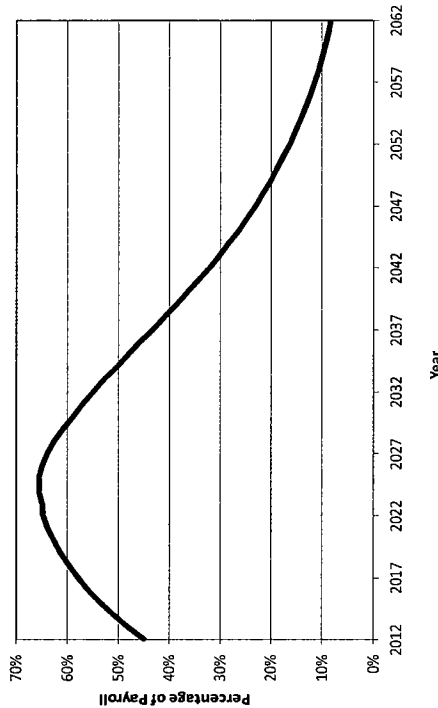
Fiscal Year	Mkt Return
2013	7.50%
2014	7.50%
2015	7.50%
2016	7.50%
2017	7.50%
2018	7.50%
2019	7.50%
2020	7.50%
2021	7.50%
2022	7.50%
Ultimate	7.50%

AV (0) or MV (1):	Market
Amort (2012):	30
Final Amort:	30
Step Per Year:	1

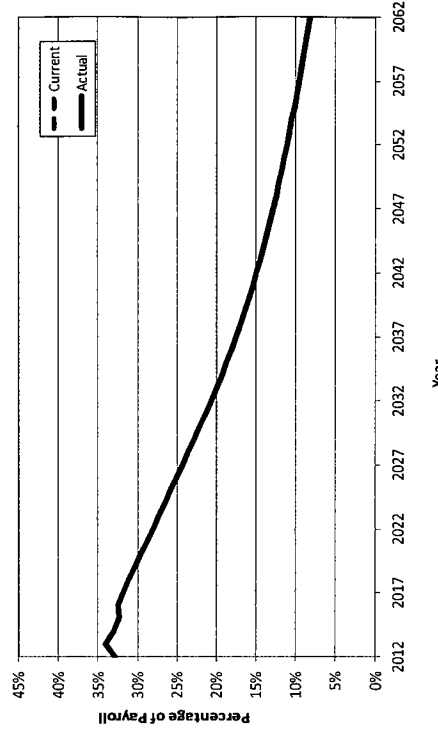
Date	Cost-\$M	Cost-%	Funding
7/1/2012	\$ 10.99	32.91%	57.24%
7/1/2013	\$ 11.34	34.09%	58.16%
7/1/2014	\$ 10.98	33.02%	59.13%
7/1/2015	\$ 10.76	32.31%	59.89%
7/1/2016	\$ 10.85	32.48%	60.50%
7/1/2017	\$ 10.67	31.77%	61.09%
7/1/2018	\$ 10.49	31.08%	61.58%
7/1/2019	\$ 10.33	30.35%	61.93%
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7/1/2021	\$ 10.05	28.85%	62.36%
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Actual			

Date	Cost-\$M	Cost-%	Funding
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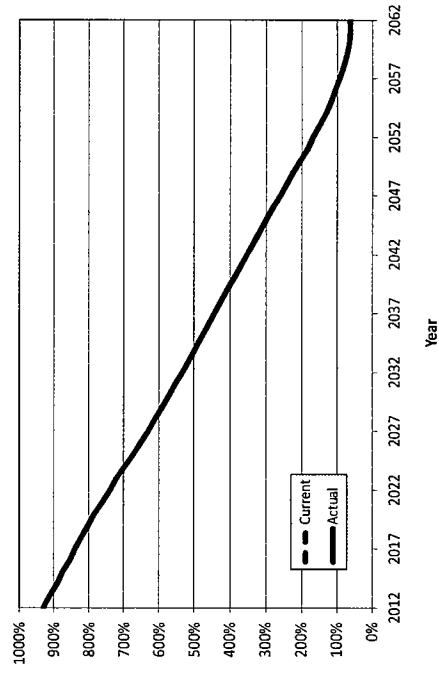
Projected DB Benefits



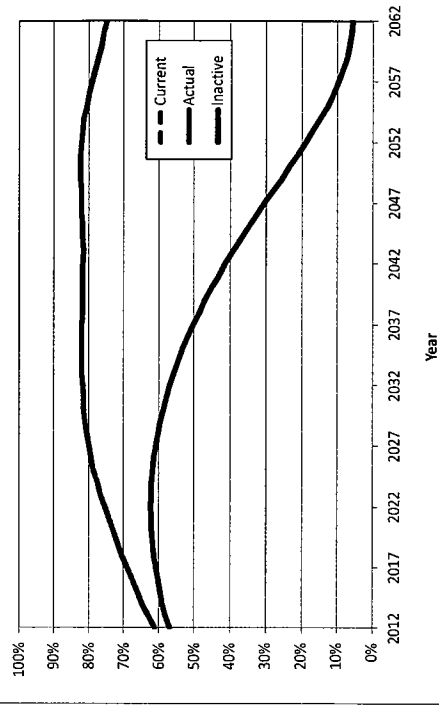
Projected DB Plan Cost



Projected Assets/Benefits Ratio



Projected Funded Ratio



November 14, 2012

Cost & Funding Projections

(Entry Age (Final), 30-Year Fixed Amortization Period)

23

Projection.xls - Worksheet to project District costs for SD
11/9/2012 15:39

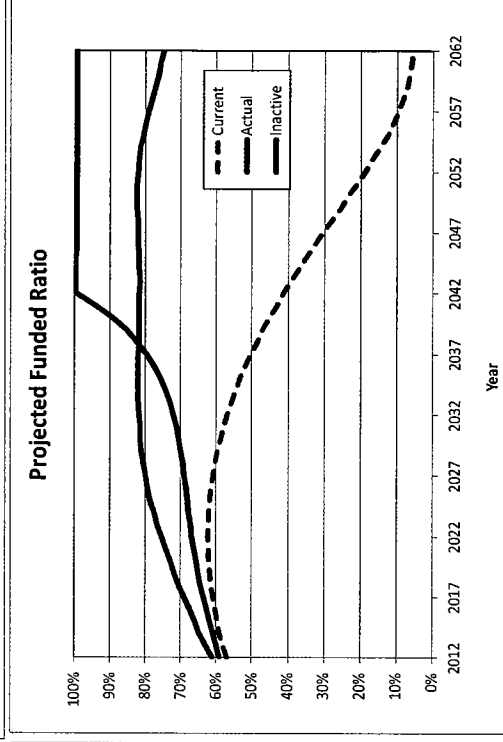
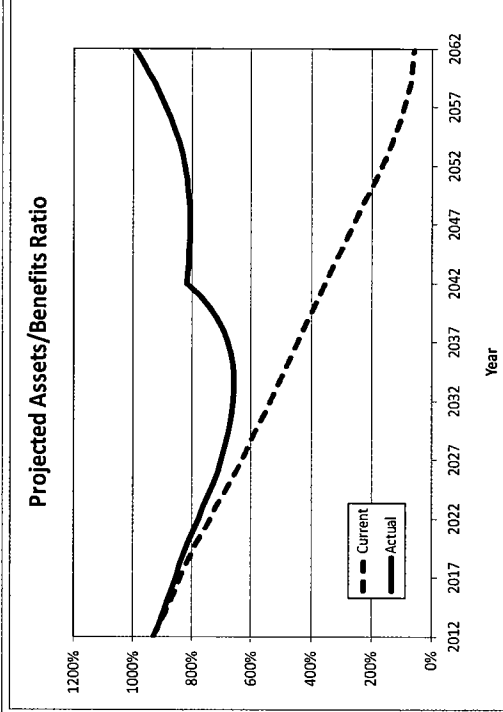
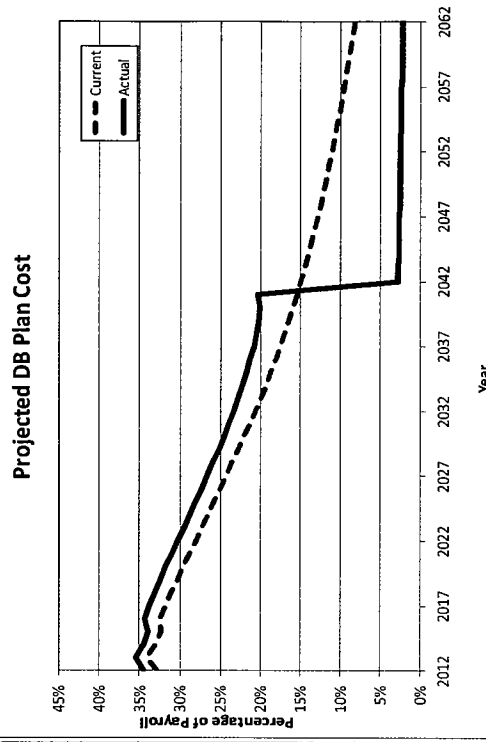
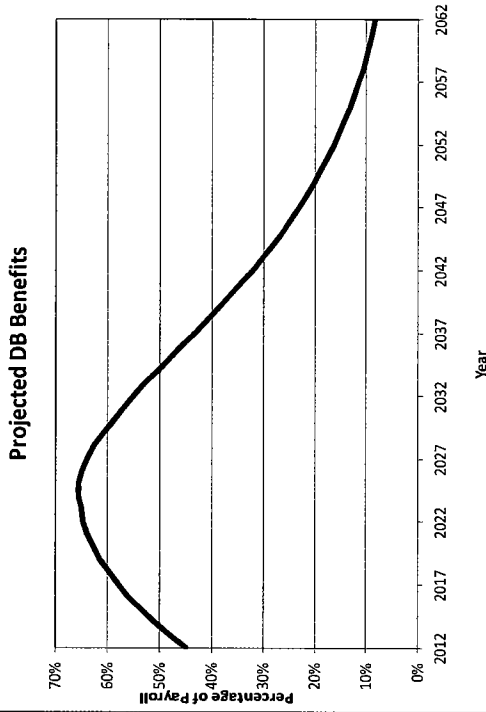
Valuation Date: 7/1/2012

Fiscal Year	Mkt Return
2013	7.50%
2014	7.50%
2015	7.50%
2016	7.50%
2017	7.50%
2018	7.50%
2019	7.50%
2020	7.50%
2021	7.50%
2022	7.50%
Ultimate	7.50%

AV (0) or MV (1):	Market
Amort (2012):	30
Final Amort:	1
Step Per Year:	1

Date	Cost \$M	Cost %	Funding
7/1/2012	\$ 10.99	32.91%	57.24%
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7/1/2021	\$ 10.05	28.85%	62.36%
7/1/2022	\$ 9.93	28.09%	62.40%

Date	Cost \$M	Cost %	Funding
7/1/2012	\$ 11.55	34.58%	59.19%
7/1/2013	\$ 11.81	35.50%	59.99%
7/1/2014	\$ 11.50	34.58%	61.13%
7/1/2015	\$ 11.33	34.04%	62.07%
7/1/2016	\$ 11.49	34.37%	62.91%
7/1/2017	\$ 11.34	33.78%	63.75%
7/1/2018	\$ 11.19	33.17%	64.52%
7/1/2019	\$ 11.06	32.50%	65.21%
7/1/2020	\$ 10.94	31.80%	65.84%
7/1/2021	\$ 10.83	31.07%	66.43%
7/1/2022	\$ 10.72	30.32%	66.95%



November 14, 2012

Cost & Funding Projections

(Entry Age (Final), 25-Year Fixed Amortization Period)

24

Projection.xls - Worksheet to project District costs for SD
11/9/2012 15:42

Valuation Date: 7/1/2012

Fiscal Year Mkt Return

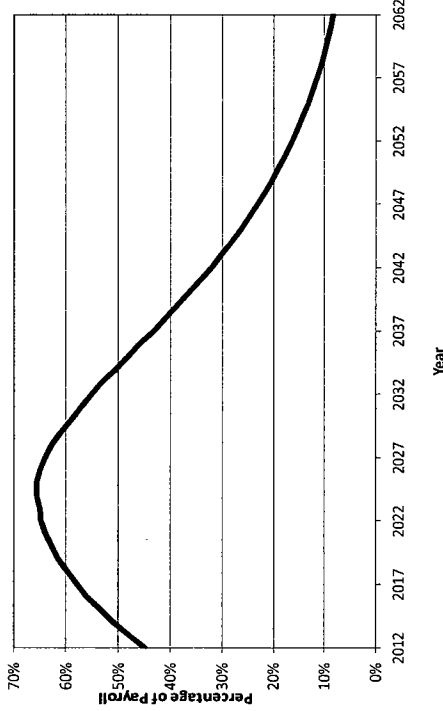
2013	7.50%
2014	7.50%
2015	7.50%
2016	7.50%
2017	7.50%
2018	7.50%
2019	7.50%
2020	7.50%
2021	7.50%
2022	7.50%
Ultimate	7.50%

AV (0) or MV (1):	Market
Amount (2012):	25
Final Amort:	1
Step Per Year:	1

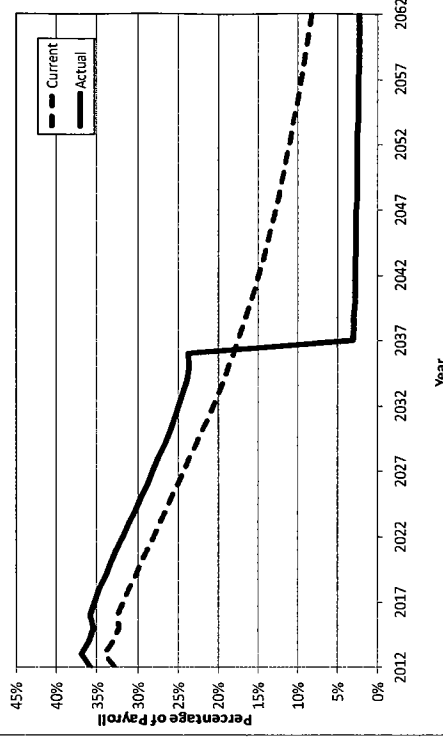
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7/1/2013	\$ 12.31	36.99%	60.17%
7/1/2014	\$ 11.98	36.04%	61.52%
7/1/2015	\$ 11.82	35.50%	62.68%
7/1/2016	\$ 12.00	35.92%	63.73%
7/1/2017	\$ 11.86	35.32%	64.83%
7/1/2018	\$ 11.72	34.72%	65.86%
7/1/2019	\$ 11.59	34.04%	66.84%
7/1/2020	\$ 11.47	33.34%	67.78%
7/1/2021	\$ 11.36	32.60%	68.71%
7/1/2022	\$ 11.26	31.84%	69.61%

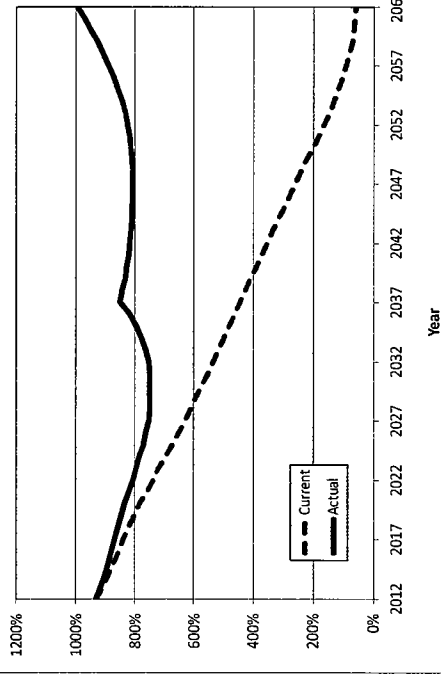
Projected DB Benefits



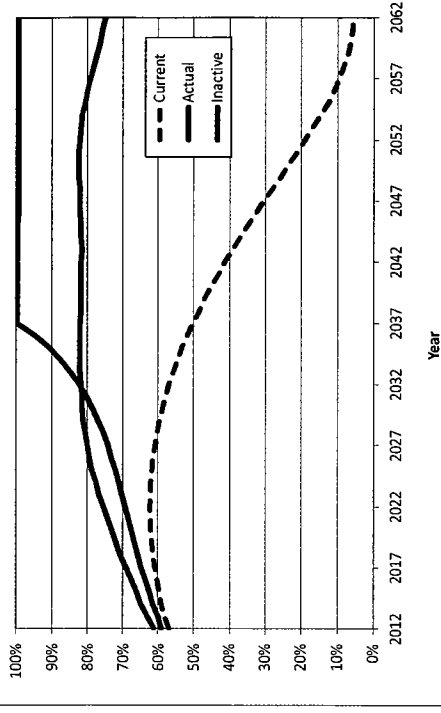
Projected DB Plan Cost



Projected Assets/Benefits Ratio



Projected Funded Ratio



November 14, 2012

Funding Recommendations

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- **Adopt Individual Entry Age Normal (To Final) actuarial cost method**
 - Model Practice according to CAAP
 - Required by GASB for financial statements
 - Likely to be recommended by GFOA
 - Increases immediate Plan contribution by 1.67% of payroll
- **Revise the amortization method**
 - Freeze the current unfunded liability and amortize over a telescoping 30 or 25-year period starting in 2013-14
 - Any future additions to the unfunded (e.g., actuarial gains or losses) will be amortized over separate periods of 5 to 20 years, depending on source, in accordance with CAAP recommendations
 - 25-year amortization increases immediate Plan contribution by 1.33% of payroll

Contact Information

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Metropolitan Transit System Operating Budget Update

MTS Budget Development Committee Meeting
November 14, 2012



Operating Budget Update

- Operating Income - YTD through September, \$885K favorable
 - Passenger revenue favorable by \$505K
 - Total operating expenses favorable by \$275K
 - Personnel costs favorable \$723K
 - Materials and Supplies unfavorable by \$454K
 - Energy unfavorable by \$298K
- Non-operating activity
 - Regional sales tax revenue at 7.4% year over year growth, budget assumed 4.5%
 - First STA payment of the year received in November
- On target to meet budget



Service Change Update

- Spring 2012: Board approved up to \$6 million in added subsidy for service improvements
 - June 2012: \$0.8 million in added service
 - Sept. 2012: \$2.5 million in added service
- Board authorized CEO to decide on remaining changes
- Staff proposes up to \$1.5 million in added service in January 2013
- Remaining proposals to be re-evaluated for future implementation



IMPLEMENTED-- June/Sept. 2012

CHANGE	ROUTES
Increased weekday frequency/trips	15, 20, 35, 44, 150, 810, 905, 929, Blue Line
Increased Saturday base frequency	6, 7, 30, 705, 712
Added Saturday trips	Orange Line, Green Line
Restored Sunday route/segments	11, 712
Increased Sunday base frequency	7, 30, 35, 44, 815
Added Sunday trips and/or span	1, 10, 13, 35, 41, 703, 815, 848, 864, 874/875, Orange Line, Green Line

Preliminary Annualized Bus Ridership Results

Weekdays: +556,400 (+7.3%)

Saturday: +89,100 (+10.6%)

Sunday: +130,000 (+9.2%)

PROPOSED-- January 2013

CHANGE	ROUTES
Increase weekday frequency/trips	10, 41, 709, 894, 905
Increase Saturday base frequency	13, 20, 905, 955
Restore Sunday route/segments	856, 864, 905
Increase Sunday base frequency	901
Add Sunday trips and/or span	Blue Line, Green Line

Proposed Additional Coverage

Security Task Force - Goals

- Increase safety of patrons and employees
- Address fare evaders
- Address graffiti - a nationwide issue causing financial burden as well as a public eyesore
- Blue and Orange Line evening coverage
- Late night fare evasion including occasional SWARMS
- Increase coverage at afternoon school bell times
- Predictable Unpredictability
- Uniformed and Plain Clothes officers



Proposed Additional Coverage

Current Part I Statistics - Rail

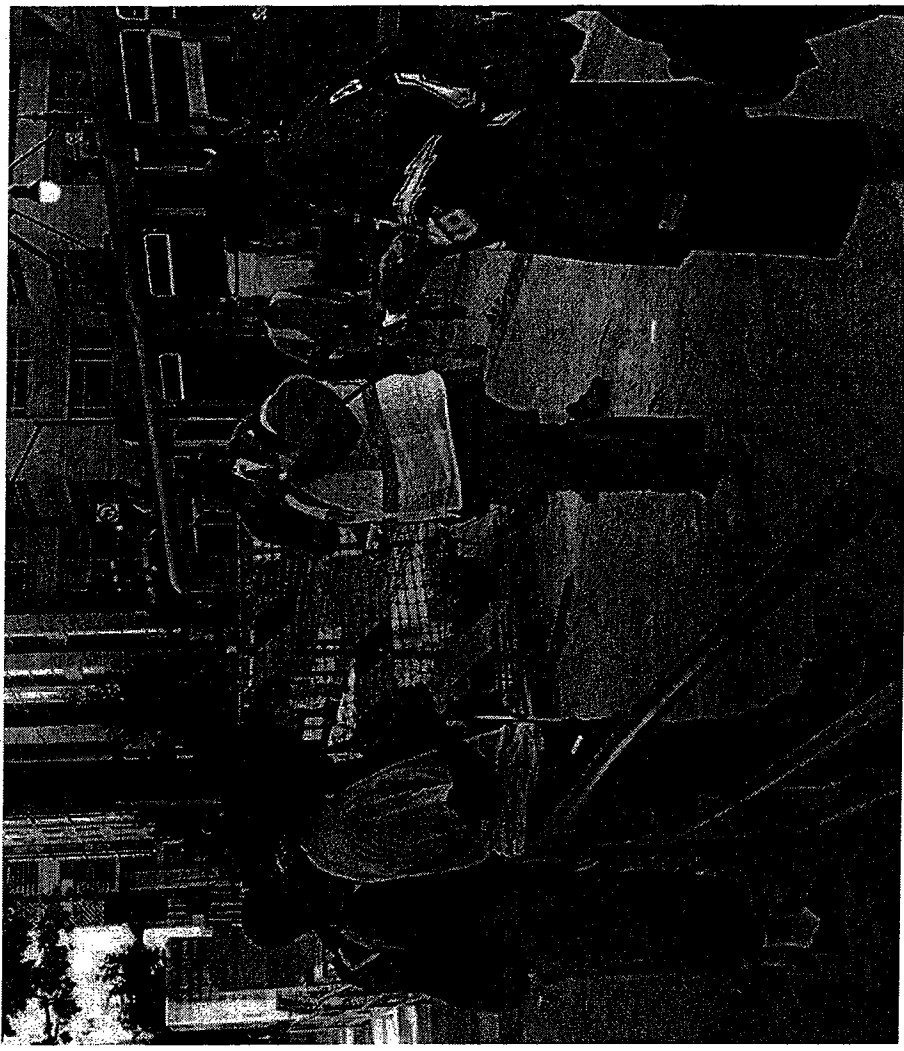
January through June

	2011	2012
Ridership	15,940,468	15,866,245
Homicide	0	0
Rape	0	2
Robbery	20	8
Agg. Assault	9	6
Burglary	0	1
Theft	35	39
MV Theft	3	10
Arson	0	0
Part I Incidents	67	66
Per 100,000	.4203	.4159



Proposed Additional Coverage

Plain Clothes



Three plain clothes officers

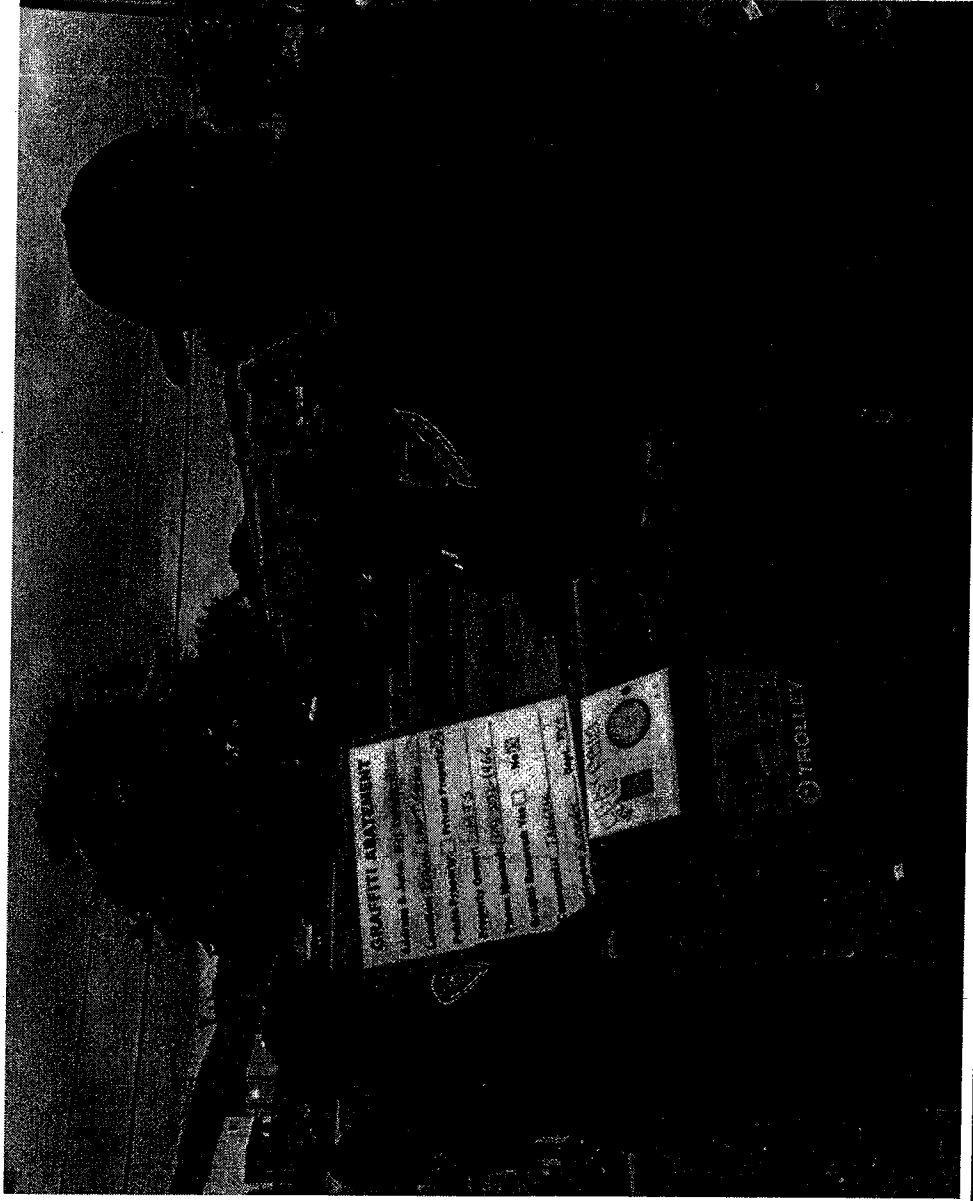
Blue / Orange Line Detail

- 3,396 Patrons Inspected
- 63 fare related violations
- 19 quality of life violations



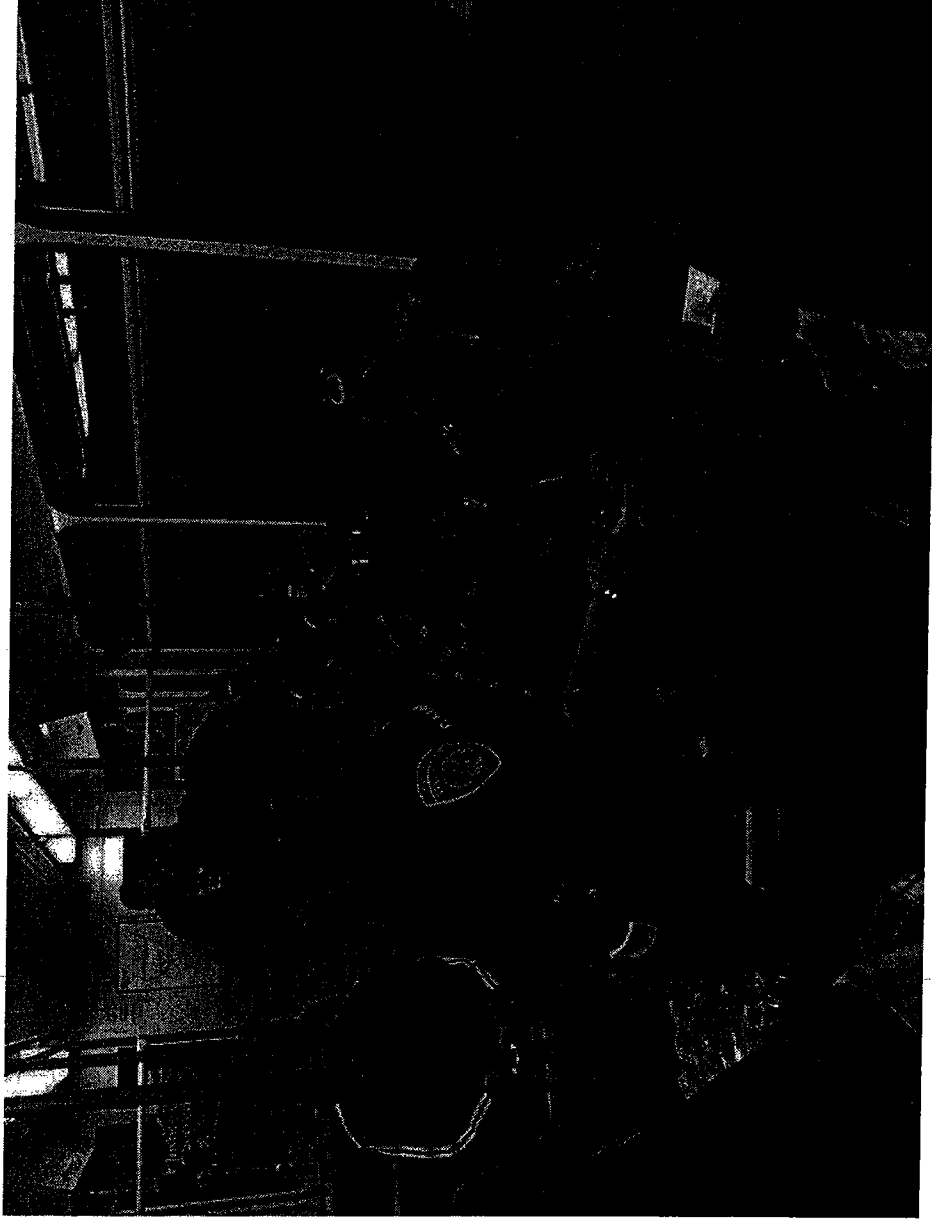
Proposed Additional Coverage

Graffiti Tracker



Proposed Additional Coverage

Late Night Onboard Inspections

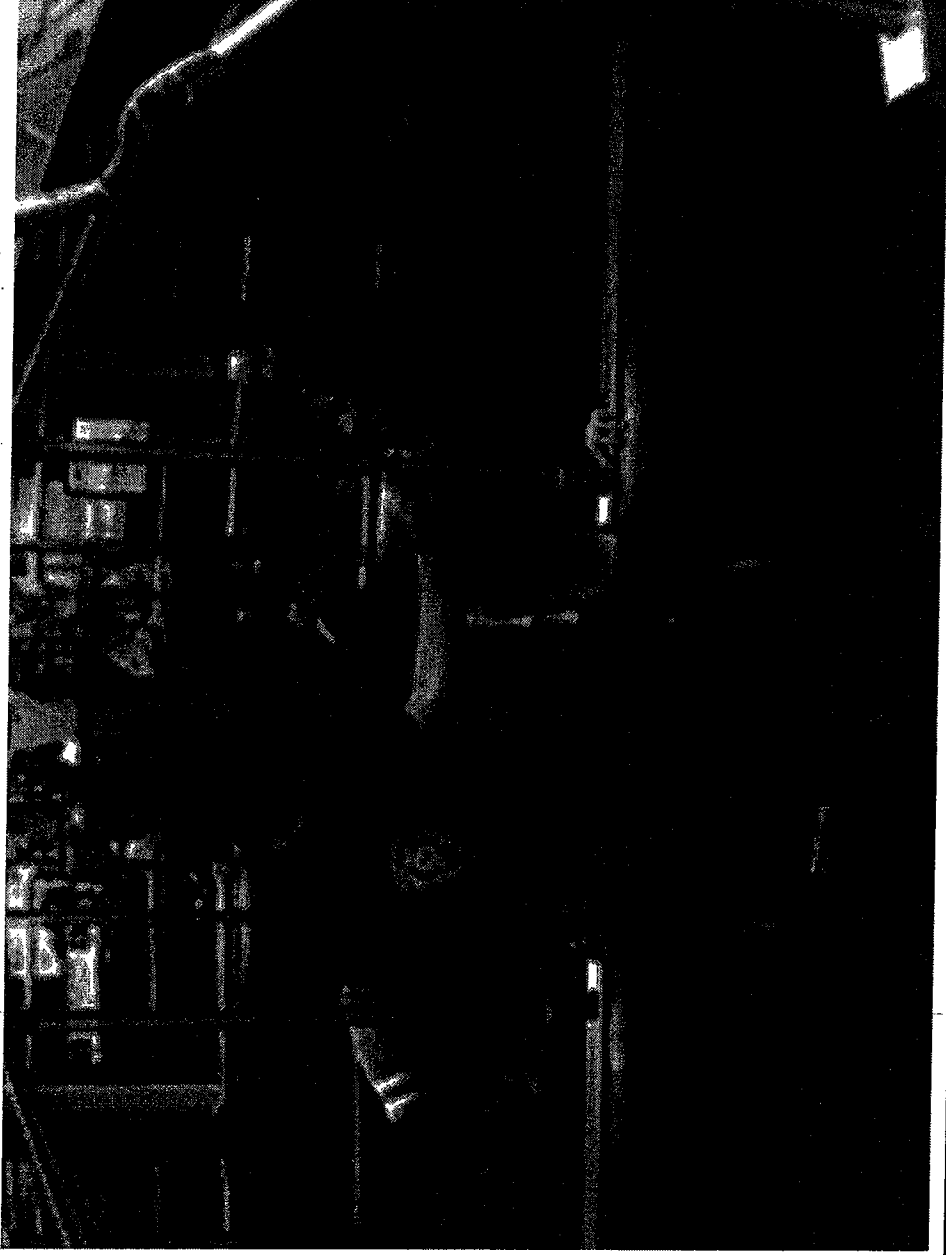


MTS



Proposed Additional Coverage

Evening Train Teams



Proposed Additional Coverage

Security Task Force - Personnel

- Ten additional Security Officers
 - Increases authorized FTE from 155 to 165
- Existing Code Compliance Inspectors
 - Volunteering to work 8 hours overtime on their day off
 - Does not diminish regular deployment
 - No increase in personnel



Proposed Additional Coverage

Security Task Force – Annual Costs

- 10 Security Officers
\$16.45 average hourly bill rate
x 400 hours (10 officers, 40 hours each per week)
x 52 weeks
\$342,160 annually
 - 8 Code Compliance Inspector Shifts (8 hours each)
\$27.90 average overtime rate
x 64 hours (8 - 8 hour shifts per week)
x 52 weeks
\$92,851 annually
- \$435,000 - Estimated total annual cost
- \$254,000 - Estimated FY13 cost



Contract Administrator Position

- Internal review of the contractual management process by Legal Counsel and Internal Auditor
- Suggesting adding new contract administration oversight over procurement and service provision agreements.
 - Ensure MTS contractors and project managers adhere to contract terms and conditions during contract performance
 - Monitor and analyze contract performance through a contract database
 - Work closely with internal customers and contract officers to prevent and resolve contract performance matters early
- Procurement position frozen since FY09
 - \$58K cost in FY13 to be funded within existing operating budget
 - Funding shifts within MTS, SDTC and SDTI



Staff Recommendation

That the Budget Development Committee receive this report and direct staff to move forward with proposed staffing changes within Security and Procurement, which will be included in the midyear budget amendment.



Metropolitan Transit System Capital Improvement Program (CIP) FY13 Budget Amendment

MTS Budget Development Committee Meeting
November 14, 2012



Changes to the FY13 CIP Funding Levels

- Additional funding to be added to the FY13 CIP:
 - Received FY11-12 California Prop 1B funding - \$69.5M
 - FY13 California State Transit Assistance (STA) - \$22.2M
 - Awarded Federal State of Good Repair discretionary grants - \$13.0M
 - Awarded FY11-12 California Prop 1B Transit System Safety Program (TSGP) - \$2.8M
- Adjustments due to estimates included in the FY13 CIP:
 - FY12 STA less than estimated, decrease of \$700K
 - Minor changes to TDA carry-forward, Transfer and Mendoza sale proceed amounts
- In total, \$101.5M to be added to the FY13 CIP



Capital Funding Levels

Fiscal Year 2013 Amended

(\$000's)

	Original	Adjustments	Revised
Federal Funding Levels (Section 5307 / 5309)	\$ 54,290	\$ -	\$ 54,290
Transportation Development Act (TDA)	31,300	-	31,300
Californial State Transit Assistance (STA)	19,480	21,534	41,014
California Proposition 1B	18,502	72,249	90,751
Mendoza U2 Sale Proceeds	2,841	484	3,325
Capital Project Transfers	4,924	(704)	4,220
Federal State of Good Repair Grants	-	13,000	13,000
Operations Usage - \$5.0M TDA, \$5.0M in STA	(5,000)	(2,424)	(7,424)
Variable Pension Obligation Bonds (Dexia)	(5,000)	(2,600)	(7,600)
General Preventative Maintenance	(45,495)	-	(45,495)
SANDAG Planning Studies	(912)	-	(912)
Total Funding Available	\$ 74,930	\$ 101,538	\$ 176,468



Changes to the FY13 CIP Funded Projects

- Funding dedicated to specific projects:
 - FY11-12 Prop 1B - \$69.5M - Blue Line project
 - FY13 STA - \$22.2M - \$15.5M for 8 additional LRVs and \$5.0M for Operating Budget per previous Board direction
 - State of Good Repair grants - \$13.0M - \$10.0M for East County Bus Maintenance Facility and \$3.0M for Transit Asset Management System
 - FY11-12 Prop 1B TSGP - \$2.8M - Security oriented projects
- Other project funding adjustments:
 - Bus Replacement - \$7.7M added to project
 - Substation SCADA Design - \$1.2M added to project
 - Miscellaneous Capital - Adding \$1.0M, in anticipation of small projects arising out of the Blue Line rehabilitation.
 - SDSU Monitoring System - \$80K
 - System Rail, Ties and Ballast - \$60K



Fiscal Year 2013 CIP Amendment Staff Recommendation

That the Budget Development Committee forward a recommendation to the MTS Board to approve the amended FY 2013 Capital Improvement Program.

