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## Agenda

### **\*\*JOINT MEETING AND FINANCE WORKSHOP\*\***

#### JOINT MEETING OF THE BOARD OF DIRECTORS

for the

Metropolitan Transit System,  
San Diego Transit Corporation, and  
San Diego Trolley, Inc.

February 19, 2009

**» » 8:00 a.m. « «**

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

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#### **FINANCE WORKSHOP - 8:00 a.m.**

#### **ACTION RECOMMENDED**

1. Roll Call
2. MTS: FY 2009 Midyear Adjustment  
Action would: (1) approve Resolution No. 09-10 of the combined MTS FY 2009 midyear adjustment, which includes the usage of \$1.77 million in nonrecurring revenues to balance the MTS operating budget; and (2) receive a report on preliminary MTS FY 2010 projects. Possible Action
3. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.

Please turn off cell phones and pagers  
during the meeting

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

**BOARD MEETING - Meeting will begin when the Finance Workshop ends.**

4. a. Roll Call
- b. Approval of Minutes - January 15, 2009 Approve
- c. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please furnish a copy to the Clerk of the Board.

**CONSENT ITEMS**

6. MTS: Mission Valley East Legal Services - Contract Award Approve  
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. M6655.9-07 with Hecht, Solberg, Robinson, Golberg, and Bagley, LLP for legal services on the Mission Valley East Light Rail Transit Project.
7. MTS: San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports and Ratification of Actions Taken by the SD&AE Railway Company Board of Directors at its February 3, 2009, Meeting Ratify/  
Approve  
Action would: (1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports; (2) ratify actions taken by the San Diego and Arizona Eastern (SD&AE) Railway Company Board of Directors at its February 3, 2009, Meeting; and (3) authorize Carrizo to decrease its insurance requirements from \$50 million to \$10 million as it is not currently operating freight in the U.S. (Insurance requirements would increase accordingly upon resumption of U.S. freight operations.)
8. SDTI: Neleco, Inc. "SuperLube" Rail Lubricant - Contract Amendment (Option Year Two) Approve  
Action would authorize the CEO to execute San Diego Trolley, Inc. (SDTI) Doc. No. C.O.018.2-05 with Neleco, Inc. to exercise option year two to provide Synco SuperLube Rail Lubricant.
9. MTS: Increased Authorization for Legal Services - Law Offices of Michael E. Ripley Approve  
Action would authorize the CEO to execute MTS Doc. No. G1080.3-07 with the Law Offices of Michael E. Ripley for legal services and ratify prior amendments entered into under the CEO's authority.
10. MTS: Copier Lease - Contract Award Approve  
Action would authorize the CEO to award a contract (MTS Doc. No. L0856.0-09) to Canon Business Solutions West to lease 12 copiers to support administrative functions throughout San Diego Trolley, Inc. (SDTI) for a period not to exceed five years.
11. MTS: Federal Transit Administration 5311 Program of Projects Approve  
Action would approve Resolution No. 09-8 authorizing the use of \$256,744 in Federal Transit Administration (FTA) Section 5311 funds for operating assistance in nonurbanized areas.

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|-----|--|---------|
| 12. | <u>MTS: Lease with U.S. Navy for Regional Transit Management System Repeater Site on Mount Soledad</u><br>Action would authorize the CEO to execute a five-year lease with three 5-year options with the U.S. Navy for its Regional Transit Management System (RTMS) repeater site on Mount Soledad.   | Approve |
| 13. | <u>MTS: Office of Homeland Security Grant Applications</u><br>Action would approve Resolution No. 09-9 authorizing the CEO to submit applications for fiscal year 2008-2009 California Transit Security Grant Program-State Transit Assistance Agencies funding.   | Approve |
| 14. | <u>MTS: Fiscal Year 2010 Capital Improvement Program (CIP) Revision</u><br>Action would: (1) approve the fiscal year 2010 Capital Improvement Program (CIP) with the amended federal and nonfederal funding levels. As the federal appropriation figures are finalized and/or other project funding sources become available, allow the CEO to identify and adjust projects for the adjusted funding levels (any adjustments in excess of \$500,000 would be brought to the Board's attention); (2) forward a recommendation to the San Diego Association of Governments (SANDAG) Board of Directors to approve the submittal of the adjusted federal Section 5307 and 5309 applications for the MTS fiscal year 2010 CIP now that federal appropriations have been finalized; and (3) forward a recommendation to the SANDAG Board of Directors to approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2010 CIP recommendations. | Approve |

#### CLOSED SESSION

- |     |   |                 |
|-----|---|-----------------|
| 24. | a. MTS: CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a): <u>Balfour Beatty/Ortiz v. Metropolitan Transit System</u> (Superior Court Case No. GIC 868963)                               | Possible Action |
|     | b. MTS: CLOSED SESSION - EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a): <u>San Diego Public Transit Riders Alliance v. MTS et al.</u> , (San Diego Superior Court Case Nos. 07-2007-0082217-CU-TT-CTL and 37-2008-00086580-CU-TT-CTL) | Possible Action |
|     | c. MTS: CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION Pursuant to California Government Code Section 54956.9(b) (One Potential Case)  | Possible Action |
|     | d. MTS: CLOSED SESSION – PUBLIC EMPLOYEE PERFORMANCE EVALUATION ( <u>CHIEF EXECUTIVE OFFICER</u> ) Pursuant to California Government Code Section 54957   | Possible Action |

#### NOTICED PUBLIC HEARINGS

- |     |       |
|-----|-------|
| 25. | None. |
|-----|-------|

## DISCUSSION ITEMS

30. MTS: Amendment to Executive Employment Agreement Approve  
Action would amend the Executive Employment Agreement (EEA) with the CEO to convert the Special Executive Cafeteria Plan from a percentage of pay to a fixed dollar amount and clarify that any future bonuses will be deposited into the CEO's 401(a) account.
31. MTS: Service Adjustments for Sorrento Valley Coaster Connection Approve  
Action would: (1) receive a report on public comments received since the January 15 public hearing; (2) approve Alternative No. 2, which includes elimination of Routes 975, 976, and 977, retention of adjusted Routes 89 and 978, restructuring of Routes 973 and 974 and Routes 971 and 972, and discontinuation of all Sorrento Valley Coaster Connection (SVCC) trips before 6:30 a.m. contingent upon a cost-sharing agreement between North County Transit District (NCTD) and MTS; (3) authorize the CEO to execute a Memorandum of Understanding (MOU) between MTS and NCTD; and (4) authorize complete elimination of the SVCC service on or after April 1, 2009 (Alternative 1), in the event that a cost-sharing agreement between MTS and NCTD is not executed.
32. MTS: El Cajon Transit Center Demolition Project Status - MOU Expiration/New Proposal Approve  
Action would: (1) authorize the CEO to execute a letter to the San Diego Association of Governments (SANDAG) to let the Memorandum of Understanding (MOU) (MTS Doc. No. L0862.0-09) between SANDAG and MTS (for construction and construction management services) expire on March 31, 2009, and request that SANDAG return the remaining funds to MTS Capital Improvement Project (CIP) 11217 (Blue and Orange Line Station Improvements); and (2) authorize the CEO to execute a multiyear contract with The Kobey Corporation, in partnership with BriceHouse Starboard LLC (the Partnership), to provide the structural capital improvement necessary to house, maintain, and manage an on-site convenience store, including accessible public restroom facilities.
33. MTS: Natural Gas Hedge Program Approve  
Action would: (1) approve the Natural Gas Hedge Program; (2) approve the Core Aggregate Transfer (CAT) Program; and (3) adopt a natural gas hedge policy, which includes designating the Chief Executive Officer and Chief Financial Officer as the administrators of this policy and authorizes the administrators to execute hedges in accordance with this policy.

## REPORT ITEMS

45. MTS: Service Performance Monitoring Report for July through December 2008 Receive  
Action would receive a report for information.
46. MTS: Navy Metro Transportation Demand Management Initiative Receive  
Action would receive a report on the Navy Metro Transportation Demand Management Initiative for information.

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|-----|---|-------------|
| 47. | <u>MTS: Chargers Football 2008 Year-End Summary</u><br>Action would receive a report for information.   | Receive     |
| 48. | <u>MTS: Year-to-Date Operations Budget Status Report through November 2008</u><br>Action would receive a report for information.  | Receive     |
| 49. | <u>MTS: Investment Report - December 2008</u><br>Action would receive a report for information.   | Receive     |
| 60. | <u>Chairman's Report</u>  | Information |
| 61. | <u>Audit Oversight Committee Chairman's Report</u>  | Information |
| 62. | <u>Chief Executive Officer's Report</u>   | Information |
| 63. | <u>Board Member Communications</u>  |             |
| 64. | <u>Additional Public Comments Not on the Agenda</u><br>If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments. |             |
| 65. | <u>Next Meeting Date:</u> March 12, 2009 - <b>9:00 a.m. Finance Workshop</b>  |             |
| 66. | <u>Adjournment</u>  |             |



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## Agenda

## Item No. 2

### MTS OPERATORS FINANCE WORKSHOP

FIN 310.1

February 19, 2009

#### SUBJECT:

MTS: FY 2009 MIDYEAR ADJUSTMENT

#### RECOMMENDATION:

That the Board of Directors

1. approve Resolution No. 09-10 (Attachment A) of the combined MTS FY 2009 midyear adjustment, which includes the use of \$1.77 million in nonrecurring revenues to balance the MTS operating budget; and
2. receive a report on preliminary MTS FY 2010 projections.

#### Budget Impact

None at this time.

#### DISCUSSION:

#### Combined MTS FY 2009 Midyear Adjustment

As of Tuesday, February 10, 2009, the State of California budget has still not been approved, and the impact to the MTS budget is unknown. The two scenarios that could transpire include MTS receiving 50% (best-case scenario) or 25% (which MTS has already received) of the originally budgeted State Transit Assistance (STA) amount for the fiscal year. The assumption included in the midyear budget adjustment is MTS receiving the 25% (approximately \$4 million) of the originally budgeted amount.

Revenues. Passenger fare revenues resulted in a \$7,715,000 positive midyear adjustment primarily due to MTS's average fare, which was higher than previously anticipated. This was primarily due to fare increases approved by the Board over the past 18 months as well as increases in passenger levels.

Advertising revenues are projected to decrease by approximately \$799,000. This expected revenue decrease is primarily attributed to the economic environment and the significant slowdown in the advertising market.



Other revenue is projected to decrease \$111,000. This is primarily due to lower-than-expected interest income on MTS cash balances as well as significantly lower-than-anticipated interest rates expected at the beginning of the fiscal year.

Recently, as discussed with the Budget Development Committee in November, MTS has been informed of additional significant reductions in subsidy revenues—specifically Transportation Development Act (TDA), TransNet, and State Transit Assistance (STA). Declining sales tax receipts have had a negative impact on MTS's share of TDA and TransNet, and the State of California's budget crisis is expected to affect MTS's share of STA.

- In late October, MTS staff met with San Diego Association of Governments (SANDAG) staff to review the FY 2009 progress of sales taxes. MTS staff was informed that MTS's share of TransNet and TDA revenues will drop by approximately \$5.1 million due to a slowing economy and lower-than-expected sales tax receipts.
- In early November, MTS staff was informed by the State that the agency's share of STA revenue would be cut from a projected \$14.1 million to approximately \$4 million. This represents the 25% of the total originally budgeted STA revenues.
- In total, the expected shortfall of subsidy revenue is \$15.3 million, which is a reduction of \$14,541,000 in budgeted operating revenue and \$800,000 in budgeted capital funding.

Expenses. Personnel-related expenses resulted in a \$2,720,000 favorable midyear adjustment. This is primarily due to:

- fully staffed transit services—MTS achieved savings within bus operator overtime, and shop wages were also lower than expected (+\$1,260,000);
- savings in sick and vacation primarily due to lower-than-expected sick leave payouts (+\$435,000);
- more staff time charged to capital-related projects than expected resulting in overhead reimbursements higher than expected (+\$248,000);
- workers' compensation claim payments, which were significantly lower than previously expected within transit services (+\$179,000); and
- all other wage adjustments (+\$361,000).

Total outside services produced a favorable midyear adjustment of \$1,699,000. This is due to savings within security expenses (+\$479,000), engines and transmissions (+\$357,000), purchased transportation costs (+\$351,000), repair and maintenance services (+\$281,000), and other outside services (+\$230,000).

Staff projects a favorable midyear adjustment of \$59,000 for materials and supplies expenses.

A total favorable reduction in energy for the 2009 fiscal year is \$1,945,000. This is primarily due to favorable rates within diesel and gasoline. The amended rates are as follows:

	<u>Original FY 09</u>	<u>Amended FY 09</u>
CNG	\$ 1.47	\$ 1.47
Diesel	\$ 3.29	\$ 2.57
Gasoline	\$ 3.61	\$ 2.75

General and administrative costs, risk management-related expenses, debt service, and vehicle/facility leases resulted in an unfavorable midyear adjustment of \$406,000. This is primarily due to higher-than-expected liability claims payouts and legal expenses.

The above-mentioned adjustments result in a consolidated favorable adjustment of \$6,017,000.

- Attachment A-2 provides the total combined MTS-consolidated midyear budget adjustments.
- Attachment A-3 includes the total combined administrative proposed adjustments.
- Attachment A-4 provides the total combined other activities proposed adjustments.
- Attachment A-5 supplies the combined operating budget adjustments.
- Attachments A-6 through A-12 provide supporting operating adjustments for each individual operator.
- Attachments A-13 through A-14 supply the nonoperating funding sources by activity and type.

If MTS receives no additional STA revenues over the \$4 million that has been received, the operating deficit will be approximately \$1.77 million. MTS staff recommends using \$1.77 million in reserves to balance the operating budget while staff prepares for the FY 2010 budget to once again realign recurring revenues to recurring expenses. The total reserve needs for FY 2009 total \$1,831,000. This includes the previously mentioned \$1.77 million to balance the operating budget for FY 2009 and includes \$21,000 and \$39,000 to balance the self-funded operations of San Diego and Arizona Eastern Railway Company and Taxicab Administration, respectively.

#### MTS FY 2010 Forecast

Using high-level assumptions, MTS's preliminary projection for FY 2010 shows a \$14 million deficit. For subsidy revenue, staff projects the loss of the remaining STA funds, based on the latest information coming from Sacramento. MTS projects that TDA/TransNet subsidies will not change compared to the previous year's budget. Operating revenues are projected to decrease approximately 2.2% primarily due to a reduction of passenger levels related to the economic downturn and decreased fuel costs. Operating expenses are projected to increase 2.7%.

### Ways to Bridge the Gap

Staff met with the Budget Development Committee to discuss various options for eliminating this deficit. Staff presented both revenue-enhancing and cost-reducing initiatives, including service adjustments up to \$10.5 million. The Budget Development Committee provided guidance on many of the options, and requested staff to analyze possible fare adjustment scenarios. Staff will report on the latest updates and continue working with the Budget Development Committee and MTS Board as the State budget is finalized and as staff continues to analyze additional options.



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Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Larry Marinesi, 619.557.4542, [larry.marinesi@sdmts.com](mailto:larry.marinesi@sdmts.com)

FEB19-09.FW 2.FY 09 MIDYEAR ADJUSTMT.LMARINESI.doc

Attachment: A. Resolution No. 09-10

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 09-10

Resolution Approving Amendments to FY 2009 Budget

WHEREAS, the MTS Board of Directors adopted Resolution No. 08-8 on June 12, 2008, approving the FY 2009 budgets for MTS, San Diego Transit Corporation, San Diego Trolley, Inc., MTS Contract Services, Chula Vista Transit, and Coronado Ferry;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that by a vote of two-thirds or more, all of the members of the San Diego Metropolitan Transit System Board of Directors approve changes to the FY 2009 operating budget per the attached proposed budget amendments;

PASSED AND ADOPTED, by the MTS Board of Directors this 19th day of February 2009, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

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Chairperson  
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

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Clerk of the Board  
San Diego Metropolitan Transit System

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Office of the General Counsel  
San Diego Metropolitan Transit System

FEB19-09.2.FW.AttA.RESO 09-10.LMARINESI.doc

Attachment: Proposed Budget Amendments

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CONSOLIDATED MTS  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	78,941,474	37,521,937	79,696,081	87,411,480	7,715,399	9.7%
ADVERTISING REVENUE	1,058,696	845,177	3,210,000	2,411,280	(798,720)	-24.9%
CONTRACT SERVICE REVENUE	63,435	-	28,000	28,000	-	0.0%
OTHER INCOME	10,855,346	2,043,871	5,482,914	5,371,572	(111,342)	-2.0%
<b>TOTAL OPERATING REVENUES</b>	<b>90,918,952</b>	<b>40,410,985</b>	<b>88,416,995</b>	<b>95,222,332</b>	<b>6,805,337</b>	<b>7.7%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	220,232,803	23,994,500	133,506,516	118,965,561	(14,540,955)	-10.9%
RESERVE REVENUE	236,717	-	160,126	1,830,734	1,670,608	1043.3%
OTHER INCOME	-	-	7,588,385	7,636,194	47,809	0.6%
<b>TOTAL NON OPERATING REVENUE</b>	<b>220,469,519</b>	<b>23,994,500</b>	<b>141,255,028</b>	<b>128,432,489</b>	<b>(12,822,538)</b>	<b>-9.1%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>311,388,472</b>	<b>64,405,485</b>	<b>229,672,023</b>	<b>223,654,821</b>	<b>(6,017,201)</b>	<b>-2.6%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	64,128,464	26,272,779	63,433,297	61,829,975	(1,603,322)	-2.5%
FRINGE EXPENSES	34,170,904	15,331,283	38,394,059	37,276,904	(1,117,155)	-2.9%
<b>TOTAL PERSONNEL EXPENSES</b>	<b>98,299,368</b>	<b>41,604,061</b>	<b>101,827,356</b>	<b>99,106,879</b>	<b>(2,720,477)</b>	<b>-2.7%</b>
SECURITY EXPENSES	5,900,114	2,684,272	5,851,798	5,373,000	(478,798)	-8.2%
REPAIR/MAINTENANCE SERVICES	3,862,125	1,508,248	4,177,952	3,896,554	(281,398)	-6.7%
ENGINE AND TRANSMISSION REBUILD	1,729,079	305,588	1,426,788	1,069,672	(357,116)	-25.0%
OTHER OUTSIDE SERVICES	4,658,740	2,281,974	5,412,639	5,182,249	(230,390)	-4.3%
PURCHASED TRANSPORTATION	54,734,130	23,076,501	55,813,186	55,462,294	(350,892)	-0.6%
<b>TOTAL OUTSIDE SERVICES</b>	<b>70,884,189</b>	<b>29,856,583</b>	<b>72,682,363</b>	<b>70,983,770</b>	<b>(1,698,593)</b>	<b>-2.3%</b>
LUBRICANTS	369,570	205,823	454,085	440,085	(14,000)	-3.1%
TIRES	745,905	347,947	746,856	749,856	3,000	0.4%
OTHER MATERIALS AND SUPPLIES	6,461,384	2,787,173	6,311,859	6,263,602	(48,257)	-0.8%
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>7,576,859</b>	<b>3,340,943</b>	<b>7,512,800</b>	<b>7,453,543</b>	<b>(59,257)</b>	<b>-0.8%</b>
DIESEL FUEL	8,926,132	4,179,766	9,372,219	7,893,736	(1,478,483)	-15.8%
CNG	10,220,471	4,979,954	11,368,294	11,069,801	(298,493)	-2.6%
TRACTION POWER	6,332,374	2,752,141	6,692,289	6,447,582	(244,707)	-3.7%
UTILITIES	2,927,694	1,328,875	3,032,736	3,109,311	76,576	2.5%
<b>TOTAL ENERGY</b>	<b>28,406,671</b>	<b>13,240,736</b>	<b>30,465,538</b>	<b>28,520,431</b>	<b>(1,945,107)</b>	<b>-6.4%</b>
<b>RISK MANAGEMENT</b>	<b>3,909,094</b>	<b>1,601,780</b>	<b>3,619,090</b>	<b>3,981,096</b>	<b>362,006</b>	<b>10.0%</b>
<b>GENERAL AND ADMINISTRATIVE</b>	<b>1,407,393</b>	<b>446,736</b>	<b>1,006,559</b>	<b>975,278</b>	<b>(31,281)</b>	<b>-3.1%</b>
<b>DEBT SERVICE</b>	<b>(10,682,543)</b>	<b>2,715,460</b>	<b>11,989,438</b>	<b>12,173,358</b>	<b>183,920</b>	<b>1.5%</b>
<b>VEHICLE / FACILITY LEASE</b>	<b>274,024</b>	<b>151,213</b>	<b>568,877</b>	<b>460,466</b>	<b>(108,411)</b>	<b>-19.1%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>200,075,054</b>	<b>92,957,513</b>	<b>229,672,022</b>	<b>223,654,821</b>	<b>(6,017,201)</b>	<b>-2.6%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(109,156,102)</b>	<b>(52,546,528)</b>	<b>(141,255,027)</b>	<b>(128,432,489)</b>	<b>12,822,538</b>	<b>9.1%</b>
<b>OVERHEAD ALLOCATION</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(109,156,101)</b>	<b>(52,546,528)</b>	<b>(141,255,027)</b>	<b>(128,432,489)</b>	<b>12,822,538</b>	<b>9.1%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>111,313,418</b>	<b>(28,552,027)</b>	<b>1</b>	<b>(0)</b>	<b>(1)</b>	<b>100.0%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
ADMINISTRATIVE DEPARTMENTS  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	-	-	-	-	-	-
ADVERTISING REVENUE	15,225	845,177	3,210,000	2,411,280	(798,720)	-24.9%
CONTRACT SERVICE REVENUE	-	-	-	-	-	-
OTHER INCOME	8,821,979	1,657,180	4,003,814	3,769,172	(234,642)	-5.9%
<b>TOTAL OPERATING REVENUES</b>	<b>8,837,203</b>	<b>2,502,357</b>	<b>7,213,814</b>	<b>6,180,452</b>	<b>(1,033,362)</b>	<b>-14.3%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	102,457,186	21,414,473	114,705	114,705	-	0.0%
RESERVE REVENUE	-	-	-	-	-	-
OTHER INCOME	-	-	7,588,385	7,588,385	-	0.0%
<b>TOTAL NON OPERATING REVENUE</b>	<b>102,457,186</b>	<b>21,414,473</b>	<b>7,703,090</b>	<b>7,703,090</b>	<b>-</b>	<b>0.0%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>111,294,389</b>	<b>23,916,830</b>	<b>14,916,904</b>	<b>13,883,542</b>	<b>(1,033,362)</b>	<b>-6.9%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	8,309,509	3,145,146	6,929,563	6,839,267	(90,295)	-1.3%
FRINGE EXPENSES	2,878,275	913,145	4,080,298	3,243,463	(836,835)	-20.5%
<b>TOTAL PERSONNEL EXPENSES</b>	<b>11,187,784</b>	<b>4,058,290</b>	<b>11,009,861</b>	<b>10,082,730</b>	<b>(927,130)</b>	<b>-8.4%</b>
SECURITY EXPENSES	12,129	6,119	11,000	11,000	-	0.0%
REPAIR/MAINTENANCE SERVICES	37,040	6,558	57,212	22,712	(34,500)	-60.3%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-	-
OTHER OUTSIDE SERVICES	2,669,218	1,392,714	3,270,649	3,175,670	(94,979)	-2.9%
PURCHASED TRANSPORTATION	-	-	-	-	-	-
<b>TOTAL OUTSIDE SERVICES</b>	<b>2,718,387</b>	<b>1,405,391</b>	<b>3,338,861</b>	<b>3,209,382</b>	<b>(129,479)</b>	<b>-3.9%</b>
LUBRICANTS	-	-	-	-	-	-
TIRES	-	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	15,544	6,294	5,000	5,000	-	0.0%
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>15,544</b>	<b>6,294</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>0.0%</b>
DIESEL FUEL	14,429	4,064	4,650	4,650	-	0.0%
CNG	-	-	-	-	-	-
TRACTION POWER	-	-	-	-	-	-
UTILITIES	359,423	141,106	386,735	398,727	11,992	3.1%
<b>TOTAL ENERGY</b>	<b>373,852</b>	<b>145,170</b>	<b>391,385</b>	<b>403,377</b>	<b>11,992</b>	<b>3.1%</b>
<b>RISK MANAGEMENT</b>	<b>474,811</b>	<b>185,419</b>	<b>388,303</b>	<b>387,675</b>	<b>(628)</b>	<b>-0.2%</b>
<b>GENERAL AND ADMINISTRATIVE</b>	<b>758,354</b>	<b>211,124</b>	<b>514,364</b>	<b>455,260</b>	<b>(59,104)</b>	<b>-11.5%</b>
<b>DEBT SERVICE</b>	<b>(15,877,121)</b>	<b>879,013</b>	<b>8,559,926</b>	<b>8,559,926</b>	<b>-</b>	<b>0.0%</b>
<b>VEHICLE / FACILITY LEASE</b>	<b>-</b>	<b>901</b>	<b>22,090</b>	<b>5,474</b>	<b>(16,616)</b>	<b>-75.2%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>(348,390)</b>	<b>6,891,602</b>	<b>24,229,789</b>	<b>23,108,824</b>	<b>(1,120,965)</b>	<b>-4.6%</b>
<b>NET OPERATING SUBSIDY</b>	<b>9,185,593</b>	<b>(4,389,245)</b>	<b>(17,015,975)</b>	<b>(16,928,372)</b>	<b>87,604</b>	<b>0.5%</b>
<b>OVERHEAD ALLOCATION</b>	<b>5,691,099</b>	<b>3,880,369</b>	<b>9,312,885</b>	<b>9,225,282</b>	<b>(87,604)</b>	<b>-0.9%</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>14,876,692</b>	<b>(508,876)</b>	<b>(7,703,090)</b>	<b>(7,703,090)</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>117,333,878</b>	<b>20,905,597</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OTHER ACTIVITIES DEPARTMENTS  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	-	-	-	-	-	-
ADVERTISING REVENUE	-	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-	-
OTHER INCOME	785,000	144,880	857,100	908,400	51,300	6.0%
<b>TOTAL OPERATING REVENUES</b>	<b>785,000</b>	<b>144,880</b>	<b>857,100</b>	<b>908,400</b>	<b>51,300</b>	<b>6.0%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	-	-	-	-	-	-
RESERVE REVENUE	236,717	-	160,126	60,243	(99,883)	-62.4%
OTHER INCOME	-	-	-	-	-	-
<b>TOTAL NON OPERATING REVENUE</b>	<b>236,717</b>	<b>-</b>	<b>160,126</b>	<b>60,243</b>	<b>(99,883)</b>	<b>-62.4%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>1,021,717</b>	<b>144,880</b>	<b>1,017,226</b>	<b>968,643</b>	<b>(48,583)</b>	<b>-4.8%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	577,766	203,133	537,188	487,188	(50,000)	-9.3%
FRINGE EXPENSES	3,343	829	108,913	108,913	-	0.0%
<b>TOTAL PERSONNEL EXPENSES</b>	<b>581,108</b>	<b>203,963</b>	<b>646,100</b>	<b>596,100</b>	<b>(50,000)</b>	<b>-7.7%</b>
SECURITY EXPENSES	1,109	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	18,862	2,564	27,325	18,496	(8,829)	-32.3%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-	-
OTHER OUTSIDE SERVICES	129,746	29,348	133,920	137,465	3,545	2.6%
PURCHASED TRANSPORTATION	-	-	-	-	-	-
<b>TOTAL OUTSIDE SERVICES</b>	<b>149,717</b>	<b>31,912</b>	<b>161,245</b>	<b>155,961</b>	<b>(5,284)</b>	<b>-3.3%</b>
LUBRICANTS	-	-	-	-	-	-
TIRES	-	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	2,304	1,863	5,000	8,500	3,500	70.0%
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>2,304</b>	<b>1,863</b>	<b>5,000</b>	<b>8,500</b>	<b>3,500</b>	<b>70.0%</b>
DIESEL FUEL	4,278	818	3,775	4,275	500	13.2%
CNG	-	-	-	-	-	-
TRACTION POWER	-	-	-	-	-	-
UTILITIES	7,573	2,827	15,525	12,671	(2,854)	-18.4%
<b>TOTAL ENERGY</b>	<b>11,851</b>	<b>3,646</b>	<b>19,300</b>	<b>16,946</b>	<b>(2,354)</b>	<b>-12.2%</b>
<b>RISK MANAGEMENT</b>	<b>39,976</b>	<b>15,079</b>	<b>34,440</b>	<b>34,440</b>	<b>-</b>	<b>0.0%</b>
<b>GENERAL AND ADMINISTRATIVE</b>	<b>85,007</b>	<b>46,294</b>	<b>106,456</b>	<b>110,883</b>	<b>4,427</b>	<b>4.2%</b>
<b>DEBT SERVICE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VEHICLE / FACILITY LEASE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>869,964</b>	<b>302,757</b>	<b>972,541</b>	<b>922,830</b>	<b>(49,711)</b>	<b>-5.1%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(84,964)</b>	<b>(157,877)</b>	<b>(115,441)</b>	<b>(14,430)</b>	<b>101,011</b>	<b>87.5%</b>
<b>OVERHEAD ALLOCATION</b>	<b>(16,409)</b>	<b>(18,619)</b>	<b>(44,685)</b>	<b>(45,812)</b>	<b>(1,128)</b>	<b>2.5%</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(101,373)</b>	<b>(176,496)</b>	<b>(160,126)</b>	<b>(60,243)</b>	<b>99,883</b>	<b>62.4%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>135,344</b>	<b>(176,496)</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>-</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CONSOLIDATED OPERATIONS  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	78,941,474	37,521,937	79,696,081	87,411,480	7,715,399	9.7%
ADVERTISING REVENUE	1,043,472	-	-	-	-	-
CONTRACT SERVICE REVENUE	63,435	-	28,000	28,000	-	0.0%
OTHER INCOME	1,248,368	241,811	622,000	694,000	72,000	11.6%
<b>TOTAL OPERATING REVENUES</b>	<b>81,296,749</b>	<b>37,763,748</b>	<b>80,346,081</b>	<b>88,133,480</b>	<b>7,787,399</b>	<b>9.7%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	117,775,617	2,580,028	133,391,811	118,850,856	(14,540,955)	-10.9%
RESERVE REVENUE	-	-	-	1,770,491	1,770,491	-
OTHER INCOME	-	-	-	47,809	47,809	-
<b>TOTAL NON OPERATING REVENUE</b>	<b>117,775,617</b>	<b>2,580,028</b>	<b>133,391,811</b>	<b>120,669,156</b>	<b>(12,722,655)</b>	<b>-9.5%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>199,072,366</b>	<b>40,343,775</b>	<b>213,737,892</b>	<b>208,802,636</b>	<b>(4,935,256)</b>	<b>-2.3%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	55,241,189	22,924,500	55,966,547	54,503,520	(1,463,027)	-2.6%
FRINGE EXPENSES	31,289,286	14,417,309	34,204,848	33,924,528	(280,320)	-0.8%
<b>TOTAL PERSONNEL EXPENSES</b>	<b>86,530,475</b>	<b>37,341,809</b>	<b>90,171,395</b>	<b>88,428,048</b>	<b>(1,743,347)</b>	<b>-1.9%</b>
SECURITY EXPENSES	5,886,876	2,678,153	5,840,798	5,362,000	(478,798)	-8.2%
REPAIR/MAINTENANCE SERVICES	3,806,223	1,499,126	4,093,415	3,855,346	(238,069)	-5.8%
ENGINE AND TRANSMISSION REBUILD	1,729,079	305,588	1,426,788	1,069,672	(357,116)	-25.0%
OTHER OUTSIDE SERVICES	1,859,776	859,912	2,008,070	1,869,114	(138,956)	-6.9%
PURCHASED TRANSPORTATION	54,734,130	23,076,501	55,813,186	55,462,294	(350,892)	-0.6%
<b>TOTAL OUTSIDE SERVICES</b>	<b>68,016,085</b>	<b>28,419,280</b>	<b>69,182,257</b>	<b>67,618,427</b>	<b>(1,563,830)</b>	<b>-2.3%</b>
LUBRICANTS	369,570	205,823	454,085	440,085	(14,000)	-3.1%
TIRES	745,905	347,947	746,856	749,856	3,000	0.4%
OTHER MATERIALS AND SUPPLIES	6,443,536	2,779,016	6,301,859	6,250,102	(51,757)	-0.8%
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>7,559,011</b>	<b>3,332,786</b>	<b>7,502,800</b>	<b>7,440,043</b>	<b>(62,757)</b>	<b>-0.8%</b>
DIESEL FUEL	8,907,425	4,174,884	9,363,794	7,884,811	(1,478,983)	-15.8%
CNG	10,220,471	4,979,954	11,368,294	11,069,801	(298,493)	-2.6%
TRACTION POWER	6,332,374	2,752,141	6,692,289	6,447,582	(244,707)	-3.7%
UTILITIES	2,560,697	1,184,941	2,630,476	2,697,913	67,438	2.6%
<b>TOTAL ENERGY</b>	<b>28,020,969</b>	<b>13,091,920</b>	<b>30,054,853</b>	<b>28,100,108</b>	<b>(1,954,745)</b>	<b>-6.5%</b>
<b>RISK MANAGEMENT</b>	<b>3,394,306</b>	<b>1,401,282</b>	<b>3,196,347</b>	<b>3,558,981</b>	<b>362,634</b>	<b>11.3%</b>
<b>GENERAL AND ADMINISTRATIVE</b>	<b>564,031</b>	<b>189,318</b>	<b>385,739</b>	<b>409,135</b>	<b>23,396</b>	<b>6.1%</b>
<b>DEBT SERVICE</b>	<b>5,194,578</b>	<b>1,836,447</b>	<b>3,429,512</b>	<b>3,613,432</b>	<b>183,920</b>	<b>5.4%</b>
<b>VEHICLE / FACILITY LEASE</b>	<b>274,024</b>	<b>150,312</b>	<b>546,787</b>	<b>454,992</b>	<b>(91,795)</b>	<b>-16.8%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>199,553,479</b>	<b>85,763,154</b>	<b>204,469,691</b>	<b>199,623,167</b>	<b>(4,846,524)</b>	<b>-2.4%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(118,256,731)</b>	<b>(47,999,406)</b>	<b>(124,123,610)</b>	<b>(111,489,687)</b>	<b>12,633,923</b>	<b>10.2%</b>
<b>OVERHEAD ALLOCATION</b>	<b>(5,674,690)</b>	<b>(3,861,750)</b>	<b>(9,268,201)</b>	<b>(9,179,469)</b>	<b>88,731</b>	<b>-1.0%</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(123,931,420)</b>	<b>(51,861,157)</b>	<b>(133,391,811)</b>	<b>(120,669,156)</b>	<b>12,722,654</b>	<b>9.5%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>(6,155,803)</b>	<b>(49,281,129)</b>	<b>1</b>	<b>(0)</b>	<b>(1)</b>	<b>100.0%</b>
Revenue Miles	31,685,434	12,974,001	30,567,777	31,036,266	468,489	
Total Miles	35,753,377	14,912,557	35,048,681	35,839,457	790,776	
Revenue Hours	2,439,258	1,010,902	2,425,486	2,405,315	(20,171)	
Total Hours	2,721,311	1,074,564	2,603,108	2,595,480	(7,628)	
Passengers (Boardings)	90,571,972	40,089,244	94,096,704	92,295,478	(1,801,226)	
Farebox Recovery Ratio	39.6%	42.1%	37.6%	42.2%	4.6%	
Average Fare	0.898	0.942	0.854	0.955	10.1%	
Cost per Revenue Mile	6.48	6.91	6.99	6.73	(0.26)	
Cost per Revenue Hour	84.14	88.66	88.12	86.81	(1.31)	

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
SAN DIEGO TRANSIT CORPORATION  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	23,680,180	11,239,824	24,555,295	26,587,229	2,031,934	8.3%
ADVERTISING REVENUE	1,011,482	-	-	-	-	-
CONTRACT SERVICE REVENUE	63,435	-	28,000	28,000	-	0.0%
OTHER INCOME	(206,632)	47,943	10,000	10,000	-	0.0%
<b>TOTAL OPERATING REVENUES</b>	<b>24,548,465</b>	<b>11,287,767</b>	<b>24,593,295</b>	<b>26,625,229</b>	<b>2,031,934</b>	<b>8.3%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	47,572,564	11,324	58,760,226	52,937,923	(5,822,303)	-9.9%
RESERVE REVENUE	-	-	-	1,770,491	1,770,491	-
OTHER INCOME	-	-	-	-	-	-
<b>TOTAL NON OPERATING REVENUE</b>	<b>47,572,564</b>	<b>11,324</b>	<b>58,760,226</b>	<b>54,708,414</b>	<b>(4,051,812)</b>	<b>-6.9%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>72,121,029</b>	<b>11,299,091</b>	<b>83,353,522</b>	<b>81,333,644</b>	<b>(2,019,878)</b>	<b>-2.4%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	31,916,532	13,273,376	32,751,279	31,276,279	(1,475,000)	-4.5%
FRINGE EXPENSES	21,685,124	10,320,842	24,782,072	24,518,639	(263,433)	-1.1%
<b>TOTAL PERSONNEL EXPENSES</b>	<b>53,601,657</b>	<b>23,594,218</b>	<b>57,533,351</b>	<b>55,794,918</b>	<b>(1,738,433)</b>	<b>-3.0%</b>
SECURITY EXPENSES	198,247	81,431	228,000	204,000	(24,000)	-10.5%
REPAIR/MAINTENANCE SERVICES	880,063	334,670	877,339	835,313	(42,026)	-4.8%
ENGINE AND TRANSMISSION REBUILD	1,132,735	145,461	433,788	373,788	(60,000)	-13.8%
OTHER OUTSIDE SERVICES	317,271	159,255	479,124	504,493	25,369	5.3%
PURCHASED TRANSPORTATION	21,271	4,697	26,887	26,887	-	0.0%
<b>TOTAL OUTSIDE SERVICES</b>	<b>2,549,587</b>	<b>725,515</b>	<b>2,045,139</b>	<b>1,944,482</b>	<b>(100,657)</b>	<b>-4.9%</b>
LUBRICANTS	186,118	87,242	235,633	233,633	(2,000)	-0.8%
TIRES	741,166	345,097	744,356	744,356	-	0.0%
OTHER MATERIALS AND SUPPLIES	3,856,656	1,552,451	3,572,132	3,427,132	(145,000)	-4.1%
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>4,783,941</b>	<b>1,984,791</b>	<b>4,552,121</b>	<b>4,405,121</b>	<b>(147,000)</b>	<b>-3.2%</b>
DIESEL FUEL	2,306,378	1,078,290	2,404,607	1,822,567	(582,040)	-24.2%
CNG	6,159,993	3,007,274	6,361,087	6,361,087	-	0.0%
TRACTION POWER	-	-	-	-	-	-
UTILITIES	558,193	238,483	544,870	583,057	38,187	7.0%
<b>TOTAL ENERGY</b>	<b>9,024,565</b>	<b>4,324,048</b>	<b>9,310,564</b>	<b>8,766,711</b>	<b>(543,854)</b>	<b>-5.8%</b>
<b>RISK MANAGEMENT</b>	<b>2,091,675</b>	<b>623,922</b>	<b>1,442,098</b>	<b>1,744,255</b>	<b>302,157</b>	<b>21.0%</b>
<b>GENERAL AND ADMINISTRATIVE</b>	<b>301,290</b>	<b>66,705</b>	<b>172,522</b>	<b>167,837</b>	<b>(4,685)</b>	<b>-2.7%</b>
<b>DEBT SERVICE</b>	<b>5,194,578</b>	<b>1,836,447</b>	<b>3,429,512</b>	<b>3,613,432</b>	<b>183,920</b>	<b>5.4%</b>
<b>VEHICLE / FACILITY LEASE</b>	<b>72,741</b>	<b>39,931</b>	<b>185,474</b>	<b>142,726</b>	<b>(42,748)</b>	<b>-23.0%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>77,620,032</b>	<b>33,195,576</b>	<b>78,670,781</b>	<b>76,579,482</b>	<b>(2,091,300)</b>	<b>-2.7%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(53,071,567)</b>	<b>(21,907,809)</b>	<b>(54,077,486)</b>	<b>(49,954,253)</b>	<b>4,123,233</b>	<b>7.6%</b>
<b>OVERHEAD ALLOCATION</b>	<b>(2,411,431)</b>	<b>(1,951,142)</b>	<b>(4,682,740)</b>	<b>(4,754,162)</b>	<b>(71,422)</b>	<b>1.5%</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(55,482,998)</b>	<b>(23,858,951)</b>	<b>(58,760,226)</b>	<b>(54,708,414)</b>	<b>4,051,812</b>	<b>6.9%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>(7,910,434)</b>	<b>(23,847,627)</b>	<b>0</b>	<b>-</b>	<b>(0)</b>	<b>100.0%</b>
Revenue Miles	9,914,570	3,879,163	9,234,689	9,244,668	9,979	
Total Miles	11,105,179	4,561,712	10,719,599	10,723,815	4,216	
Revenue Hours	870,846	357,405	856,656	845,355	(11,301)	
Total Hours	917,235	366,786	908,086	896,076	(12,010)	
Passengers (Boardings)	28,099,596	13,088,848	28,351,676	29,708,784	1,357,108	
Farebox Recovery Ratio	30.7%	32.1%	29.5%	32.7%	3.2%	
Average Fare	0.874	0.862	0.867	0.896	2.9%	
Cost per Revenue Mile	8.07	9.06	9.03	8.80	(0.23)	
Cost per Revenue Hour	91.90	98.34	97.30	96.21	(1.09)	

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
SAN DIEGO TROLLEY INCORPORATED  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	31,120,170	14,556,267	31,711,015	33,260,749	1,549,734	4.9%
ADVERTISING REVENUE	31,990	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-	-
OTHER INCOME	631,593	167,085	612,000	684,000	72,000	11.8%
<b>TOTAL OPERATING REVENUES</b>	<b>31,783,754</b>	<b>14,723,352</b>	<b>32,323,015</b>	<b>33,944,749</b>	<b>1,621,734</b>	<b>5.0%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	24,359,239	-	25,975,772	23,324,391	(2,651,381)	-10.2%
RESERVE REVENUE	-	-	-	-	-	-
OTHER INCOME	-	-	-	-	-	-
<b>TOTAL NON OPERATING REVENUE</b>	<b>24,359,239</b>	<b>-</b>	<b>25,975,772</b>	<b>23,324,391</b>	<b>(2,651,381)</b>	<b>-10.2%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>56,142,993</b>	<b>14,723,352</b>	<b>58,298,787</b>	<b>57,269,140</b>	<b>(1,029,646)</b>	<b>-1.8%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	22,114,363	9,292,604	22,203,427	22,150,927	(52,500)	-0.2%
FRINGE EXPENSES	9,415,482	3,907,787	9,234,097	9,217,210	(16,887)	-0.2%
<b>TOTAL PERSONNEL EXPENSES</b>	<b>31,529,845</b>	<b>13,200,392</b>	<b>31,437,524</b>	<b>31,368,137</b>	<b>(69,387)</b>	<b>-0.2%</b>
SECURITY EXPENSES	5,617,565	2,576,737	5,515,598	5,087,000	(428,598)	-7.8%
REPAIR/MAINTENANCE SERVICES	2,832,665	1,144,713	3,107,956	2,903,571	(204,385)	-6.6%
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-	-
OTHER OUTSIDE SERVICES	652,545	244,939	430,827	457,498	26,671	6.2%
PURCHASED TRANSPORTATION	-	-	-	-	-	-
<b>TOTAL OUTSIDE SERVICES</b>	<b>9,102,775</b>	<b>3,966,389</b>	<b>9,054,381</b>	<b>8,448,069</b>	<b>(606,312)</b>	<b>-6.7%</b>
LUBRICANTS	183,451	118,580	218,452	206,452	(12,000)	-5.5%
TIRES	4,739	2,850	2,500	5,500	3,000	120.0%
OTHER MATERIALS AND SUPPLIES	2,585,867	1,224,833	2,716,778	2,777,152	60,374	2.2%
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>2,774,057</b>	<b>1,346,263</b>	<b>2,937,730</b>	<b>2,989,104</b>	<b>51,374</b>	<b>1.7%</b>
DIESEL FUEL	522,136	228,628	490,924	373,972	(116,951)	-23.8%
CNG	-	-	-	-	-	-
TRACTION POWER	6,332,374	2,752,141	6,692,289	6,447,582	(244,707)	-3.7%
UTILITIES	1,881,660	897,327	1,947,360	1,990,579	43,219	2.2%
<b>TOTAL ENERGY</b>	<b>8,736,170</b>	<b>3,878,095</b>	<b>9,130,573</b>	<b>8,812,134</b>	<b>(318,439)</b>	<b>-3.5%</b>
<b>RISK MANAGEMENT</b>	<b>1,277,632</b>	<b>777,361</b>	<b>1,729,249</b>	<b>1,789,726</b>	<b>60,477</b>	<b>3.5%</b>
<b>GENERAL AND ADMINISTRATIVE</b>	<b>163,256</b>	<b>94,860</b>	<b>175,980</b>	<b>199,349</b>	<b>23,369</b>	<b>13.3%</b>
<b>DEBT SERVICE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VEHICLE / FACILITY LEASE</b>	<b>86,123</b>	<b>43,603</b>	<b>204,713</b>	<b>157,780</b>	<b>(46,933)</b>	<b>-22.9%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>53,669,857</b>	<b>23,306,962</b>	<b>54,670,149</b>	<b>53,764,298</b>	<b>(905,851)</b>	<b>-1.7%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(21,886,104)</b>	<b>(8,583,611)</b>	<b>(22,347,134)</b>	<b>(19,819,548)</b>	<b>2,527,585</b>	<b>11.3%</b>
<b>OVERHEAD ALLOCATION</b>	<b>(2,279,370)</b>	<b>(1,511,933)</b>	<b>(3,628,638)</b>	<b>(3,504,843)</b>	<b>123,795</b>	<b>-3.4%</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(24,165,474)</b>	<b>(10,095,543)</b>	<b>(25,975,772)</b>	<b>(23,324,391)</b>	<b>2,651,381</b>	<b>10.2%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>193,766</b>	<b>(10,095,543)</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>100.0%</b>
Revenue Miles	8,002,892	3,371,668	8,038,944	8,092,000	53,056	
Total Miles	8,103,105	3,414,861	8,164,726	8,195,664	30,938	
Revenue Hours	434,006	184,694	472,835	436,777	(36,058)	
Total Hours	440,516	187,082	482,268	443,266	(39,002)	
Passengers (Boardings)	37,620,946	15,763,836	39,967,569	36,830,658	(3,136,911)	
Farebox Recovery Ratio	56.8%	59.3%	55.4%	59.3%	3.8%	
Average Fare	0.845	0.934	0.809	0.922	11.3%	
Cost per Revenue Mile	6.99	7.36	7.25	7.08	(0.17)	
Cost per Revenue Hour	128.91	134.38	123.30	131.12	7.82	

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CONTRACTED BUS OPERATIONS - FIXED ROUTE  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	19,383,939	9,186,775	18,784,300	21,641,602	2,857,302	15.2%
ADVERTISING REVENUE			-	-	-	-
CONTRACT SERVICE REVENUE			-	-	-	-
OTHER INCOME	67,024	26,783	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>19,450,963</b>	<b>9,213,558</b>	<b>18,784,300</b>	<b>21,641,602</b>	<b>2,857,302</b>	<b>15.2%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	30,486,585	81,438	32,035,021	27,778,407	(4,256,614)	-13.3%
RESERVE REVENUE			-	-	-	-
OTHER INCOME			-	-	-	-
<b>TOTAL NON OPERATING REVENUE</b>	<b>30,486,585</b>	<b>81,438</b>	<b>32,035,021</b>	<b>27,778,407</b>	<b>(4,256,614)</b>	<b>-13.3%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>49,937,548</b>	<b>9,294,996</b>	<b>50,819,321</b>	<b>49,420,009</b>	<b>(1,399,312)</b>	<b>-2.8%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	356,236	176,724	355,860	464,031	108,171	30.4%
FRINGE EXPENSES			-	-	-	-
<b>TOTAL PERSONNEL EXPENSES</b>	<b>356,236</b>	<b>176,724</b>	<b>355,860</b>	<b>464,031</b>	<b>108,171</b>	<b>30.4%</b>
SECURITY EXPENSES	71,064	19,985	97,200	71,000	(26,200)	-27.0%
REPAIR/MAINTENANCE SERVICES	4,099	533	4,200	11,679	7,479	178.1%
ENGINE AND TRANSMISSION REBUILD	531,389	109,244	944,000	597,001	(346,999)	-36.8%
OTHER OUTSIDE SERVICES	439,029	131,519	600,540	357,932	(242,608)	-40.4%
PURCHASED TRANSPORTATION	39,475,772	16,293,580	39,711,773	39,307,624	(404,149)	-1.0%
<b>TOTAL OUTSIDE SERVICES</b>	<b>40,521,354</b>	<b>16,554,861</b>	<b>41,357,713</b>	<b>40,345,237</b>	<b>(1,012,476)</b>	<b>-2.4%</b>
LUBRICANTS			-	-	-	-
TIRES			-	-	-	-
OTHER MATERIALS AND SUPPLIES	-	440	-	32,884	32,884	-
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>-</b>	<b>440</b>	<b>-</b>	<b>32,884</b>	<b>32,884</b>	<b>-</b>
DIESEL FUEL	3,959,827	1,845,370	3,648,155	3,427,815	(220,339)	-6.0%
CNG	3,732,947	1,756,255	4,513,925	4,256,694	(257,231)	-5.7%
TRACTION POWER			-	-	-	-
UTILITIES	3,502	1,045	-	-	-	-
<b>TOTAL ENERGY</b>	<b>7,696,275</b>	<b>3,602,670</b>	<b>8,162,079</b>	<b>7,684,509</b>	<b>(477,570)</b>	<b>-5.9%</b>
RISK MANAGEMENT	-	-	-	-	-	-
GENERAL AND ADMINISTRATIVE	80,252	27,625	6,716	12,158	5,441	81.0%
DEBT SERVICE			-	-	-	-
VEHICLE / FACILITY LEASE	115,160	66,778	154,600	152,486	(2,114)	-1.4%
<b>TOTAL OPERATING EXPENSES</b>	<b>48,769,277</b>	<b>20,429,098</b>	<b>50,036,969</b>	<b>48,691,305</b>	<b>(1,345,664)</b>	<b>-2.7%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(29,318,314)</b>	<b>(11,215,540)</b>	<b>(31,252,669)</b>	<b>(27,049,703)</b>	<b>4,202,966</b>	<b>13.4%</b>
OVERHEAD ALLOCATION	(807,810)	(325,980)	(782,352)	(728,704)	53,648	-6.9%
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(30,126,124)</b>	<b>(11,541,520)</b>	<b>(32,035,021)</b>	<b>(27,778,407)</b>	<b>4,256,614</b>	<b>13.3%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>360,461</b>	<b>(11,460,082)</b>	<b>0</b>	<b>-</b>	<b>(0)</b>	<b>94.1%</b>
Revenue Miles	9,218,022	3,719,557	8,764,861	8,973,439	208,578	
Total Miles	10,929,750	4,390,117	10,503,032	10,883,571	380,539	
Revenue Hours	824,244	332,245	784,897	801,672	16,775	
Total Hours	993,212	355,253	839,361	868,322	28,961	
Passengers (Boardings)	20,867,924	9,406,838	21,545,328	21,418,634	(126,694)	
Farebox Recovery Ratio	39.2%	44.4%	37.0%	43.8%	6.8%	
Average Fare	0.932	0.979	0.872	1.010	13.9%	
Cost per Revenue Mile	5.38	5.58	5.80	5.51	(0.29)	
Cost per Revenue Hour	60.15	62.47	64.75	61.65	(3.10)	

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CONTRACTED BUS OPERATIONS - PARATRANSIT  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	1,754,338	755,133	1,924,400	1,915,357	(9,043)	-0.5%
ADVERTISING REVENUE	-	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-	-
OTHER INCOME	-	-	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>1,754,338</b>	<b>755,133</b>	<b>1,924,400</b>	<b>1,915,357</b>	<b>(9,043)</b>	<b>-0.5%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	10,664,285	-	11,300,497	10,864,483	(436,013)	-3.9%
RESERVE REVENUE	-	-	-	-	-	-
OTHER INCOME	-	-	-	47,809	47,809	-
<b>TOTAL NON OPERATING REVENUE</b>	<b>10,664,285</b>	<b>-</b>	<b>11,300,497</b>	<b>10,912,292</b>	<b>(388,204)</b>	<b>-3.4%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>12,418,623</b>	<b>755,133</b>	<b>13,224,897</b>	<b>12,827,649</b>	<b>(397,248)</b>	<b>-3.0%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	180,127	44,264	184,403	140,704	(43,698)	-23.7%
FRINGE EXPENSES	-	-	-	-	-	-
<b>TOTAL PERSONNEL EXPENSES</b>	<b>180,127</b>	<b>44,264</b>	<b>184,403</b>	<b>140,704</b>	<b>(43,698)</b>	<b>-23.7%</b>
SECURITY EXPENSES	-	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	-	-	-	-	-	-
ENGINE AND TRANSMISSION REBUILD	-	-	-	-	-	-
OTHER OUTSIDE SERVICES	161,440	95,109	197,520	256,783	59,263	30.0%
PURCHASED TRANSPORTATION	9,580,694	4,364,972	10,238,179	10,303,112	64,933	0.6%
<b>TOTAL OUTSIDE SERVICES</b>	<b>9,742,134</b>	<b>4,460,081</b>	<b>10,435,699</b>	<b>10,559,895</b>	<b>124,196</b>	<b>1.2%</b>
LUBRICANTS	-	-	-	-	-	-
TIRES	-	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	-	-	-	-	-	-
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
DIESEL FUEL	1,920,734	951,336	2,566,950	2,090,942	(476,008)	-18.5%
CNG	-	-	-	-	-	-
TRACTION POWER	-	-	-	-	-	-
UTILITIES	1,933	280	-	-	-	-
<b>TOTAL ENERGY</b>	<b>1,922,667</b>	<b>951,616</b>	<b>2,566,950</b>	<b>2,090,942</b>	<b>(476,008)</b>	<b>-18.5%</b>
<b>RISK MANAGEMENT</b>						
GENERAL AND ADMINISTRATIVE	2,147	51	5,160	4,680	(480)	-9.3%
DEBT SERVICE	-	-	-	-	-	-
VEHICLE / FACILITY LEASE	-	-	2,000	2,000	-	0.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>11,847,075</b>	<b>5,456,012</b>	<b>13,194,212</b>	<b>12,798,221</b>	<b>(395,990)</b>	<b>-3.0%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(10,092,737)</b>	<b>(4,700,878)</b>	<b>(11,269,812)</b>	<b>(10,882,865)</b>	<b>386,947</b>	<b>3.4%</b>
<b>OVERHEAD ALLOCATION</b>	<b>(27,574)</b>	<b>(12,785)</b>	<b>(30,685)</b>	<b>(29,428)</b>	<b>1,257</b>	<b>-4.1%</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(10,120,311)</b>	<b>(4,713,664)</b>	<b>(11,300,497)</b>	<b>(10,912,292)</b>	<b>388,204</b>	<b>3.4%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>543,975</b>	<b>(4,713,664)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>-230.7%</b>
Revenue Miles	3,295,440	1,483,281	3,281,059	3,483,850	202,791	
Total Miles	4,249,044	1,974,878	4,213,384	4,595,328	381,944	
Revenue Hours	194,636	87,310	193,889	203,631	9,742	
Total Hours	249,740	113,720	249,152	262,863	13,711	
Passengers (Boardings)	589,743	240,445	631,376	564,384	(66,992)	
Farebox Recovery Ratio	14.8%	13.8%	14.6%	14.9%	0.4%	
Average Fare	2.975	3.141	3.048	3.394	34.6%	
Cost per Revenue Mile	3.60	3.69	4.03	3.68	(0.35)	
Cost per Revenue Hour	61.01	62.64	68.21	62.99	(5.21)	

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CHULA VISTA TRANSIT  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE	3,002,846	1,783,938	2,721,071	4,006,542	1,285,472	47.2%
ADVERTISING REVENUE	-	-	-	-	-	-
CONTRACT SERVICE REVENUE	-	-	-	-	-	-
OTHER INCOME	756,383	-	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>3,759,229</b>	<b>1,783,938</b>	<b>2,721,071</b>	<b>4,006,542</b>	<b>1,285,472</b>	<b>47.2%</b>
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	4,205,478	2,414,266	4,828,532	3,453,889	(1,374,643)	-28.5%
RESERVE REVENUE	-	-	-	-	-	-
OTHER INCOME	-	-	-	-	-	-
<b>TOTAL NON OPERATING REVENUE</b>	<b>4,205,478</b>	<b>2,414,266</b>	<b>4,828,532</b>	<b>3,453,889</b>	<b>(1,374,643)</b>	<b>-28.5%</b>
<b>TOTAL COMBINED REVENUES</b>	<b>7,964,707</b>	<b>4,198,204</b>	<b>7,549,603</b>	<b>7,460,431</b>	<b>(89,172)</b>	<b>-1.2%</b>
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES	673,931	137,532	471,578	471,578	-	0.0%
FRINGE EXPENSES	-	-	-	-	-	-
<b>TOTAL PERSONNEL EXPENSES</b>	<b>673,931</b>	<b>137,532</b>	<b>471,578</b>	<b>471,578</b>	<b>-</b>	<b>0.0%</b>
SECURITY EXPENSES	-	-	-	-	-	-
REPAIR/MAINTENANCE SERVICES	89,395	19,210	103,920	104,782	863	0.8%
ENGINE AND TRANSMISSION REBUILD	64,956	50,883	49,000	98,883	49,883	101.8%
OTHER OUTSIDE SERVICES	133,991	73,589	144,559	136,908	(7,651)	-5.3%
PURCHASED TRANSPORTATION	5,513,109	2,351,759	5,688,763	5,677,088	(11,675)	-0.2%
<b>TOTAL OUTSIDE SERVICES</b>	<b>5,801,451</b>	<b>2,495,441</b>	<b>5,986,241</b>	<b>6,017,661</b>	<b>31,419</b>	<b>0.5%</b>
LUBRICANTS	-	-	-	-	-	-
TIRES	-	-	-	-	-	-
OTHER MATERIALS AND SUPPLIES	1,013	1,292	12,950	12,935	(15)	-0.1%
<b>TOTAL MATERIALS AND SUPPLIES</b>	<b>1,013</b>	<b>1,292</b>	<b>12,950</b>	<b>12,935</b>	<b>(15)</b>	<b>-0.1%</b>
DIESEL FUEL	198,350	71,261	253,159	169,515	(83,644)	-33.0%
CNG	327,532	216,424	493,282	452,020	(41,262)	-8.4%
TRACTION POWER	-	-	-	-	-	-
UTILITIES	115,409	47,807	138,246	124,278	(13,968)	-10.1%
<b>TOTAL ENERGY</b>	<b>641,291</b>	<b>335,492</b>	<b>884,687</b>	<b>745,813</b>	<b>(138,874)</b>	<b>-15.7%</b>
<b>RISK MANAGEMENT</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>	<b>0.0%</b>
<b>GENERAL AND ADMINISTRATIVE</b>	<b>17,087</b>	<b>76</b>	<b>25,360</b>	<b>25,111</b>	<b>(249)</b>	<b>-1.0%</b>
<b>DEBT SERVICE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VEHICLE / FACILITY LEASE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>7,159,773</b>	<b>2,969,833</b>	<b>7,405,817</b>	<b>7,298,097</b>	<b>(107,719)</b>	<b>-1.5%</b>
<b>NET OPERATING SUBSIDY</b>	<b>(3,400,544)</b>	<b>(1,185,895)</b>	<b>(4,684,746)</b>	<b>(3,291,555)</b>	<b>1,393,191</b>	<b>29.7%</b>
<b>OVERHEAD ALLOCATION</b>	<b>(148,505)</b>	<b>(59,911)</b>	<b>(143,786)</b>	<b>(162,334)</b>	<b>(18,548)</b>	<b>12.9%</b>
<b>ADJUSTED NET OPERATING SUBSIDY</b>	<b>(3,549,049)</b>	<b>(1,245,806)</b>	<b>(4,828,532)</b>	<b>(3,453,889)</b>	<b>1,374,643</b>	<b>28.5%</b>
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	<b>656,429</b>	<b>1,168,460</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>100.0%</b>
Revenue Miles	1,254,511	520,332	1,248,224	1,242,309	(5,915)	
Total Miles	1,366,299	570,989	1,447,940	1,441,079	(6,861)	
Revenue Hours	115,526	49,247	117,209	117,880	671	
Total Hours	120,608	51,723	124,241	124,953	712	
Passengers (Boardings)	3,393,763	1,589,277	3,600,755	3,773,018	172,263	
Farebox Recovery Ratio	51.4%	58.9%	36.0%	53.7%	17.7%	
Average Fare	1.108	1.122	0.756	1.062	30.6%	
Cost per Revenue Mile	5.83	5.82	6.05	6.01	(0.04)	
Cost per Revenue Hour	63.26	61.52	64.41	63.29	(1.12)	

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
CORONADO FERRY  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE			-	-	-	-
ADVERTISING REVENUE			-	-	-	-
CONTRACT SERVICE REVENUE			-	-	-	-
OTHER INCOME			-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	-	-	-	-	-	-
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	143,285	73,000	147,584	147,584	-	0.0%
RESERVE REVENUE			-	-	-	-
OTHER INCOME			-	-	-	-
<b>TOTAL NON OPERATING REVENUE</b>	143,285	73,000	147,584	147,584	-	0.0%
<b>TOTAL COMBINED REVENUES</b>	143,285	73,000	147,584	147,584	-	0.0%
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES			-	-	-	-
FRINGE EXPENSES			-	-	-	-
<b>TOTAL PERSONNEL EXPENSES</b>	-	-	-	-	-	-
SECURITY EXPENSES			-	-	-	-
REPAIR/MAINTENANCE SERVICES			-	-	-	-
ENGINE AND TRANSMISSION REBUILD			-	-	-	-
OTHER OUTSIDE SERVICES			-	-	-	-
PURCHASED TRANSPORTATION	143,285	61,493	147,584	147,584	-	0.0%
<b>TOTAL OUTSIDE SERVICES</b>	143,285	61,493	147,584	147,584	-	0.0%
LUBRICANTS			-	-	-	-
TIRES			-	-	-	-
OTHER MATERIALS AND SUPPLIES			-	-	-	-
<b>TOTAL MATERIALS AND SUPPLIES</b>	-	-	-	-	-	-
DIESEL FUEL			-	-	-	-
CNG			-	-	-	-
TRACTION POWER			-	-	-	-
UTILITIES			-	-	-	-
<b>TOTAL ENERGY</b>	-	-	-	-	-	-
<b>RISK MANAGEMENT</b>			-	-	-	-
<b>GENERAL AND ADMINISTRATIVE</b>			-	-	-	-
<b>DEBT SERVICE</b>			-	-	-	-
<b>VEHICLE / FACILITY LEASE</b>			-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	143,285	61,493	147,584	147,584	-	0.0%
<b>NET OPERATING SUBSIDY</b>	(143,285)	(61,493)	(147,584)	(147,584)	-	0.0%
<b>OVERHEAD ALLOCATION</b>			-	-	-	-
<b>ADJUSTED NET OPERATING SUBSIDY</b>	(143,285)	(61,493)	(147,584)	(147,584)	-	0.0%
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	-	11,507	-	-	-	-
Revenue Miles	-	-	-	-	-	-
Total Miles	-	-	-	-	-	-
Revenue Hours	-	-	-	-	-	-
Total Hours	-	-	-	-	-	-
Passengers (Boardings)	-	-	-	-	-	-
Farebox Recovery Ratio	n/a	n/a	n/a	n/a	n/a	n/a
Average Fare	n/a	n/a	n/a	n/a	n/a	n/a
Cost per Revenue Mile	n/a	n/a	n/a	n/a	n/a	n/a
Cost per Revenue Hour	n/a	n/a	n/a	n/a	n/a	n/a

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
ADMINISTRATIVE PASS THROUGH  
AMENDED OPERATING BUDGET - CONSOLIDATED  
FISCAL YEAR 2009**

	ACTUAL FY08	FY09 ACTUAL THROUGH NOV 2008	ORIGINAL BUDGET FY09	AMENDED BUDGET FY09	\$ CHANGE BUDGET/ PROJECTED	% CHANGE BUDGET/ PROJECTED
<b>OPERATING REVENUE</b>						
PASSENGER REVENUE			-	-	-	-
ADVERTISING REVENUE			-	-	-	-
CONTRACT SERVICE REVENUE			-	-	-	-
OTHER INCOME			-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	-	-	-	-	-	-
<b>NON OPERATING REVENUE</b>						
SUBSIDY REVENUE	344,180	-	344,180	344,180	-	0.0%
RESERVE REVENUE			-	-	-	-
OTHER INCOME			-	-	-	-
<b>TOTAL NON OPERATING REVENUE</b>	344,180	-	344,180	344,180	-	0.0%
<b>TOTAL COMBINED REVENUES</b>	344,180	-	344,180	344,180	-	0.0%
<b>OPERATING EXPENSES</b>						
LABOR EXPENSES			-	-	-	-
FRINGE EXPENSES	188,680	188,680	188,680	188,680	-	0.0%
<b>TOTAL PERSONNEL EXPENSES</b>	188,680	188,680	188,680	188,680	-	0.0%
SECURITY EXPENSES			-	-	-	-
REPAIR/MAINTENANCE SERVICES			-	-	-	-
ENGINE AND TRANSMISSION REBUILD			-	-	-	-
OTHER OUTSIDE SERVICES	155,500	155,500	155,500	155,500	-	0.0%
PURCHASED TRANSPORTATION			-	-	-	-
<b>TOTAL OUTSIDE SERVICES</b>	155,500	155,500	155,500	155,500	-	0.0%
LUBRICANTS			-	-	-	-
TIRES			-	-	-	-
OTHER MATERIALS AND SUPPLIES			-	-	-	-
<b>TOTAL MATERIALS AND SUPPLIES</b>	-	-	-	-	-	-
DIESEL FUEL			-	-	-	-
CNG			-	-	-	-
TRACTION POWER			-	-	-	-
UTILITIES			-	-	-	-
<b>TOTAL ENERGY</b>	-	-	-	-	-	-
<b>RISK MANAGEMENT</b>			-	-	-	-
<b>GENERAL AND ADMINISTRATIVE</b>			-	-	-	-
<b>DEBT SERVICE</b>			-	-	-	-
<b>VEHICLE / FACILITY LEASE</b>			-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	344,180	344,180	344,180	344,180	-	0.0%
<b>NET OPERATING SUBSIDY</b>	(344,180)	(344,180)	(344,180)	(344,180)	-	0.0%
<b>OVERHEAD ALLOCATION</b>			-	-	-	-
<b>ADJUSTED NET OPERATING SUBSIDY</b>	(344,180)	(344,180)	(344,180)	(344,180)	-	0.0%
<b>TOTAL REVENUES LESS TOTAL EXPENSES</b>	-	(344,180)	-	-	-	-
Revenue Miles	-	-	-	-	-	-
Total Miles	-	-	-	-	-	-
Revenue Hours	-	-	-	-	-	-
Total Hours	-	-	-	-	-	-
Passengers (Boardings)	-	-	-	-	-	-
Farebox Recovery Ratio	n/a	n/a	n/a	n/a	n/a	n/a
Average Fare	n/a	n/a	n/a	n/a	n/a	n/a
Cost per Revenue Mile	n/a	n/a	n/a	n/a	n/a	n/a
Cost per Revenue Hour	n/a	n/a	n/a	n/a	n/a	n/a

SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
NON OPERATING FUNDING SOURCES BY ACTIVITY  
MID YEAR OPERATING BUDGET - FISCAL YEAR 2009  
SECTION 9.01

	Federal	TDA	STA	State - Other	TransNet	Other Local	Other Non Operating	Reserves/ Carryovers	Total
SDTC	17,119,830	17,877,387	4,098,098	-	13,564,608	278,000	-	1,770,491	54,708,414
SDTI	16,615,944	708,447	-	-	6,000,000	-	-	-	23,324,391
MCS 801 - South Central	-	15,103,596	-	-	-	-	-	-	15,103,596
MCS 802 - JARC Otay	540,191	540,191	-	-	-	-	-	-	1,080,382
MCS 803 - JARC Mid City	120,519	120,519	-	-	-	-	-	-	241,039
MCS 820 - East County	74,630	6,941,564	-	-	-	-	-	-	7,016,194
MCS 825 - Poway	-	39,809	-	-	-	-	-	-	39,809
MCS 830 - Commuter Express	-	529,074	-	-	-	500,000	-	-	1,029,074
MCS 835 - Central Routes	-	2,446,717	-	-	-	-	-	-	2,446,717
MCS 840 - Regional Transit Center Maintenance	-	189,523	-	-	-	-	-	-	189,523
MCS 850 - ADA Access	349,726	282,347	-	-	-	-	-	-	632,073
MCS 856 - ADA Certification	-	7,298,051	-	2,000,000	664,844	150,918	-	-	10,113,813
MCS 875 - Coaster Connection	-	217,191	-	-	-	-	-	-	217,191
MCS 880 - Rural	-	533,479	-	-	-	47,809	-	-	581,288
Chula Vista Transit	-	3,453,889	-	-	-	-	-	-	3,453,889
Coronado Ferry	-	147,584	-	-	-	-	-	-	147,584
Administrative Pass Thru	-	344,180	-	-	-	-	-	-	344,180
Subtotal Operations	34,820,840	56,773,548	4,098,098	2,000,000	20,229,452	976,727	-	1,770,491	120,669,156
Taxicab	-	-	-	-	-	-	-	39,326	39,326
SD&AE	-	-	-	-	-	-	-	20,917	20,917
Subtotal Other Activities	-	-	-	-	-	-	-	60,243	60,243
Administrative	114,705	-	-	-	-	-	7,588,385	-	7,703,090
Debt Service / Lease Leaseback	-	-	-	-	-	-	-	-	-
Grand Total	34,935,545	56,773,548	4,098,098	2,000,000	20,229,452	976,727	7,588,385	1,830,734	128,432,489

SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
MID YEAR OPERATING BUDGET - FISCAL YEAR 2009  
SECTION 9.02 - FUNDING SOURCES BY ACTIVITY  
MTS CONSOLIDATED

FUNDING SOURCE DESCRIPTION	AMOUNT	INTERNAL MTS CODE
<b>Operating Revenue</b>		
Passenger Revenue	87,411,480	40100-40990
Advertising Revenue	0	41010-41020
Contract Service Revenue	0	41510-41590
Other Income	7,810,852	41600-42990
<b>Total Operating Revenue</b>	<b>95,222,332</b>	
<b>Non Operating Revenue</b>		
<b>Federal Revenue</b>		
FTA 5307 - Planning	114,705	45110
FTA 5307 - Preventative Maintenance	16,584,056	45125
FTA 5307 - Debt Service	0	45130
FTA 5309 - Preventative Maintenance	16,615,944	45150
FTA - CMAQ	0	45160
FTA - JARC	1,196,484	45170
Federal - DHS / TSA	0	45180
FTA 5311 - Rural	224,356	45190
FTA 5311(f) - Rural	200,000	45195
<b>Total Federal Revenue</b>	<b>34,935,545</b>	
<b>Transportation Development Act (TDA) Revenue</b>		
TDA - Article 4.0	52,351,544	46110
TDA - Article 4.0 - Debt Service	0	46115
TDA - Article 4.5 - ADA	3,745,346	46120
TDA - Article 8.0	676,657	46130
TDA - Unallocated Funds	0	46150
<b>Total TDA Revenue</b>	<b>56,773,548</b>	
<b>TransNet Revenue</b>		
TransNet - Operating Support	19,564,608	47110
TransNet - Access ADA	664,844	47130
<b>Total TransNet Revenue</b>	<b>20,229,452</b>	
<b>State Transit Assistance (STA) Revenue</b>		
STA - Formula	4,098,098	46220
<b>Total STA Revenue</b>	<b>4,098,098</b>	
<b>Other State Revenue</b>		
Caltrans	0	46330
MediCal	2,000,000	46340
<b>Total Other State Revenue</b>	<b>2,000,000</b>	
<b>Other Local Revenue</b>		
SANDAG - Inland Breeze	500,000	48110
City of San Diego	428,918	48120
APCD	0	48130
Other Local Revenue	47,809	48140
<b>Total Other State Revenue</b>	<b>976,727</b>	
<b>Total Subsidy Revenue</b>	<b>119,013,370</b>	
<b>Other Funds / Reserves</b>		
Lease/Leasback Income	7,588,385	49110
Contingency Reserves	1,770,491	49510
Other Reserves	60,243	
Carryovers	0	
<b>Total Other Funds / Reserves</b>	<b>9,419,119</b>	
<b>Total Non Operating Revenue</b>	<b>128,432,489</b>	
<b>Total Revenue</b>	<b>223,654,821</b>	
<b>Total Expenses</b>	<b>223,654,821</b>	
<b>Net of Revenues over Expense</b>	<b>0</b>	

# DRAFT

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

January 15, 2009

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

### MINUTES

#### 1. Roll Call

Chairman Mathis called the Board meeting to order at 9:05 a.m. A roll call sheet listing Board member attendance is attached.

#### Welcome to New Board Members and Employee Award

Chairman Mathis welcomed new Board members Sherri Lightner from District 1 of the City of San Diego, Merrilee Boyack from Poway, and Al Ovrom from Coronado.

Chairman Mathis recognized Mr. Gerry Nunn, a bus operator, who has worked for SDTC since 1968. Chairman Mathis provided some details on fares at the start of his career, the number of different buses Mr. Nunn drove, and Mr. Nunn's hobbies. He also recognized Mr. Nunn for consistently displaying a positive attitude, being highly respected by his peers and supervisors, and for maintaining excellent attendance. Chairman Mathis read a letter sent to Mr. Nunn by Paul Jablonski, CEO. Mr. Nunn expressed his thanks to his coworkers and stated it had been a pleasure working at SDTC.

#### 2. Approval of Minutes

Mr. Young moved to approve the minutes of the December 11, 2008, MTS Board of Directors meeting. Mr. McLean seconded the motion, and the vote was 13 to 0 in favor.

#### 3. Public Comments

*Virginia Conway:* Ms. Conway stated that she liked the new format of the route maps in the schedules. She also stated that she did not like the new articulated buses because operators are not able to pull close enough to the curb. She also requested that fewer roundabouts be constructed, that the metal spikes at the Old Town Transit Center be taken out, and that an earthquake plan be developed for the end of Broadway. She also requested that MTS have North County Transit District complaint forms available and stated that she hoped that Trolley police would keep teenagers from going across the border. Chairman Mathis suggested that she write her comments down and give them to Claire Spielberg, Chief Operating Officer – Transit Services.

*Clive Richard:* Mr. Richard stated that he has been a transit advocate for 45 years. He stated that the public has a perception that transit has not been effective for the people who need it most.

4. MTS: Election of Vice Chair and Chair Pro Tem and Appointments to Committees for 2009  
(ADM 110)

Chairman Mathis reported that the Executive Committee appointed him to represent MTS on the SANDAG Transportation Committee and Mr. Rindone as his alternate. He added that the Ad Hoc Nominating Committee (Mr. Roberts, Mr. Ewin, and Chairman Mathis) developed the recommended slate of candidates. He reported that the Ad Hoc Railroad Committee is recommended for discontinuation due to its long-time activity. He stated that any matters normally handled by this committee will now fall under the purview of the Executive Committee. He also pointed out that the Vice Chair serves on the Executive Committee with the Chair Pro Tem as his alternate.

Chairman Mathis took nominations from the floor.

Action Taken

Chairman Mathis moved to approve the proposed slate of nominations as outlined below and Jerry Rindone as Vice Chair and Fred McLean as Chair Pro Tem:

Mr. Ewin nominated Mr. Ovrom to the Ad Hoc Public Security Committee.  
Mr. Ewin nominated Ms. Lightner as the alternate on the Joint Committee on Regional Transit.  
Mr. Ewin nominated Mr. Ovrom as the alternate on the Regional SANDAG Planning Committee.  
Mr. Young nominated Mr. Faulconer as the alternate on the Taxicab Committee.

Vice Chair and Chair Pro Tem

Jerry Rindone, Vice Chair: 12 to 0 in favor, with Mr. Rindone abstaining.  
Fred McLean, Chair Pro Tem: 12 to 0 in favor, with Mr. McLean abstaining.

Accessible Services Advisory Committee

Thomas Clabby, Chairman: 13 to 0 in favor.

Ad Hoc Airport Regional Policy Committee

Harry Mathis, Committee Member: 12 to 0 in favor, with Mr. Mathis abstaining.  
Jerry Rindone, Alternate: 12 to 0 in favor, with Mr. Rindone abstaining.

Ad Hoc Public Security Committee

Tony Young, Chair: 12 to 0 in favor, with Mr. Young abstaining.  
Ernie Ewin, Committee Member: 12 to 0 in favor, with Mr. Ewin abstaining.  
Fred McLean, Committee Member: 12 to 0 in favor, with Mr. McLean abstaining.  
Harry Mathis, Committee Member: 12 to 0 in favor, with Mr. Mathis abstaining.  
Al Ovrom, Alternate: 12 to 0 in favor, with Mr. Ovrom abstaining.

Ad Hoc Railroad Subcommittee

Discontinued

Audit Oversight Committee

Ernie Ewin, Chairman: 12 to 0 in favor, with Mr. Ewin abstaining.  
Remaining members set by Board policy.

Budget Development Committee

Jerry Rindone, Chairman: 12 to 0 in favor, with Mr. Rindone abstaining.  
Harry Mathis, Vice Chairman: 12 to 0 in favor, with Mr. Mathis abstaining.  
Bob McClellan, Committee Member: 12 to 0 in favor, with Mr. McClellan abstaining.  
Ron Roberts, Committee Member: 12 to 0 in favor, with Mr. Roberts abstaining.  
Tony Young, Committee Member: 12 to 0 in favor, with Mr. Young abstaining.

Executive Committee

Set by Board Policy.

Joint Committee on Regional Transit (JCRT)

Ernie Ewin, Committee Member: 12 to 0 in favor, with Mr. Ewin abstaining.  
Harry Mathis, Committee Member: 12 to 0 in favor, with Mr. Mathis abstaining.  
Bob McClellan, Committee Member: 12 to 0 in favor, with Mr. McClellan abstaining.  
*Alternate:* Sherri Lightner, Committee Member: 12 to 0 in favor, with Ms. Lightner abstaining.

Los Angeles-San Diego Rail Corridor Agency (LOSSAN)

Jerry Rindone, Committee Member: 12 to 0 in favor, with Mr. Rindone abstaining.  
*Alternate:* Harry Mathis, Committee Member: 12 to 0 in favor, with Mr. Mathis abstaining.

SANDAG Board

Harry Mathis, Advisory Representative: 12 to 0 in favor, with Mr. Mathis abstaining.  
*Alternate:* Ron Roberts: 12 to 0 in favor, with Mr. Roberts abstaining.  
*Second Alternate:* Ernie Ewin: 12 to 0 in favor, with Mr. Ewin abstaining.

SANDAG Regional Planning Committee

Ernie Ewin, Committee Member: 12 to 0 in favor, with Mr. Ewin abstaining.  
*Alternate:* Al Ovrom: 12 to 0 in favor, with Mr. Ovrom abstaining.

Taxicab Committee

Todd Gloria, Chair: 12 to 0 in favor. Mr. Gloria was not present for the meeting and vote.  
*Alternate:* Kevin Faulconer, 12 to 0, with Mr. Faulconer abstaining.

CONSENT ITEMS:

6. MTS: Trash Disposal Services (SDTC and SDTI) (CIP 53710)

Recommend that the Board of Directors authorize the CEO to execute MTS Doc. No. G1209.0-09 (in substantially the same format as Attachment A) with Daily Disposal Services, Inc. for trash disposal services for a period of five years.

7. MTS: Amendments to Assignment of Contract for San Diego Association of Governments' (SANDAG) On-Call General Transportation Planning Services (IBI Group) (CIP 50451)

Recommend that the Board of Directors authorize the CEO to ratify MTS Doc. No. G1135.0-08 (Attachment A of the agenda item) and execute Amendment No. 1 (Attachment B of the agenda item) to MTS Doc. No. G1135.0-08 with IBI Group as part of SANDAG's On-Call General Transportation Planning Service Agreement, which was established as a jobs order contract with MTS. Amendment No. 1 would allow MTS to proceed with evaluating weekend service structure and productivity.

8. MTS: Bus Operator Uniforms – Contract Award (OPS 960.6)

Recommend that the Board of Directors authorize the CEO to execute MTS Doc. No. B0509.0-09 (in substantially the same format as Attachment A of the agenda item) with Kingsbury Uniforms, Inc. for bus operator uniforms for up to a five-year period.

9. MTS: Transportation Development Act (TDA) Claim Amendment (FIN 340.2)

Recommend that the Board of Directors adopt Resolution Nos. 09-1 (Attachment A of the agenda item), 09-2 (Attachment B of the agenda item), and 09-3 (Attachment C of the agenda item) approving the revised FY 21009 TDA Article 4.0, 4.5, and 8.0 claims, respectively.

10. MTS: Security Patrol Services – Contract Amendment (Option Years One and Two) (OPS 970.6 and 970.11)

Recommend that the Board of Directors authorize the CEO to exercise option years 1 and 2 to MTS Doc. No. C.O.066.0-06 with Heritage Security Services/Transit Systems Security for security patrol services pursuant to the original Request for Proposals.

11. MTS and SDTI: Internal Revenue Service-Required CalPERS Pension Resolutions. (ADM 150.3)

Recommend that the Board of Directors approve Resolution Nos. 09-5, 09-6, and 09-7 (Attachments A, B, and C, respectively) that would allow MTS to continue to make employee pension contributions on a pretax basis.

Public Comment

*Lorraine Leighton:* Ms. Leighton wanted to know how many times trash would be collected under the new trash disposal contract. Mr. Jablonski reported that this particular contract is not for trash collection at transit centers. He stated that trash collection at transit centers is the responsibility of shelter provider, CBS Outdoor. He advised Ms. Leighton to report overflowing trash containers to MTS and that information will be passed along to CBS Outdoor.

Action on Recommended Consent Items

Mr. Rindone moved to approve Consent Agenda Item Nos. 6, 7, 8, 9, 10, and 11. Mr. McLean seconded the motion, and the vote was 13 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items (ADM 122)

**The Board convened to Closed Session at 9:31 a.m.**

- a. MTS: CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Significant Exposure To Litigation Pursuant to California Government Code section 54956.9(a): (MTS v. Zurich Insurance), (AAA Case No. 51 195 Y 00164 08)
- b. MTS: CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code section 54956.9(a) Balfour

Beatty/Ortiz v. Metropolitan Transit System (Superior Court Case No. GIC 868963)

- c. MTS: CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code section 54956.9(a): San Diego Public Transit Riders Alliance v. MTS et al. (San Diego Superior Court Case Nos. 07-2007-0082217-CU-TT-CTL and 37-2008-00086580-CU-TT-CTL)
- d. MTS: CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a): Guzman v. SDTC, (GIC 847471)
- e. MTS: CLOSED SESSION – CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6. Agency-Designated Representative – Jeff Stumbo. Employee Organization – Transit Enforcement Officers Association

**The Board reconvened to Open Session at 10:33 a.m.**

Oral Report of Final Actions Taken in Closed Session

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

- a. The Board received a report.
- b. The Board received a report and gave direction to General Counsel and outside counsel.
- c. This item was continued to the Board meeting on February 19, 2009.
- d. The Board received a report and gave direction to outside counsel and General Counsel.
- e. The Board received a report and gave direction to the Director of Human Resources and the CEO.

**NOTICED PUBLIC HEARINGS**

- 25. MTS: Public Hearing – Service Adjustments for Sorrento Valley Coaster Connection (SRTP 830)

Mr. Jablonski reported that the Sorrento Valley Coaster Connection has been operating for several years funded by special grants. He stated that those resources no longer exist. He stated that MTS has received many comments about other options for funding this service, which were carefully considered by MTS's Planning Department during the development of alternatives. Mr. Jablonski reminded everyone that in light of the Governor's and the state legislature's proposals as well as the current fiscal state of California, MTS is facing large cuts in funding. He stated that those factors need to be given consideration when reviewing options, including termination of the service.

Mr. Brent Boyd, Senior Transportation Planner, reviewed the current routing for this service, the subsidy per passenger for each of the routes, and the history of this route, including the fact that ridership dropped from 980 to 554 in November after MTS implemented a \$1 fare and the fare for the Coaster increased. He reported that because of this ridership decrease, the subsidy for these routes actually increased, even after accounting for the fare increase. Mr. Boyd reviewed the two alternatives under consideration and reported that there are currently about 270

passengers who would be affected by a termination of the service. He added that under the alternative for partial discontinuation, the subsidy does decrease but is still higher than the subsidy for MTS's other routes. He further reported that ridership has been declining each month over all of the routes.

Mr. Boyd then reviewed the Title VI analysis reporting that neither proposed alternative will negatively impact low-income or minority (LIM) populations more than non-LIM populations and that a complete Title VI analysis was contained in Attachment C of the agenda item. He reported that these routes are shuttle bus routes designed to meet Coaster commuter train trips and primarily serve the business districts within Sorrento Valley and University Towne Center. He added that the vast majority of riders are coming from the North County coastal communities of Oceanside, Carlsbad, and Encinitas on the Coaster. He also stated that the demographics of the census tracts where these routes operate contain a smaller percentage of LIM residents than there is in the MTS service area as a whole.

Ms. Sharon Cooney, Interim Director of Planning, reported that public comments regarding this matter will be collected and presented to the Board at its February 19 meeting. She added that, in the meantime, staff will continue discussing possible funding opportunities with SANDAG and North County Transit. Mr. Jablonski pointed out that the second alternative, partial discontinuation, was developed because SANDAG and North County Transit expressed an interest in trying to find funding for the service. He stated that he felt that the second option should only be considered if such funding is found.

Ms. Lorenzen read into the record a memo from Cliff Telfer, Chief Financial Officer, to Mr. Jablonski, declaring a fiscal emergency for MTS. Each Board member received a copy of this letter.

**Chairman Mathis opened the public hearing at 10:47 a.m.**

*Tom Lichterman, Director of Operations for North County Transit:* Mr. Lichterman thanked MTS staff for their assistance in this matter and emphasized that North County Transit understands MTS's financial difficulties because it is experiencing the same problems. He stated that it is also important to recognize that this service provides Coaster riders with a way to get to their jobs in Sorrento Valley. He added that this is a regional service that serves another regional service, and North County Transit would like to see as much of the service continued as possible. He stated that they will continue to work with MTS toward identifying a viable option.

*Lorraine Leighton:* Ms. Leighton complained that there were no notices on the buses and the trolley about this service cut. She suggested using minivans to provide this service.

*Greg Daunoras:* Mr. Daunoras reported that his wife, who rides the Coaster, is not a high-income resident of North County. He also stated that 20 percent of the people using this service are disabled.

*Gary Knight, President, San Diego North Economic Development Council:* Mr. Knight stated that this service is part of an intermodal system. He stated that people who are using this service will most likely not come back to transit if it is discontinued. He suggested that MTS work with the major employers to try to save this service.

*Robert Wozniak, Scripps Health, Senior Administrative Director:* Mr. Wozniak opposed elimination of this service and also stated that Alternative 2 was inadequate. He stated that

employers would have to provide the service, and it would be very expensive. He stated that they received little notice that this service was in jeopardy. He also suggested meeting with major employers to explore more subsidy options.

*Elyse Lowe, Executive Director, Move San Diego:* She stated that her organization advocates fast, effective transit and asked the Board to adopt Alternative 2. She stated that Move San Diego will advocate with the state legislature to support funding for transit. She reported that QualComm has started its own shuttle and that more transit is needed in this area and in the Golden Triangle.

*Debra Gutzmer, SAIC:* She requested a delay in action on this item to give local businesses an opportunity to maximize service in this area. She stated that her company would be willing to divert the funds it uses for its own shuttle into the Sorrento Valley Coaster Connection if this action would not negatively affect their own employees.

**Chairman Mathis closed the public hearing at 11:03 a.m.**

Chairman Mathis stated that nothing is more frustrating for the Board and MTS than not being able to meet the recent increase in demand because of funding shortfalls. He stated that the Board may have to make hard choices in order to meet its goal of providing the greatest amount of service to the greatest number of people while remaining a viable agency. He stated that the Board is not unsympathetic.

Mr. Jablonski reported that he lead an effort last summer, along with Reed Vickerman of Amylin, to involve the employers in Sorrento Valley in finding funding for this service. He stated that these meetings yielded no solutions. He stated that he told Mr. Vickerman that MTS was willing to meet one more time. He stated that MTS has also worked with Move San Diego toward that same end. He stated that this service can be continued if new funding is identified within the next 30 days. He also stated that transit funding has been cut an inordinate amount and suggested that everyone call their legislators to advocate for the continuation of state funding for public transportation. Ms. Lightner thanked staff for offering to continue to work on finding funding for this service. She also pointed out that this area of San Diego has been promised certain transit services, and that this particular service should serve as a model.

Mr. Roberts stated that the identification of funding for continuation of this service should be a high priority over the next 30 days. He added that the severity of MTS's funding problem as well as the lack of performance on this service mandates an effective solution. He added that it is difficult to justify such a high subsidy going into one area of San Diego when that funding could be used to increase ridership in another area. He stated that the Board needs to be prepared to act on this matter at its February meeting.

#### Action Taken

Mr. Rindone moved to (1) conduct a public hearing on the recommended restructuring of the Sorrento Valley Coast Connection (SVCC) (Routes 89, 971, 972, 973, 974, 975, 976, 977, and 978; and (2) adopt MTS Resolution 09-4, (Findings in Support of Exemption Under the California Environmental Quality Act (CEQA) Relating to Proposed Service Adjustments to Sorrento Valley Coaster Connection" (Attachment A of the agenda item); and (3) respond to suggestions made by the public and take action (if any) on the SVCC at the next regularly scheduled Board meeting on February 19. Mr. Ewin seconded the motion, and the vote was 11 to 1 in favor, with Ms. Lightner casting the dissenting vote.

DISCUSSION ITEMS:

30. MTS: Increased Authorization for Legal Services – Law Offices of David C. Skyer (LEG 490)

The report on this item was waived.

Action Taken

Mr. Young moved to authorize the CEO to execute MTS Doc. No. G1108.5-07 (in substantially the same form as Attachment A of the agenda item) with the Law Offices of David C. Skyer for legal services and ratify prior amendments entered into under the CEO's authority. Mr. McLean seconded the motion, and the vote was 12 to 0 in favor.

31. MTS: Fiscal Year 2010 Capital Improvement Program (CIP) (FIN 310.1)

Mr. Larry Marinesi, Budget Manager, reviewed the process that was used to develop the fiscal year 2010 CIP. He explained that the FY 2009 budget included \$29 million in federal funding that was used for Preventative Maintenance (PM). He added that there is total of \$41 million in federal funding that could be used for PM and stated that staff proposes using that entire amount and replacing it in the CIP with local funding. He added that the use of local dollars in the CIP is preferable because local dollars can be collected and held until needed and will generate interest in the meantime. He stated that federal dollars have to be used in the year in which they were appropriated and cannot be collected until the expenses are incurred. He also reported that there are many regulations, audit requirements, and restrictions on the use of federal funding.

Mr. Marinesi then provided an overview of Proposition 1B funding that MTS has used and expected to receive. He reported that MTS applied for and received \$27.8 million, which was used to purchase new buses, and that the remaining Proposition 1B funding is now in jeopardy. He stated that MTS decided to purchase buses with the funding already received because there was uncertainty that SANDAG would be ready to begin construction on the Blue/Orange Line Rehabilitation project in the three-year period specified under the funding provisions. He stated that MTS's original intention was to use this funding as a match with TransNet funding for the rehabilitation of the Blue and Orange Lines. He reported that the funding originally allocated for buses is now allocated for rail rehabilitation and will remain allocated until the funds are used for that project.

Mr. Marinesi then reviewed highlights of the fiscal year 2010 CIP as well as the five-year outlook of funding levels compared to CIP requests. He then reviewed staff's recommendations as outlined in the agenda item.

Action Taken

Mr. Ewin moved to (1) approve the fiscal year 2010 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels (Attachments A and B of the agenda item). As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels (any adjustments in excess of \$500,000 will be brought to the Board's attention); (2) recommend that the San Diego Association of Governments (SANDAG) Board of Directors approve the submittal of federal Sections 5307 and 5309 applications for the MTS fiscal year 2010 CIP (shown in Attachment A of the agenda item) after the federal appropriations are

finalized; (3) approve the \$12.5 million Preventative Maintenance increase and, in turn, swap Transportation Development Act (TDA) funding from operations to the CIP. There would be no net change to operations or capital; this exercise would simply provide more flexibility in funding within the CIP and would permit the agency to expend federal funding more quickly; (4) approve the transfer of \$1,627,724 from previous CIP projects to the fiscal year 2010 CIP; (5) approve the transfer of \$27,787,888 in nonfederal funding from previous fiscal year CIP projects to fiscal year 2010 Blue Line Rehabilitation (11266) to reflect the receipt of Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA); (6) approve the transfer of \$3.1 million of nonfederal funds currently allocated to the East County Bus Maintenance Facility (ECBMF) in exchange for \$3.1 million of federal funding currently allocated to bus procurement projects in fiscal year 2010; and (7) recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2010 CIP recommendations. Mr. McLean seconded the motion, and the vote was 12 to 0 in favor.

32. MTS: New Flyer Buses – Contract Amendment (CIP 11239)

Mr. Jablonski advised the Board that this contract amendment authorizes the purchase of an additional 38 buses before the price escalates. He added that these new buses will replace CNG buses that are nearing the end of their 15-year life. He stated that there is one more bus purchase currently planned for the fall. He stated that the decision regarding this purchase will be made after MTS evaluates its service levels after service cuts.

Action Taken

Mr. Rindone moved to authorize the CEO to execute MTS Doc. No. G1101.5-07 (in substantially the same form as Attachment A of the agenda item) with New Flyer Industries, Inc. to purchase 38 low-floor, 40-foot, compressed natural gas transit buses. Mr. McLean seconded the motion, and the vote was 12 to 0 in favor.

33. MTS: Uniform Report of DBE Awards or Commitments and Payments and Approval of 2008 DBE Program (LEG 430)

The report on this item was waived.

Action Taken

Mr. McClellan moved to receive the Uniform Report of Disadvantaged Business Enterprise (DBE) Awards or Commitments and Payments (Attachment A of the agenda item). Mr. Jones seconded the motion, and the vote was 12 to 0 in favor.

34. MTS: Approval of Design Modifications at the Old Town Transit Center as Mandated and Approved by the California Public Utilities Commission (AG 225)

Mr. Jablonski stated that MTS worked very closely with the California Public Utilities Commission (CPUC) on identifying modifications that would make the Old Town Transit Center safer for pedestrians who cross the railroad tracks at this location. He reported that MTS worked with DMJM Harris to do a study of this area, which was then presented to the CPUC. He stated that the CPUC reviewed this report and then mandated certain improvements. He stated that DMJM Harris as well as SDTI's resident engineer reviewed these mandated improvements and agreed that they were reasonable.

Mr. Jablonski reviewed other improvements that have been made at this transit center over the last three years to enhance pedestrian safety, showing a visual depiction of the station while he reviewed these improvements. He then reviewed the modifications proposed by the CPUC and reported that he had a verbal commitment from Caltrans for \$300,000 of the total estimated expense of \$323,000 for these improvements.

Public Comment

*Clive Richard:* Mr. Richard stated his support of these improvements.

Action Taken

Mr. Roberts moved to consider and approve the proposed design for improvements at the Old Town Transit Center as mandated and approved by the California Public Utilities Commission. Mr. Rindone seconded the motion, and the vote was 12 to 0 in favor.

REPORT ITEMS:

45. MTS: Year-to-Date Operations Budget Status Report Through October 2008 (FIN 310.2)

Mr. Mike Thompson, Assistant Budget Manager, reported that MTS has a positive budget variance of \$3,344 million through October 2008 primarily due to an increase in ridership and fare revenue as a result of the fare increase. Mr. Jablonski pointed out that this report assumes that MTS will be getting all \$14 million of its State Transit Assistance funding and added that MTS has only received its allocation for one quarter.

Action Taken

Mr. McClellan moved to receive the MTS Year-to-Date Operations Budget Status Report through October 2008. Mr. Ovrom seconded the motion, and the vote was 11 to 0 in favor.

46. MTS: Investment Report – November 2008 (FIN 300)

Ms. Linda Musengo, Finance Manager, reported that MTS has experienced a .14 percent decrease in its interest return from the Local Agency Investment Fund. She stated that there was also a decrease in MTS's cash balance of \$10 million. She stated that these funds were used for the purchase of buses and was planned.

Action Taken

Mr. Ewin moved to receive a report for information. Mr. Ovrom seconded the motion, and the vote was 11 to 0 in favor.

60. Chairman's Report

Chairman Mathis made no report.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin, Chairman of the Audit Oversight Committee, made no report.

62. Chief Executive Officer's Report

Mr. Jablonski referred to a report that each Board received titled "Summary: American Recovery and Reinvestment." He stated that the report consisted of 14 pages outlining the economic stimulus program proposed by the Democrats. He stated that the proposal includes \$10 billion nationwide for transit and \$30 billion for roads. He added that he was disappointed with the recommended funding for new-construction projects for rail systems, which is only \$1 billion nationwide.

Mr. Jablonski informed new Board members that Ms. Gail Williams, Clerk of the Board, would be contacting them regarding the scheduling of an orientation.

63. Board Member Communications

*Articulated Buses:* Mr. Ewin reported that he observed a bus operator standing on the bike rack of a new articulated bus cleaning the windshield. He then observed the operator walking around the bus cleaning off spots. He stated that it was obvious the operator took a lot of pride in the new equipment he was operating.

*Trolley at Palm Avenue Station:* Mr. McLean reported that after traveling all over China, he and his wife had to take a taxicab from the Palm Avenue Station to get home when trolley service was interrupted by an accident.

64. Additional Public Comments on Items Not on the Agenda

There were no additional Public Comments.

65. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, February 19, 2009.

66. Adjournment

Chairman Mathis adjourned the meeting at 11:44 a.m.

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Chairperson  
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

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Office of the Clerk of the Board  
San Diego Metropolitan Transit System

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Office of the General Counsel  
San Diego Metropolitan Transit System

Attachment: A. Roll Call Sheet  
gail.williams/minutes

METROPOLITAN TRANSIT DEVELOPMENT BOARD  
ROLL CALL

MEETING OF (DATE): 1/15/09

CALL TO ORDER (TIME): 9:05 a.m.

RECESS: \_\_\_\_\_

RECONVENE: \_\_\_\_\_

CLOSED SESSION: 9:31 a.m.

RECONVENE: 10:33 a.m.

PUBLIC HEARING: 10:47 a.m.

RECONVENE: 11:03 a.m.

ORDINANCES ADOPTED: \_\_\_\_\_

ADJOURN: 11:44 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
BOYACK	<input checked="" type="checkbox"/> (Cunningham) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
FAULCONER	<input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>		11:34 a.m. during AI 45
GLORIA	<input type="checkbox"/> (Emerald) <input type="checkbox"/>		<input checked="" type="checkbox"/>
LIGHTNER	<input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCCLELLAN	<input checked="" type="checkbox"/> (Hanson-Cox) <input type="checkbox"/>		
MCLEAN	<input checked="" type="checkbox"/> (Janney) <input type="checkbox"/>		
OVROM	<input checked="" type="checkbox"/> (Woiwode) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (McCann) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
RYAN	<input type="checkbox"/> (B. Jones) <input checked="" type="checkbox"/>		
YOUNG	<input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>	9:10 a.m. during AI 1	10:50 during AI 25
ZARATE	<input type="checkbox"/> (Parra) <input type="checkbox"/>		<input checked="" type="checkbox"/>
VACANT	<input type="checkbox"/> (Selby) <input checked="" type="checkbox"/>	9:13 a.m. during AI 1	

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL



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

## Agenda

Item No. 6

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

CIP 10426.12

February 19, 2009

### SUBJECT:

MTS: MISSION VALLEY EAST LEGAL SERVICES - CONTRACT AMENDMENT

### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. M6655.9-07 (in substantially the same form as Attachment A) with Hecht, Solberg, Robinson, Goldberg, and Bagley, LLP for legal services on the Mission Valley East Light Rail Transit (MVE LRT) Project.

#### Budget Impact

The \$700,000 for the legal services contract amendment would come from the MVE LRT Project budget line item (10426-0800 Professional Services) leaving a balance of \$2,391,324.

### DISCUSSION:

On March 22, 2007, the Board approved a contract with Hecht, Solberg, Robinson, Goldberg, and Bagley, LLP for legal services on the MVE LRT Project on an as-needed, on-call basis. MTS has been utilizing the professional services of James G. Ehlers and others from the law firm for several years through various MTS contracts.

Additional hours for Mr. Ehler's legal services are needed for MVE LRT Project issues. The amount of the contract, which now totals \$1,575,000, has been arrived at as follows:

1. The initial \$100,000 was approved by the Board on March 22, 2007;
2. Amendment No. 1 for \$100,000 was approved by the Board on June 28, 2007;



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

3. Amendment No. 2 for \$90,000 was approved by the CEO in August 2007;
4. Amendment No. 3 for \$500,000 was approved by the Board on September 13, 2007.
5. Amendment No. 4 for \$90,000 was approved by the CEO on May 25, 2008.
6. Amendment No. 5 for \$500,000 was approved by the Board on October 16, 2007.
7. Amendment No. 6 for a no-cost increase to add authorized legal staff was approved on June 11, 2008.
8. Amendment No. 7 for \$95,000 was approved by the CEO earlier in December 2008.
9. Amendment No. 8 for \$500,000 was approved by the Board on December 11, 2008.

The hours invoiced by the law firm have reached the contract limit, and staff will require more legal services from Mr. Ehlers and the claims experts on the MVE LRT Project until the conclusion of the trial with Balfour Beatty/Ortiz Joint Venture (BBO) for the claim against MTS. Amendment No. 9 would provide funds for the legal services until the conclusion of the pending trial estimated to be on May 1, 2009.

Staff is requesting approval of Amendment No. 9 to MTS Doc. No. M6655.0-07, which would increase the total contract amount to \$2,275,000 for legal services from Hecht, Solberg, Robinson, Goldberg, and Bagley, LLP in the defense of contractor claims by BBO against MTS on the MVE LRT Project.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contacts: Dennis L. Wahl, 619.235.2635, [dwa@sandag.org](mailto:dwa@sandag.org)  
Ramon A. Ruelas, 619.699.6944, [rrue@sandag.org](mailto:rrue@sandag.org)

FEB 19-09FEB19-09.6.MVE LEGAL SVCS.EHLERS.DWAHL.doc

Attachment: A. Draft MTS Doc. No. M6655.9-07

DRAFT

February 19, 2009

MTS Doc. No. M6655.9-07  
CIP 10426

Mr. James Ehlers  
Hecht, Solberg, Robinson, Goldberg, & Bagley, LLP  
600 West Broadway, 8th Floor  
San Diego, CA 92101-3542

Dear Mr. Ehlers:

Subject: AMENDMENT NO. 9 TO MTS DOCUMENT NO. M6655.0-07; LEGAL SERVICES FOR THE  
MISSION VALLEY EAST LRT PROJECT

This letter will serve as Amendment No. 9 to MTS Document No. M6655.0-07 for professional services  
as further described below.

#### SCOPE OF SERVICES

The approved contract amount is hereby increased by \$700,000 for all expenditures outlined in the  
original contract not to exceed \$2,275,000.

#### SCHEDULE

There shall be no changes in the contract schedule for services outlined in the original contract and  
prior amendments, including this amendment.

#### PAYMENT

Payment shall be based on actual costs not to exceed \$700,000 (WBS 10426-0800) in accordance with  
the original contract provisions. There shall be no change in the basic hourly billing rate or contract  
amount, up to and including this Amendment No. 9, other than those allowed in the original contract.  
Addition authorization is contingent upon written approval of MTS. The total value of MTS Document  
No. M6655.0-07, including this amendment, is \$2,275,000. All other conditions of the original contract  
shall remain the same.

If you agree with the above, please sign below, and return the document marked "original" to the  
Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Accepted:

Paul C. Jablonski  
Chief Executive Officer

\_\_\_\_\_  
James Ehlers  
Hecht, Solberg, Robinson, Goldberg, & Bagley, LLP

FEB19-09.6.AttA.MVELRT LEGAL SVCS.EHLERS.DWAHL.doc

Date: \_\_\_\_\_

cc: Tiffany Lorenzen - MTS  
Jim Linthicum, Bill Prey, John Haggerty, Dennis Wahl - SANDAG



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

Item No. 7

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

SDAE 710 (PC 50771)

February 19, 2009

SUBJECT:

MTS: SAN DIEGO AND ARIZONA EASTERN (SD&AE) RAILWAY COMPANY  
QUARTERLY REPORTS AND RATIFICATION OF ACTIONS TAKEN BY THE SD&AE  
RAILWAY COMPANY BOARD OF DIRECTORS AT ITS FEBRUARY 3, 2009,  
MEETING

RECOMMENDATION:

That the Board of Directors:

1. receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports (Attachment A);
2. ratify actions taken by the San Diego and Arizona Eastern (SD&AE) Railway Company Board of Directors at its meeting on February 3, 2009 (Attachment A); and
3. authorize Carrizo to decrease its insurance requirements from \$50 million to \$10 million as it is not currently operating freight in the U.S. (Insurance requirements would increase accordingly upon resumption of U.S. freight operations.)

Budget Impact

None.

## DISCUSSION:

### Quarterly Reports

Pursuant to the Agreement for Operation of Freight Rail Services, SD&IV, Museum, and Carrizo have provided the attached quarterly reports of their operations during the fourth quarter of calendar year 2008 (Attachment A).

### SD&AE Property Matters

Under its adopted policy for dealing with the SD&AE Railway, the MTS Board of Directors must review all property matters acted on by the SD&AE Board. At its meeting of February 3, 2009, the SD&AE Board:

- received a report on the documents processed by staff since its last meeting on October 10, 2008 (Attachment A);
- approved forwarding a recommendation to the MTS Board of Directors to approve an amendment to MTS Document No. S200-06-291 (Attachment B) to cover impacts to the Coronado Branch and future obligations of the City of National City relating to the redevelopment of the area west of Interstate 5 at Bay Marina Drive (Attachment A); and
- replaced the Treasurer position vacated by Alejandro De La Torre with Linda Musengo (Attachment A).

### Additional Action Recommended by the SD&AE Railway Company Board of Directors

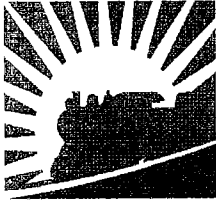
In a letter to the SD&AE Railway Board of Directors dated October 9, 2008, Carrizo Gorge Railway placed an embargo on its U.S. freight operations on the Desert Line. At its February 3, 2009, meeting, the SD&AE Railway Company approved a motion to forward a recommendation to the MTS Board of Directors to reduce Carrizo's insurance requirements from \$50 million to \$10 million as Carrizo is not conducting freight operations in the U.S. The action taken was contingent on insurance requirements increasing accordingly upon resumption of freight operations in the U.S.

  
\_\_\_\_\_  
Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, [tiffany.lorenzen@sdmts.com](mailto:tiffany.lorenzen@sdmts.com)

FEB19-09.7.SDAE RPTS.TLOREN.doc

Attachment: A. SD&AE Meeting Agenda & Materials **(Board Only Due to Volume)**



# AGENDA

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1  
(PC 50771)

San Diego & Arizona Eastern  
Railway Company

A Nevada Nonprofit  
Corporation

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

BOARD OF DIRECTORS  
Ray Stephens, Chairman  
Peter Jespersen  
Paul Jablonski

OFFICERS  
Paul Jablonski, President  
Ray Stephens, Secretary  
Alejandro De La Torre,  
Treasurer

OF COUNSEL  
Tiffany Lorenzen

February 3, 2009

9:00 a.m.

Executive Committee Room  
James R. Mills Building  
1255 Imperial Avenue, 10th Floor

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ADLs) are available from the Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

## RECOMMENDED ACTION

- |    |  |         |
|----|--|---------|
| 1. | <u>Approval of the Minutes of October 10, 2008</u><br>Action would approve the SD&AE Railway Company minutes of October 10, 2008.  | Approve |
| 2. | <u>Statement of Railway Finances (Linda Musengo)</u><br>Action would receive a report for information.   | Receive |
| 3. | <u>Report on San Diego and Imperial Valley (SD&amp;IV) Railroad Operations (Jose Ramos)</u><br>Action would receive a report for information.  | Receive |
| 4. | <u>Report on Pacific Southwest Railway Museum (Jim Lundquist)</u><br>Action would receive a report for information.  | Receive |
| 5. | <u>Report on the Desert Line</u><br>Action would receive a report for information.   | Receive |
| 6. | <u>Real Property Matters (Tim Allison)</u>   |         |
| a. | <u>Summary of SD&amp;AE Documents Issued Since October 10, 2008</u><br>Action would receive a report for information.  | Receive |
| b. | <u>Bay Marina Drive Widening Impacts to Cleveland Avenue Crossing</u><br>Action would forward a recommendation to the MTS Board of Directors to approve an amendment to MTS Doc. No. S200-06-291 to cover impacts to the Coronado Branch and future obligations of the City of National City relating to the redevelopment of the area west of Interstate 5 at Bay Marina Drive. | Approve |

- |     |   |         |
|-----|---|---------|
| 7.  | <u>Election to Fill Vacant Position of SD&amp;AE Railway Treasurer (Tiffany Lorenzen)</u>   | Approve |
|     | Action would forward a recommendation to the MTS Board of Directors to elect Linda Musengo as Treasurer to replace the position vacated by Alejandro De La Torre. |         |
| 8.  | Old Business  |         |
| 9.  | New Business  |         |
| 10. | Public Comments   |         |
| 11. | Next Meeting Date: April 21, 2009   |         |
| 12. | Adjournment   |         |

JGardetto/  
A-SDAE-FEB3-09.doc

MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY

SPECIAL MEETING

October 10, 2008

A Special Meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, on October 10, 2008, at 1:02 p.m.

The following persons, constituting the Board of Directors, were present: Pete Jespersen, Bob Jones, and Paul Jablonski. Also in attendance were:

MTS staff:

SD&IV staff:

Pacific Southwest Railway Museum:

Carrizo Gorge Railway, Inc.:

Carrizo Investor:

RailAmerica:

International Border Rail Institute:

Short Line Tijuana Tecate:

San Diego Electric Railway:

EB Property:

Public:

Tiffany Lorenzen, Tim Allison, Linda Musengo

John Hoegemeier, Matt Domen

Jim Lundquist, Diana Hyatt

Armando Freire, Chas McHaffie

R. L. Scheuerman

Mark Bader

Richard Borstadt, Roger Chalberg

Jorge O. Monraz, Gaspar Metzler I

Dave Slater

Brian Martins

Michael Renean, Geoffrey Scheuerman

1. Approval of Minutes

Mr. Jones moved to approve the Minutes of the July 15, 2008, meeting and August 15, 2008, Special Meeting of the SD&AE Railway Board of Directors. Mr. Jablonski seconded the motion, and it was unanimously approved.

2. Follow-up on Carrizo Gorge Railway Action from the August 15, 2008, Special Meeting

Chas McHaffie reported that Carrizo has placed an embargo on the U.S. side of the Desert Line (as outlined in the attached letter from Carrizo to the Board dated October 9, 2008).

Mr. McHaffie added that Carrizo reached this decision due to the need for additional time for rehabilitation of the line and to address safety concerns. Mr. Jablonski responded that it has never been the Board's intent to stop Carrizo's operations but instead to address all safety issues regarding operations. He asked if Carrizo has a plan to resume operations, and Mr. McHaffie responded that Carrizo has a comprehensive plan with two or three scenarios. Mr. McHaffie stated that traffic volume is down significantly, which makes it easier to start an evaluation to determine the best plan of action. Mr. Jones requested that the Board be kept informed of Carrizo's progress and time lines. Discussion ensued regarding how Carrizo should address prioritizing repairs.

Armando Freire explained his efforts to date and the challenges ahead. He stated that the basis of all the rehabilitation work will be taken from the Osmose report. He will submit his findings and plans to the Board as Carrizo would like to get the line up and running as soon as possible.

Board members stated their appreciation for Carrizo's actions. Mr. Jablonski added that it is the responsible thing to do, and the Board will work with Carrizo as much as possible.

Mr. Jespersen clarified for Mr. Lundquist that it is Carrizo's responsibility to make a formal filing of the embargo on the line and that it will not affect the Museum's operations. Mr. Freire added that Carrizo does not want to be responsible for the Museum's passenger safety on mile post 66.77 (in the yard). Mr. Lundquist responded that Carrizo has completed the repairs on that portion of the line, and the Museum had it inspected and is satisfied. He added that the Museum has its own insurance. Mr. Freire requested a release from responsibility in writing.

Mr. Jespersen stated that it is his recollection that the Board discussed this issue at an SD&AE meeting wherein it was stated that the repairs were a bandage, and current traffic under the slow order was acceptable. Mr. Jespersen suggested having an engineer inspect mile post 66.77 again to determine if it is safe for the Museum's current trainloads. Mr. Allison agreed that there are some issues out there that need to be revisited.

Mr. Lundquist explained to the Board that the Museum's normal operations go between mile posts 60 and 74. Mile post 66.77 is east of the Museum's yard, and Mr. Lundquist stated that the Museum could operate only to the west if necessary, which would be a minor inconvenience but could be done. Mr. Jablonski stated that the Museum should hire Osmose or a certified engineer to inspect the eastern portion of the line to certify that it is safe for passenger operations. He suggested the Museum run west until the inspection is completed. Mr. Lundquist responded that the Museum will get an inspection.

Mr. Lundquist asked if Carrizo would continue providing dispatching access for the Museum, Carrizo, and the Border Patrol. He also inquired about the funding and responsibility for grade-crossing repairs. Mr. Jones responded that the embargo has to do with traffic only—the rest of the railroad should continue to be maintained as it is currently.

Mr. Freire inquired as how to resolve dispatching payment issues between the Museum and Carrizo. Board members agreed that the operators should meet to work out their problems.

In regard to the Desert Line repairs, Mr. Jablonski reiterated that the highest priorities are the 2s. He asked that Carrizo recap the 2s, refer to the Osmose report as much as possible, and outline a list that is checked off as repairs are made until all of the 2s are completed. In addition, certified engineer inspection reports must be submitted. Mr. Jablonski clarified that if Carrizo is going to deviate from the Osmose report, it is Carrizo's responsibility to have a certified expert attest to the fact that improvements are acceptable. Ms. Lorenzen added that before a contractor begins works, the Board needs to see the plans, and a right of entry permit must be filed with Tim Allison. Mr. Allison recommended that Carrizo submit all work to be done and a list of the contractors and also that SD&AE have representation at the site to ensure that the materials are adequate.

Mr. Jablonski responded that he does not want to commit more of SD&AE's time and money. He added that the work has to be done by a qualified contractor and in accordance with Osmose's report, which is Carrizo's obligation—the Board can always conduct an inspection.

### 3. Statement of Railway Finances

Linda Musengo reviewed the financial statement (attached to the agenda item). Ms. Musengo stated that RailAmerica has been preparing corporate tax returns for SD&AE since the

beginning of its inception. SD&AE has never reported a profit, so there is no tax liability. The solution was to file a final return tax return for calendar years 2006 and 2007. Ms. Musengo explained that if the Internal Revenue Service inquires, staff will prepare a statement that SD&AE is not required to file a tax return as it is not for profit and is associated with a government agency.

Ms. Musengo informed the Board that tax returns for California are \$800 per year. It is staff's position that RailAmerica should pay the two final returns for 2006 and 2007. She added that RailAmerica has paid the returns in the past when it should not have been filing them. Mr. Jespersen agreed to have RailAmerica submit a wire transfer reimbursement to SD&AE for the total amount.

#### Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

#### 4. Report on SD&IV Operations

Matt Domen reviewed the Periodic Report for the third quarter of calendar year 2008 (attached to the agenda item). Mr. Domen noted that the numbers listed on the Summary of Freight on page 4-4 are incorrect (a revised Summary of Freight is attached).

#### Action Taken

Mr. Jones moved to receive the report for information. Mr. Jablonski seconded the motion, and it was unanimously approved.

#### 5. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt stated that she will be running unopposed for President with the Museum, and she will be representing the Museum during the SD&AE meetings.

#### Action Taken

Mr. Jones moved to receive the report for information. Mr. Jablonski seconded the motion, and it was unanimously approved.

#### 6. Report on the Desert Line

Mr. Freire reviewed the report for the 3<sup>rd</sup> quarter of 2008 (attached to the agenda item). Ms. Lorenzen stated that she did not receive a check for the August and September payments and requested that one check be submitted for August through the embargo date. Mr. Freire agreed to submit a final check.

#### Public Speaker

*Rich Borstadt* – Mr. Borstadt voiced concern regarding historic items being scrapped at Jacumba and requested that someone from the Museum or Border Rail Institute be included in the inspection to help earmark those items that have historic significance. Mr. Freire stated that an inventory of the line will be conducted; however, not in the near future due to other priorities.

Action Taken

Mr. Jones moved to receive the report for information. Mr. Jablonski seconded the motion, and it was unanimously approved.

7. Real Property Mattersa. Summary of SD&AE Documents Issued Since July 15, 2008

- S200-08-352: Right of Entry Permit to Rand Engineering for sewer construction west of SR 125 in the City of La Mesa.
- S200-08-359: Radio License with the Federal Communications Commission.
- S200-08-366: Lease to CCRT Properties for parking under the Jackson Drive Bridge (east side) in the City of La Mesa.
- S200-08-367: License to Marina Gateway Development Corporation for use of the Coronado Branch right-of-way in the City of National City south of Bay Marina Drive.
- S200-08-368: Easement to the City of La Mesa for a sewer line replacement west of SR 125 in the City of La Mesa.
- S200-08-371: Right of Entry Permit to Bike the Bay for the Bike to Bay bike ride.
- S200-09-372: Right of Entry Permit to Davis / Reed Construction, Inc. for construction of the Marina Gateway Hotel Project in National City on the Coronado Branch.
- S200-08-373: Easement to SDG&E for a meter box at the Grossmont Station platform in the City of La Mesa.
- S200-09-376: Right of Entry Permit to HAR Construction for the Bayshore Bikeway Project in the City of San Diego south of the Salt Works on the Coronado Branch.
- S200-09-377: Right of Entry Permit to Earth Tech for soils investigation adjacent to Building B on Commercial Street in the City of San Diego.
- S200-09-378: Right of Entry Permit to SDG&E for pole and guy removal near El Cajon Boulevard in the City of El Cajon.
- S200-09-379: Right of Entry Permit to David Evans and Associates for surveying at the 27<sup>th</sup> Street and Palm Avenue crossings in the City of San Diego.
- S200-09-380: Right of Entry Permit to Tri-County Drilling for soils investigation adjacent to Building B on Commercial Street in the City of San Diego.

- S200-09-381: Right of Entry Permit to John Tessitore Construction, Inc. to construct a parking lot under the Jackson Drive Bridge (east side) in the City of La Mesa.
- S200-09-382: Right of Entry Permit to Penhall Construction to repair the SR 94 Campo Creek Bridge in Campo on the Desert Line.

Mr. Jones moved to receive the report for information. Mr. Jespersen seconded the motion, and it was unanimously approved.

b. Bayshore Bikeway Project – Segment North of the Salt Works

Tim Allison described the Bayshore Bikeway Project and introduced Stephan Vance of SANDAG. Mr. Vance explained that this project is being guided by an advisory committee at SANDAG, which prefers an alignment alternative that is within the San Diego Gas and Electric (SDG&E) right-of-way. Mr. Vance added that the project team is working with SDG&E and will include SD&IV staff as well. He projects that the Environmental Impact Report will go to the public in March.

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

c. Marriott Ballpark Village Request for Additional License Area and Emergency Access Easement

Mr. Allison stated that JMI Realty obtained approval for a license from SD&AE to allow for tiebacks under the rail between the Bayside platform and the new Park Boulevard to accommodate shoring for the Marriott Project. JMI anticipates the need for additional tiebacks on another piece of SD&AE right-of-way on the west side of JMI's building just north of the operating right-of-way. Staff would include this in the license authorized at the April SD&AE meeting. In addition, JMI needs to create an easement for the San Diego Fire Department to access the back of the building, which impacts a portion of the SD&AE right-of-way west of the Bayside platform. Mr. Allison clarified that the easement would have to be compensated at market value and that the tiebacks would be de-tensioned and left in place after construction.

Action Taken

Mr. Jablonski moved to approve an addition to the approved license area to JMI Realty for the construction of tiebacks in the railroad right-of-way and approve issuance of an easement to JMI Realty for emergency access. Mr. Jones seconded the motion, and it was unanimously approved.

8. Approval of the 2009 SD&AE Board of Directors Meeting Schedule

Ms. Lorenzen presented the proposed meeting and agenda materials submittal dates for 2009 as follows:

Tuesday, January 20, 2009	9:00 a.m.	(Fourth Quarter 2008 Reports)
Tuesday, April 21, 2009	9:00 a.m.	(First Quarter 2009 Reports)
Tuesday, July 21, 2009	9:00 a.m.	(Second Quarter 2009 Reports)
Tuesday, October 20, 2009	9:00 a.m.	(Third Quarter 2009 Reports)

Materials Due to the Clerk

Friday, January 9, 2009  
 Friday, April 10, 2009  
 Friday, July 10, 2009  
 Friday, October 9, 2009

Materials Mailed

Wednesday, January 14, 2009  
 Wednesday, April 15, 2009  
 Wednesday, July 15, 2009  
 Wednesday, October 14, 2008

Action Taken

Mr. Jones moved to approve the 2009 SD&AE Board of Directors meeting schedule. Mr. Jablonski seconded the motion, and it was unanimously approved.

10. Old Business

None.

11. New Business

Mr. Jespersen stated that he had intended to add an action item to this agenda to replace Ray Stephens with Bob Jones and add Mark Bader as Mr. Jones' replacement. Mr. Jones informed members that RailAmerica has realigned its staff, and he is now the President of the West Coast region and Ray Stephens is the President of the Central Region. Mr. Jones added that Mark Bader is on his staff and works on a majority of the projects.

Ms. Lorenzen will calendar the nomination for the Treasurer position at the next meeting in January.

Action Taken

Mr. Jespersen moved to: (1) replace Ray Stephens with Bob Jones as a Board member; and (2) add Mark Bader of RailAmerica as Mr. Jones' alternate. Mr. Jablonski seconded the motion, and it was unanimously approved (Mr. Jones abstained from voting).

12. Public Comments

*Rich Borstadt* – Mr. Borstadt reported that the Christmas Train fundraiser was very successful. The Border Rail Institute is working in conjunction with the Museum, Viejas, and the Latino Peace Officers Association in getting gifts to children in Tecate. He added that the Christmas Train has been in existence for the 11 years. Mr. Borstadt announced that Charlie Coval is losing his battle with cancer and is at home under Hospice's care. He acknowledged Margaret Coval and stated that she will remain active with the Christmas Train and 3 Kings activities.

*Brian Martins* – Mr. Martins noted the following corrections to the Minutes of the Special Meeting on August 15, 2008, regarding his comments:

1. Mr. Martins' objection to the SANDAG design put forth at the prior SD&AE meeting was not included in the minutes.
  2. Mr. Martins corrected his statement that SD&IV, not RailAmerica, is under contract to repair the line and tunnels;
  3. The revenue that Mr. Martins mentioned in regard to increased freight was beneficial to SD&IV, SD&AE, and Carrizo; and
  4. RailAmerica sent a letter to Mr. Martins alleging there was no provision in his design for transload. The design that he referenced at the prior meeting showed no transload, so Mr. Martins was confused as to why he was cited for having no transload.
9. Closed Session (taken out of order)

The Board convened to Closed Session at 2:13 p.m.

CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA  
GOVERNMENT CODE SECTION 54956.8

Property: Assessor's Parcel No. 628-120-63, San Diego, California

Agency Negotiators: Tiffany Lorenzen and Tim Allison

Negotiating Parties: Muraoka Enterprises, Inc.

Under Negotiation: Price and Terms of Payment

Oral Report of Final Actions Taken in Closed Session - The Board received a report and gave direction to agency negotiators.

The Board reconvened to open session at 2:25 p.m.

13. Next Meeting Date

January 20, 2009, at 9:00 a.m.

14. Adjournment

The meeting adjourned at 2:27 p.m.

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President

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Of Counsel

JGarde/MINUTES-SDAE-SPECIAL MTG 10-10-08.doc

Attachments: Letter to the Board from Carrizo dated 10/9/08  
Revised Periodic Report submitted by SD&IV



**CARRIZO GORGE RAILWAY  
2295 FLETCHER PARKWAY #101  
EL CAJON, CA 92020  
(619) 938-1943**

October 9, 2008

Mr. Paul Jablonski, President  
San Diego & Arizona Eastern Railway  
San Diego Metropolitan Transit System  
1255 Imperial Avenue, Suite 1000  
San Diego, California 92101

Re: CZRY Embargo of the SD&AE Desert Line

Dear Mr. Jablonski,

Carrizo Gorge Railway has spent a significant amount of time and effort in evaluation, research and inspection of the Desert Line. This effort led us to the conclusion that additional action is needed to improve safety and rehabilitate the line.

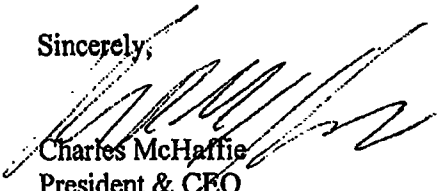
Therefore, at this time, we have concluded that the prudent course of action is for Carrizo Gorge Railway to place an embargo of all Desert Line revenue freight of the San Diego & Arizona Eastern Railway in order to complete this rehabilitation.

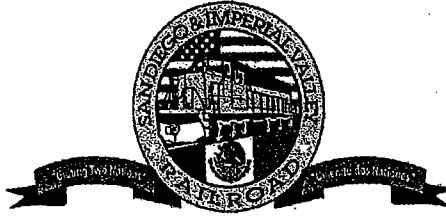
This embargo will be in effect on October 17, 2008 from Campo mile post 67.1 to Plaster City mile post 129.61. Additionally, the track will be out of service to all non essential maintenance equipment, expediting the rehabilitation process. Yard limits will be kept in effect from Division to Campo.

Carrizo Gorge Railway maintains our commitment of continued financial investment in the Desert Line, increasing capacity and profitability. Furthermore, significant regional economic development will result by maintaining this critical international freight corridor of the San Diego/Baja California region, as envisioned by John D. Spreckles.

We will keep you advised of our progress.

Sincerely,

  
Charles McHaffie  
President & CEO



October 2, 2008

SD&AE Board  
C/O MTS  
1255 Imperial Avenue, Suite 1000  
San Diego, California 92101

## Periodic Report

In accordance with Section 20 of the Agreement for Operational Freight Service and Control through Management of the San Diego and Arizona Eastern Railway Company; activities of interest for the 3rd Quarter of 2008 are listed as follows:

### 1. Labor

At the end of September 30, 2008 the San Diego & Imperial Railroad had 14 employees:

1 General Manager

1 Trainmaster

1 Asst. Trainmaster

1 Office Manager

1 Manager - Marketing &

Sales

1 Mechanical Officer

2 Maintenance of Way

Employees

6 Train Service Employees

**2. Marketing**

In the 3rd Quarter of 2008 versus 2007, US lumber and paper carloads declined. Mexican traffic remained steady, with a slight increase in LPG and grain.

**3. Reportable Injuries/Environmental**

Through year to date, September 30, 2008, there were no FRA Reportable injuries on the SDIY Railroad.

Days FRA Injury Free: 6520

Days FRA Incident Free: 8894

#### 4. Summary of Freight

	2008	2007	2006
<b>Total rail carloads that moved by SDIY Rail Service in the quarter.</b>	<b>1,688</b>	<b>1,651</b>	<b>1,859</b>
<b>Total railroad carloads Terminating/Originating Mexico in the quarter.</b>	<b>1,326</b>	<b>1,320</b>	<b>1,487</b>
<b>Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.</b>	<b>331</b>	<b>330</b>	<b>372</b>
<b>Total customers directly served by SDIY in the quarter</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Regional Truck trips that SDIY Railroad Service replaced in the quarter</b>	<b>5,471</b>	<b>5,448</b>	<b>6,135</b>

Respectfully,

Pete Jespersen

General Manager



# Agenda

Item No. 2

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1 (PC 50771)

February 3, 2009

## SUBJECT:

STATEMENT OF RAILWAY FINANCES

## RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

### Budget Impact

None.

## DISCUSSION:

The SD&AE operating statement for fiscal years 2008 and 2009 is attached for information. Linda Musengo will give an update during the meeting.

2-RAILWYFINANCES.doc

Attachment: Fiscal Years 2008 & 2009 Operating Statement

**SD&AE operating statement FY2009 and FY2008**

	<b>2009</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Total</b>
<b>Revenue</b>			
Right of entry permits	\$ 30,178	\$ 10,900	\$ 41,078
Lease income	9,820	14,783	24,603
SD&IV 1% freight fee	-	-	-
Carrizo Gorge	213	99	312
Other income	-	-	-
<b>Total revenue</b>	<b>40,211</b>	<b>25,782</b>	<b>65,993</b>
<b>Expense</b>			
Admin wages	18,279	15,295	33,574
Workers' compensation	498	498	995
Professional services	7,196	13,273	20,469
Outside services	-	-	-
Telephone	-	-	-
Insurance premium	9,114	8,783	17,896.15
Other miscellaneous expense	6,666	1,772	8,437.43
Depreciation	-	-	-
<b>Total expense</b>	<b>41,752</b>	<b>39,620</b>	<b>81,372</b>
<b>Net income/(loss)</b>	<b>\$ (1,541)</b>	<b>\$ (13,837)</b>	<b>\$ (15,379)</b>

Other miscellaneous expense includes \$7,012.59 paid to Baker & Miller related to petition filing

<b>Reserve balance 2008</b>	<b>\$ 890,451</b>
Allocated interest earnings - estimated	777
Operating profit/(loss)	(15,379)
Improvement expense 2009	-
<b>Reserve balance 2009- estimated</b>	<b>\$ 875,849</b>

2008		
Q1	Q2	Total
\$ 5,000	\$ 8,650	\$ 13,650
5,047	8,568	13,615
-	38,720	38,720
-	-	-
570	5,696	6,266
10,617	61,634	72,251
16,636	15,753	32,389
1,005	1,005	2,010
3,898	10,631	14,529
1,250	-	1,250
145	-	145
10,533	10,373	20,906
543	845	1,388
-	-	-
34,010	38,607	72,617
<u>\$ (23,393)</u>	<u>\$ 23,027</u>	<u>\$ (366)</u>



# Agenda

Item No. 3

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1 (PC 50771)

February 3, 2009

## SUBJECT:

REPORT ON SAN DIEGO AND IMPERIAL VALLEY (SD&IV) RAILROAD OPERATIONS

## RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

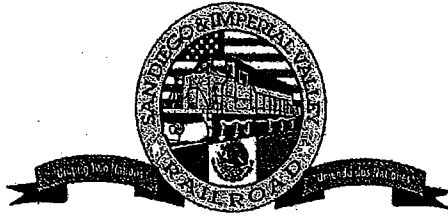
### Budget Impact

None.

## DISCUSSION:

An oral report will be given during the meeting.

Attachment: Periodic Report for the 4th Quarter of 2008



January 20, 2008

SD&AE Board  
C/O MTS  
1255 Imperial Avenue, Suite 1000  
San Diego, California 92101

## Periodic Report

In accordance with Section 20 of the Agreement for Operational Freight Service and Control through Management of the San Diego and Arizona Eastern Railway Company; activities of interest for the 4th Quarter of 2008 are listed as follows:

### 1. Labor

At the end of December 31, 2008 the San Diego & Imperial Railroad had 14 employees:

1 General Manager

1 Trainmaster

1 Asst. Trainmaster

1 Office Manager

1 Manager - Marketing &

Sales

1 Mechanical Officer

2 Maintenance of Way

Employees

6 Train Service Employees

## **2. Marketing**

In the 4th Quarter of 2008 versus 2007, we had a decrease in Liquefied Petroleum Gas (LPG) mainly due to warm weather. There was a decrease in Lumber due to a slow housing and construction market, the decrease in paper was attributed to diversion to trucks and grain due to logistical issues delaying the shipments.

## **3. Reportable Injuries/Environmental**

Through year to date, December 31, 2008, there were no FRA Reportable injuries or incidents on the SDIY Railroad.

Days FRA Injury Free: 6609

Days FRA Incident Free: 8986

FRA 4<sup>th</sup> Qtr. inspection report attached,

#### 4. Summary of Freight

	2008	2007	2006
Total rail carloads that moved by SDIY Rail Service in the quarter.	1,488	1,762	1,905
Total railroad carloads Terminating/Originating Mexico in the quarter.	1190*	1,410*	1,524
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	298	352	381
Total customers directly served by SDIY in the quarter	12	12	12
Regional Truck trips that SDIY Railroad Service replaced in the quarter	4,910	5,815	6,287

\*Estimate only

Respectfully,

Pete Jespersen

General Manager

DEPARTMENT OF TRANSPORTATION  
FEDERAL RAILROAD ADMINISTRATION (FRA)

# INSPECTION REPORT

OMB Approval No.: 2130-0509

Inspector's Name MUFFLEY, GERALD		Inspector's Signature		Inspector's ID No. S0603	Report No. 2	Date yy mm dd 2009 01 08		
Railroad/Company Name & Address SAN DIEGO & IMPERIAL VALLEY 1501 NATIONAL AVE., SUITE 200  SAN DIEGO CA 92113-1029				R/C R	Division SYSTEM	RR/Co. Representative (Receipt Acknowledged) Name PETER A. JESPERSEN Title OPERATIONS SUPERINTENDENT Signature _____		
From: City EL CAJON	Codes 1080	Destination City & County			Codes	From Latitude		
State CA	06	City				From Longitude		
County SAN DIEGO	C073	County				To Latitude		
Mile Post: From 0017.91 To 0017.65		Inspection Point FIELD				To Longitude		
Activity Code:	RWP	HGCS	TCSO					
Units:	1	18	11					

Item	Initials/Milepost	Equipment/Track #	Type/Kind	49 CFR/USC	Defect	Subrule	Speed	Class	Train #/Site	SNFR*	RCL**	# of Occ.***	Activity Code
1	17.91			234					662013D	N	N	1	
Description NO DEFECTS FOUND AT FESLER STREET.													
Violation Recommended <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					Latitude:				Longitude:				
Written Notification to FRA of Remedial Action is: <input type="checkbox"/> Required <input checked="" type="checkbox"/> Optional					Railroad Action Code		Date(mm/dd/yyyy):		Comments on back?				
2	17.81			234					662011P	N	N	1	
Description NO DEFECTS FOUND AT FLETCHER PKWY.													
Violation Recommended <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					Latitude:				Longitude:				
Written Notification to FRA of Remedial Action is: <input type="checkbox"/> Required <input checked="" type="checkbox"/> Optional					Railroad Action Code		Date(mm/dd/yyyy):		Comments on back?				
3	17.8117.6			234					NOTPSTD	N	N	1	
Description NO DEFECTS FOUND AT PETREE STREET.													
Violation Recommended <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					Latitude:				Longitude:				
Written Notification to FRA of Remedial Action is: <input type="checkbox"/> Required <input checked="" type="checkbox"/> Optional					Railroad Action Code		Date(mm/dd/yyyy):		Comments on back?				



## Agenda

Item No. 4

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1 (PC 50771)

February 3, 2009

### SUBJECT:

REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM

### RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

#### Budget Impact

None.

### DISCUSSION:

A report will be presented during the meeting.

Attachment: Fourth Quarter Report for 2008

FEB3-09.4.MUSEUM RPT..JLUNDQUIST.doc

# Pacific Southwest Railway Museum

4695 Nebo Drive  
La Mesa, CA 91941-5259

January 7, 2009

SD&AE Board  
C/O MTS  
1255 Imperial Av. #1000  
San Diego, CA 92101

## FOURTH QUARTER REPORT FOR 2008

Here are the highlights for this quarter:

1. Using all volunteer crews, in the fourth quarter of 2008, we ran 40 passenger trains carrying 4,554 passengers with no FRA reportable accidents or incidents. Our check for the 4<sup>th</sup> quarter 2008 revenue is being sent under separate cover.
2. At the last SD&AE Board meeting, the Board asked that we look for a qualified opinion as to the condition of the wooden bridge at MP 66.77. We have been unable to find a firm to complete this task as a donation or at a reasonable cost. The one company bid \$5,000 for the one bridge inspection, which does not compare favorably to the \$25,000 paid by the SD&AE to inspect all the bridges on the line. In speaking to Pete Jespersen to seek further direction on the Board's intent of the request, it was conveyed to us that we should not operate trains over the bridge until the inspection has been completed. Therefore, all of our trips now go west from the Campo Depot. This has hindered our operations, especially the North Pole Limited's.
3. We ran ten North Pole Limited's from the Campo Depot west to the North Pole this Christmas Season. All ten were sold out. A great time was had by all.

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A California Non-Profit, Public Benefit Corporation, IRS Tax # 95-2374478

Owners and operators of the Railroad Museum in Campo,  
San Diego & Arizona Railway and the La Mesa Depot Museum

January 7, 2009

4. We remain uncertain of the public's response for the Campo to Tecate trains given the current negative press on the ongoing drug wars in Mexico. We certainly hope the public remains interested in our trips to Tecate, as we have never experienced any security problems on these trips.
5. We hope to finish up two long term projects at the Campo Depot this next quarter – the new restroom at the Campo Depot and relocating the giftshop upstairs in the Depot.
6. We have relocated the PSRM tank car, long stored on timbers east of the depot, onto Museum property.
7. We will once again be supporting the annual "Three Kings Train" (aka "The Christmas Train") as we take presents to the children of Tecate in a cooperative event with all involved.
8. We were pleased to be able to host a portion of the CZRy Christmas party onboard the private car Robert Peary during one of our North Pole Limited trains in December. One of our tallest Santa Clause's was able to join them for a while during the train trip to the North Pole.

To all the Board members and staff of the SD&AE, I would like to thank you for all your support of both myself and our Museum over these past six years. It was an interesting time sorting out the PSRM activities from the other events ongoing at Campo and along the line. I appreciate your help and patience as this was worked out. Our new Museum President, Diana Hyatt, comes onboard this month. I wish we could have hosted the SD&AE Board and/or the MTS Board or Board members at our Museum during my tenure. Perhaps that may yet occur under our new leadership.

Sincerely,

***Jim Lundquist***

President Emeritus, Pacific Southwest Railway Museum



# Agenda

Item No. 5

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1 (PC 50771)

February 3, 2009

**SUBJECT:**

REPORT ON THE DESERT LINE

**RECOMMENDATION:**

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

Attachment: No reports submitted



Carrizo Gorge Railway

## Periodic Report

To the San Diego & Arizona eastern Railway Company

Fourth Quarter 2008

The periodic Report to the SD&AE Railway Company is produced quarterly by the Carrizo Gorge Railway, Inc for the SD&AE Board, in fulfillment of contractual requirements and to document activity in the restoration of the line to regional service along with its ongoing improvement for future generations.

## Carrizo Gorge Railway Accomplishments during fourth quarter

- Completed a thorough inspection from Division to Plaster City.
- Considerable advancement of weed abatement.

Fourth Quarter 2008  
Carrizo Gorge Railway, Inc.

# **CONTENTS**

## **4<sup>th</sup> QUARTER 2008 ACTIVITY**

### **Appendix A- MOW Summary**

### **Appendix B- Desert Line Track Rehabilitation Offset Financial Summary**

### **Appendix C- Deserte Line Freigth Revenues Financial Summary**

**Fourth Quarter 2008**

**Carrizo Gorge Railway, Inc.**

**CARRIZO GORGE RAILWAY,INC**

2295 Fletcher Parkway, Suite 101, El Cajon Ca 92020  
Phone (619) 938-1943  
Fax(619) 561-4367

---

December 31<sup>st</sup>, 2008

Metropolitan Transit Development Board  
San Diego & Arizona Eastern Railway Board  
1255 Imperial Avenue 10<sup>th</sup> floor  
San Diego, California 92101

Pursuant to reporting agreement, here is the summary of 4<sup>th</sup> Quarter activity for 2008

## PERIODIC REPORT

### I. Labor

As of December 31<sup>st</sup>, 2008, the Carrizo Gorge Railway has **21** employees to cover overall administration of the road and operations in the U.S. on the Desert Line.

- 4 Administration
- 1 Marketing
- 1 Purchasing Agent
- 1 Train Master
- 6 Track Maintenance
- 1 Division Engineer
- 3 Train Crew
- 3 Railroad police
- 1 Railroad police chief

### II. Marketing

Carrizo Gorge Railway has continued an aggressive marketing effort attempting to draw new business from a variety of different areas, from moving agricultural product from the Imperial Valley to Mexico, to connecting with the new efforts being made by the port of Ensenada in moving intermodal traffic to the interior of Mexico and the USA.

Page 4

Carrizo Gorge Railway has completed negotiations with Baja California government and it is moving forward to establishing a new cooperative agreement.

Carrizo Gorge Railway is working diligently to promote new shippers in an effort to make up for the expected reduction in traffic do to the current economic situation.

### III. Desert Line

Carrizo Gorge Railway is the rail freight operator on the Desert Line by contractual agreement with Rail America/ SD&IV and with the approval of SD&AE/ MTDB.

On October 17<sup>th</sup> 2008, Carrizo Gorge Railway placed an embargo with the purpose to start a rehabilitation program to improve safety, capacity and reliability on the Desert Line.

We carried out a study of all the objectives that fall into the track infrastructure (main track, secondary track, bridges and tunnels) in order to establish a work plan to schedule the line's rehabilitation. The Objective of this study is to rehabilitate and increase capacity and safety of the Desert Line.

During this period we have continued to perform regular track maintenance as well as continue to remove weed to mitigate the fire hazardous during this critical period.

There is no sand hauling operation currently taking place on the Desert Line.

On December 17, 2008 we had a severe weather storm that caused numerous debris related incidents that required immediate attention. All such debris has been cleaned up and the line is currently in normal operating condition.

4<sup>th</sup> Quarter 2008  
Carrizo Gorge Railway, Inc

#### IV. Reportable Injuries / Environmental Incidents

There were no reportable injuries during the fourth Quarter of 2008.

There were no reportable accidents in the fourth Quarter of 2008.

There were no environmental incidents during the fourth Quarter of 2008.

#### V. Freight Activity

From October 1<sup>st</sup>, 2008 to December 31<sup>st</sup>, 2008.

MOW Sand carloads moved on the Desert Line	0
Revenue Sand carloads moved on the Desert Line	0
Revenue Freight carloads moved to/from Seeley Via interchange with UPRR, on the Desert Line	2
Non-Revenue Freight carloads moved from UPRR and USG, on the Desert Line	
Revenue Freight carloads terminating/originating in Mexico to/from San Ysidro via interchange with SD&IV Railroad	1286
Total overall fourth Quarter 2008 Carloads Moved	<b>1288</b>

Fourth Quarter 2008  
Carrizo Gorge Railway, Inc

## VI. Mexican Railroad

Carrizo Gorge Railway, Inc. with the assistance of its subsidiary Ferrocarriles CZRY de Baja California SA de CV provide technical support as well as operate the Tijuana-Tecate line on behalf of ADMICARGA a paraestatal of the State of Baja California, Mexico and the designee of such line.

Carrizo Gorge Railway has completed negotiations with the government of Baja California and it is moving forward to establishing a new cooperative agreement.

### CURRENT MEXICO PERSONNEL

2	Manager
1	Administrative Assistant
1	Trainmaster
3	Dispatchers
3	Train Engineers
6	Conductors
1	Mechanic
1	Car Inspector
1	Division Engineer
1	Track Inspector
2	Track Supervisor
10	Track laborer

Respectfully,

Armando Freire  
Chief Operations Officer  
Carrizo Gorge Railway, Inc

# Appendix A

## M.O.W. SUMMARY

### Carrizo Gorge Railway, Inc

### DESERT LINE

October- November- December 2008

#### TRACK

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Ties Installed (6" x 8" x 8')	0	each
(7" x 9" x 9")	127	each
Stringers	15	each
90 lb. Rail Change Out	0	ft.
113 lb. rail Change Out	0	ft.
Repair Open Joints	0	each
Track Regaging	5	each
Separator Rails (4" x 8" x 20")	0	each
Replace Missing Track Bolts	5	each
Rail Anchors Replaces	15	each
Repair Broken angle bars (60 lb.)	0	each
(75 lb.)	2	each
(90 lb.)	5	each
Track Surfaced	120	ft
Track Spikes Used (new)	358	each
Switch Ties Installed	0	each

#### BRIDGE & TUNNEL

The following bridge is currently under repair.

We worked on the bridge located at MP 95.08 and these were the repairs that were made:

15 each	Stringers
16 each	Shim
16 each	Shim chord
61 each	Bridge ties
101 each	32" Bolt

**Appendix A**  
**M.O.W. SUMMARY**

## Carrizo Gorge Railway, Inc DESERT LINE

**GENERAL RIGHT OF WAY  
WEED ABATE PROGRAM REPORT**

<b>Date of conclude</b>	<b>From MP</b>	<b>To MP</b>	<b>Conclude Miles</b>
27-Nov	67.0	67.1	0.1
25-Nov	70.5	71.0	0.5
25-Nov	74.0	74.9	0.9
24-Nov	75.8	76.0	0.2
20-Nov	76.5	80.3	3.8
14-Oct	80.4	81.0	0.6
13-Oct	81.5	82.3	0.8
7-Oct	85.0	85.4	0.4
6-Oct	86.1	87.4	1.3
10-Oct	88.4	88.8	0.4
3-Oct	88.9	90.1	1.2
27-Nov	95.1	95.4	0.3
27-Nov	95.8	96.0	0.2
<b>Total Miles</b>			<b>10.6</b>

In this last quarter we have concluded the weed abatement from MP 59.9 to MP 96.0

**Appendix B**  
**OFFSET FINANCIAL SUMMARY**

**Carrizo Gorge Railway, Inc**  
**DESERT LINE**

**October- November- December 2008**

---

There was no production or commercial sale of sand from M.O.W. activity on the Desert Line during Fourth Quarter 2008.

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# **Carrizo Gorge Railway, Inc** **DESERT LINE**

**October- November- December 2008**

## **REVENUE FREIGHT HAULED**

Railcar loads to/from UP Interchange, Seeley /Plaster City	2
Railcar loads revenue sand from Dixie (Plaster City) to Campo	0
Non-revenue Freight USG Cars	
<b>Total</b>	<b>2</b>

## **Track Use Fees:**

### **Interchange freight to/from UPRR over the Desert Line**

SD&AE / MTS 1% payment	\$ 6.00
SD&IV / Rail America payment 6.9	\$ 41.40

### **Revenue Sand from Dixie to Campo**

SD&AE / MTS 1% payment	0.00
SD&IV RailAmerica payment (0 cars at \$0.00 each)	0.00

# Agenda

Item No. 6a

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1 (PC 50771)

February 3, 2009

## SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE OCTOBER 10, 2008

## RECOMMENDATION:

---

That the SD&AE Railway Company Board of Directors receive a report for information.

### Budget Impact

None.

## DISCUSSION:

Since the October 10, 2008, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-09-384: Right of Entry Permit to Good & Roberts, Inc. to reconstruct a driveway and fix slopes in the City of El Cajon.
- S200-09-385: Right of Entry Permit to Nolte & Associates, Inc. to perform pothole surveys at 28<sup>th</sup> Street in the City of San Diego.
- S200-09-386: Right of Entry Permit to 3-D Enterprises, Inc. to construct a storm drain south of Bay Marina Drive on the Coronado Branch in the City of National City.
- S200-09-388: Right of Entry Permit to HP Communications to construct an aerial fiber-optic line at 16<sup>th</sup> Street in the City of National City.
- S200-09-389: Right of Entry Permit to David Evans & Associates, Inc. to perform surveys along the south line to support SANDAG contract CIP No. 11281.



## Agenda

Item No. 6b

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1 (PC 50771)

February 3, 2009

### SUBJECT:

BAY MARINA DRIVE WIDENING IMPACTS TO CLEVELAND AVENUE CROSSING

### RECOMMENDATION:

---

That the SD&AE Railway Company Board of Directors forward a recommendation to the MTS Board of Directors to approve an amendment to MTS Document No. S200-06-291 to cover impacts to the Coronado Branch and future obligations of the City of National City relating to the redevelopment of the area west of Interstate 5 at Bay Marina Drive.

#### Budget Impact

The City of National City's cost to reconstruct the crossing could be between \$100,000 and \$200,000. SD&AE would save any potential costs to maintain the crossing if the crossing infrastructure is removed.

### DISCUSSION:

The City of National City, MTS, and SD&AE have entered into MTS Document No. S200-06-291 as amended to cover impacts to the Coronado Branch and future obligations of the City of National City relating to the redevelopment of the area west of Interstate 5 at Bay Marina Drive.

The City of National City has asked for consideration of removing the rails, ties, and crossing equipment at Cleveland Avenue as part of its project to widen Bay Marina Drive. In exchange, the City of National City would commit to pay for the reconstruction of the intersection rail improvements and railroad signals in the future if the Coronado Branch service is restored.

In addition, the SD&AE Board approved the construction of a private drainage structure on Marina Way at the entrance to the hotel project to the south of Bay Marina Drive as part of a license issued to Marina Gateway Development. The City of National City intends to construct this facility now instead of the developer. SD&AE would amend the existing license to remove this improvement and create a new license issued to the City of National City to cover this installation.

Therefore, staff recommends forwarding a recommendation to the MTS Board of Directors to approve an amendment to MTS Document No. S200-06-291 to cover impacts to the Coronado Branch and future obligations of the City of National City relating to the redevelopment of the area west of Interstate 5 at Bay Marina Drive.

FEB3-09.6b.BAYMARINAWIDENAMDMT.TALLISON.doc

## Agenda

Item No. 7

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

SDAE 710.1 (PC 40099)

February 3, 2009

### SUBJECT:

ELECTION TO FILL VACANT POSITION OF SD&AE RAILWAY TREASURER

### RECOMMENDATION:

That the SD&AE Board of Directors forward a recommendation to the MTS Board of Directors to elect Linda Musengo as the Treasurer to replace the position vacated by Alejandro De La Torre.

#### Budget Impact

None.

### DISCUSSION:

Alejandro De La Torre has vacated the position of Treasurer; therefore, staff proposes forwarding a recommendation to the MTS Board of Directors to replace Mr. De La Torre with MTS Finance Manager Linda Musengo



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

## Agenda

Item No. 8

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

OPS 970.6

February 19, 2009

**SUBJECT:**

SDTI: NELECO, INC. "SUPERLUBE" RAIL LUBRICANT – CONTRACT AMENDMENT  
(OPTION YEAR TWO)

**RECOMMENDATION:**

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute San Diego Trolley, Inc. (SDTI) Doc. No. C.O.018.2-05 (Attachment A) with Neleco, Inc. to exercise option year two to provide Synco SuperLube Rail Lubricant.

Budget Impact

The not-to-exceed amount of \$112,814.00 for this product (for one year) would come from the FY 09 SDTI operating budget line item 370-54310 (SDTI Track Lubricant and Grease). This would be the final option year; staff is currently working on a new procurement.

**DISCUSSION:**

On March 1, 2005, the MTS Board of Directors approved a three-year base contract (SDTI Doc. No. C.O.018.0-05) with an option for two single-year extensions. Staff is recommending that option year 2 be exercised, starting in March, for calendar year 2009 through March 2010. The current provider, Neleco, Inc., has met its duties and responsibilities by providing this product to SDTI in a timely manner. Staff is satisfied with the contractor and the product and would like to exercise option 2 for one year. Staff believes that the pricing (Attachment B) for option year 2 is fair and reasonable, and, therefore recommends approval of the 2nd option year of this agreement.

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Fred Byle, 619.595.4937, [fred.byle@sdmts.com](mailto:fred.byle@sdmts.com)

FEB19-09.8.RAIL LUBE.SOVERTON.doc

Attachments: A. Draft SDTI Doc. No. C.O.018.2-05  
B. Sole-Source Justification and Vendor Pricing



DRAFT

February 19, 2009

SDTI Doc. No. C.O.018.2-050  
OPS 970.6

Mr. Paul DiBenedetti,  
President  
Neleco, Inc  
675 VFW Parkway MS-334  
Chestnut Hill, MA 02467-3656

Dear Mr. DiBenedetti:

Subject: AMENDMENT NO. 2 TO SDTI DOC. NO. CO.018.0-05

This shall serve as Amendment No. 2 to our agreement for San Diego Trolley, Inc. (SDTI) to procure "Synco SuperLube" Rail Lubricant as further described below.

#### SCOPE OF PROCUREMENT

Provide Synco SuperLube Rail Lubricant in accordance with the original SDTI Contract Doc. No. C.O.018.0-05.

#### SCHEDULE

This amendment extends the contract term by one year from March 1, 2009, to March 31, 2010.

#### PAYMENT

The total value of this option shall not exceed \$112,814.00. All other conditions remain unchanged. If you agree with the above, please sign below, and return the document marked "Original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Accepted:

Paul C. Jablonski  
Chief Executive Officer

\_\_\_\_\_  
Paul DiBenedetti  
Neleco, Inc.

FEB19-09.8.AttA.NELECO SUPERLUBE AMD2.SOVERTON.doc

Date: \_\_\_\_\_

Date: 1/21/09  
To: Procurement File  
From: Sandra Overton  
Subject: Sole Source Justification and Determination of Fair and Reasonable Cost for Rail Lubricant

### Background

San Diego Trolley (SDTI) recommends the procurement of "Synco" SuperLube, which is distributed by Neleco, Inc. This product has been successfully used by San Diego Trolley for noise suppression and rail and wheel wear reduction. This procurement will be sole source and, therefore, requires staff to perform a cost analysis to determine if the cost is fair and reasonable.

### Cost Justification

The staff reviewed last year's FY08 procurement for this product. The FY 08 price was \$333.00 per pail. A price increase has been avoided for (4) four years.

The price, with a (1) one-year extension in FY09, would be \$349.00, per pail. This reflects a \$19.00 per pail or 5.75% increase, over the current price. The current public list-price for this SuperLube Rail Lubricant is \$392.00 per pail (effective January 1, 2009). Most other transit agencies with contracts have been paying \$364.00 - \$374.00 per pail. Neleco is offering the SuperLube Rail Lubricant to SDTI at a lower unit price than offered to other transit agencies.

### Conclusion

The procurement staff has determined the cost for the Rail Lubricant is fair and reasonable.

See Attached Sole Source Justification Memorandum

FEB19-09.8.AttB.NELECO SOLESOURCE.SOVERTON.doc

# N

## NELECO INCORPORATED

---

Telephone: 781-341-5050

E-mail: [paul050@aol.com](mailto:paul050@aol.com)

Fax: 781-341-1866

January 21, 2009

Ms Sandra Overton  
Procurement Department  
San Diego Trolley  
100 16<sup>th</sup> Street  
San Diego, California 92101

Telephone: 619-557-4562  
Fax: 619-696-7084

Dear Sandra:

This letter is in reply to your inquiry regarding an extension of the Rail Lubricant contract.

We could accept a one (1) year extension of the contract, with an approximate 5.75% price increase. We have held the price at \$330.00 per 40 pound pail for four (4) years. Unfortunately, in these difficult times of constantly rising prices, we will have to increase the price to \$349.00 per 40 pound pail. All other conditions remain the same.

We try everything practical, to maintain level prices, for as long as possible. In today's economic environment, it becomes increasingly difficult. The current list price for SuperLube Rail Lubricant is, \$392.00 per 40 pound pail, effective January 1, 2009. Most other transit agencies, with contracts prior to January 1, 2009, are paying \$364.00 to \$374.00 per pail. New contracts will be written at higher prices as of January 1, 2009.

Thank you for this opportunity to quote on this extension. We greatly appreciate your business. We will always strive to maintain the best service and prices possible. If I can be of further assistance, or service please call me.

Best regards,

*Paul E. R. DiBenedetti*

Paul E. R. DiBenedetti  
President  
Neleco, Incorporated

*Exclusive Authorized Distributor of SuperLube Railroad Lubricants*

---

675 VFW Parkway MS-334

Chestnut Hill, Massachusetts 02467-3656



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

## Agenda

Item No. 9

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

LEG 491 (PC 50633)

February 19, 2009

### SUBJECT:

MTS: INCREASED AUTHORIZATION FOR LEGAL SERVICES – LAW OFFICES OF  
MICHAEL E. RIPLEY

### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1080.3-07 (in substantially the same form as Attachment A) with the Law Offices of Michael E. Ripley for legal services and ratify prior amendments entered into under the CEO's authority.

#### Budget Impact

Not to exceed \$55,000 for the Law Offices of Michael E. Ripley. The recommended amounts are contained within the proposed midyear fiscal year 2009 budget.

### DISCUSSION:

On January 18, 2007, the Board approved a list of qualified attorneys for general liability and workers' compensation for use by MTS, San Diego Trolley, Inc. (SDTI), and San Diego Transit Corporation (SDTC) (hereinafter referred to as the Agencies) staffs on an as-needed basis. Thereafter, MTS began to contract with approved attorneys for various amounts depending upon current and anticipated needs.

Pursuant to Board Policy No. 52 (Procurement of Goods and Services), the CEO may enter into contracts with service providers for up to \$100,000. The Board must approve all agreements in excess of \$100,000. All attorneys listed have multiple cases that are



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.

scheduled to proceed to trial, and the total cost of their legal services will exceed the CEO's authority.

The Law Offices of Michael E. Ripley is currently under contract with the Agencies for \$100,000. Attorney Michael Ripley has successfully defended the Agencies in a number of tort liability matters. Pending invoices for recent and current services are anticipated to exceed current contract authority due to legal defense costs.

The CEO has approved contracts up to the \$100,000 authority level. Staff is requesting Board approval of MTS Doc. No. G1080.3-07 with the Law Offices of Michael E. Ripley for legal services and ratification of prior contracts/amendments entered into under the CEO's authority.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: James Dow, 619.557.4562, [jim.dow@sdmts.com](mailto:jim.dow@sdmts.com)

FEB19-09.9.LEGAL SVCS RIPLEY.JDOW.doc

Attachment: A. MTS Doc. No. G1080.3-07

DRAFT

Att. A, AI 9, 2/19/09

February 19, 2009

MTS Doc. No. G1080.3-07  
LEG 491 (PC 50633)

Mr. Michael Ripley  
Law Offices of Michael E. Ripley  
12520 High Bluff Drive, Suite 360  
San Diego, CA 92130

Dear Mr. Ripley:

Subject: AMENDMENT NO. 3 TO MTS DOC. NO. G1080.0-07: LEGAL SERVICES – GENERAL  
LIABILITY

This letter will serve as Amendment No. 3 to MTS Doc. No. G1080.0-07. This contract amendment authorizes additional costs not to exceed \$55,000 for professional services. The total value of this contract, including this amendment, is \$155,000. Additional authorization is contingent upon MTS approval.

If you agree with the above, please sign below and return the document marked "Original" to Contract Specialist at MTS. The other copy is for your records.

Sincerely,

Accepted:

Paul C. Jablonski  
Chief Executive Officer

\_\_\_\_\_  
Michael Ripley  
Law Offices of Michael E. Ripley

Date: \_\_\_\_\_

FEB19-09.9.AttA.G1080.3-07RIPLEY.JDOW.doc



1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
619/231-1466  
FAX 619/234-3407

## Agenda

Item No. 10

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

OPS 970.6

February 19, 2009

### SUBJECT:

SDTI: COPIER LEASE – CONTRACT AWARD

### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to award a contract (MTS Doc. No. L0856.0-09) to Canon Business Solutions West (in substantially the same format as Attachment A) to lease 12 copiers to support administrative functions throughout San Diego Trolley, Inc. (SDTI) for a period not to exceed five years.

#### Budget Impact

Federal funding of \$175,000 for this project would come from Project Code 59620.

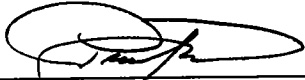
### DISCUSSION:

In response to a Request for Bids (RFB) to lease office machines, the County of San Diego (County) awarded a five-year contract on May 27, 2004 (ending on May 25, 2009), to Canon Business Solutions West, the lowest responsive, responsible bidder (out of four bidders).

In accordance to the Special Terms and Conditions, paragraph 10, "Public Agency Participation Option (February 2003)" of the RFB, other public agencies are allowed to piggyback on the County's contract. After reviewing the pricing offered on the County's contract and performing a lease-versus-purchase analysis, it was determined that the lease pricing (Attachment B) offered on the County's contract would be the most advantageous option for SDTI.



Therefore, staff recommends Board approval of a five-year contract with Canon Business Solutions West (MTS Doc. No. L0856.0-09) to lease copiers for SDTI, in an amount not to exceed \$175,000.



---

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Rebecca Zelt, 619.595.4902, [Rebecca.Zelt@sdmts.com](mailto:Rebecca.Zelt@sdmts.com)

FEB19-09.10.COPIER LEASE.JMILLER.doc

Attachments: A. Draft MTS Standard Services Agreement Doc. No. L0856.0-09  
B. Canon Price Schedule

STANDARD SERVICES AGREEMENT

L0856.0-09  
CONTRACT NUMBER  
OPS 970.2  
FILE NUMBER(S)

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2009, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Canon Business Solutions West Address: 9330 Scranton Road  
 Form of Business: Corporation San Diego, CA 92121  
 (Corporation, partnership, sole proprietor, etc.)  
 Telephone: 858-202-3921  
 Authorized person to sign contracts: Leon Moranville Government Account Executive  
 Name Title

**The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, as follows:**

Per MTS requirements and in accordance to the County of San Diego Contract Number 114/237 as amended; MTS Standard Services Agreement, including the Standard Conditions for Services, Federal Requirements, and Canon Business Solutions West's Price Schedule dated October 13, 2008, the Contractor is to provide the following:

**Equipment Lease Five-Year Term April 1, 2009, through March 31, 2014:**

2 each Canon Image Runner Model 5055 includes 12,000 black and white copy allotment per month per machine  
 4 each Canon Image Runner Model 5075 includes 15,500 black and white copy allotment per month per machine.  
 5 each Canon Image Runner Model 3225 includes 6,000 black and white copy allotment per month per machine.  
 1 each Canon Image Runner Model 4080i includes 8,500 black and white copy allotment per month per machine.

**Included in the Lease: Pooled Monthly Allotment (Black and White Copies):**

- Model 5055 12,000 x 2 machines = 24,000
  - Model 5075 15,500 x 4 machines = 62,000
  - Model 3225 6,000 x 5 machines = 30,000
  - Model 4080i 8,500 x 1 machine = 8,500
- Total pooled monthly allotment = 124,000 copies per month**

**Overage Charges:**

Black and white copies outside of the allotted 124,500 copies per month = \$0.018 per copy.  
 All color copies = \$0.08 per color copy.

If there are any inconsistencies between the County of San Diego Contract No. 114/237, Canon Business Solutions West's Price Schedule dated October 13, 2008, and MTS's Standard Services Agreement, including Standard Conditions for Services and Federal Requirements, the following order of precedence will govern the interpretation of this contract:

1. County of San Diego Contract Number 114/237 as amended, and Canon Business Solution West's Price Schedule.
2. Standard Services Agreement including Standard Conditions for Services, and Federal Requirements.

This contract shall be for a five-year base period effective April 1, 2009, through March 31, 2014. Total contract amount shall not exceed **\$175,000.00.**

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of General Counsel		Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$175,000	59620	2009-2013

By: \_\_\_\_\_ Chief Financial Officer \_\_\_\_\_ Date  
 (\_\_\_ total pages, each bearing contract number) FEB19-09.10.AttA.CANON LEASE.JMILLER.doc

**PRICE SCHEDULE**  
**CANON BUSINESS SOLUTIONS WEST FIVE-YEAR LEASE**

<b>Location</b>	<b>Copier</b>	<b>Pooled Monthly Allotment (Copies)</b>	<b>Price</b>
Operations Control Center	Canon IR 5075	15,500	\$302.25
9 <sup>th</sup> Floor	Canon IR 5075	15,500	\$302.25
9 <sup>th</sup> Floor	Canon CIR 4080i	8,500	\$250.00
Revenue and Recovery	Canon IR 3225	6,000	\$108.00
Revenue and Recovery	Canon IR 3225	6,000	\$108.00
MOW	Canon IR 5055	12,000	\$217.20
Assignments	Canon IR 5075	15,500	\$302.25
Yard Tower	Canon IR 3225	6,000	\$108.00
LRV Maintenance	Canon IR 5055	12,000	\$217.20
Security	Canon IR 5075	15,500	\$302.25
Facilities	Canon IR 3225	6,000	\$108.00
Facilities 2	Canon IR 3225	6,000	\$108.00
<b>Totals</b>		<b>124,500</b>	<b>\$2,433.40</b>

Total Monthly Cost (Copiers)	\$2,433.40
Total Pooled Copies Per Month	124,500
Overage Charge per Black & White Copy	\$0.018
Cost Per Color Copy	\$0.08

<b>Total Annual Cost (Copiers)</b>	<b>\$29,200.80</b>
<b>Total Annual Cost (Color Copies)</b>	<b>\$5,799.20</b>
<b>Total Contract Value (5 Years)</b>	<b>\$175,000.00</b>



1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
619/231-1466  
FAX 619/234-3407

## Agenda

## Item No. 11

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

OPS 950.7

February 19, 2009

### SUBJECT:

MTS: FEDERAL TRANSIT ADMINISTRATION 5311 PROGRAM OF PROJECTS

### RECOMMENDATION:

That the Board of Directors approve Resolution No. 09-8 (Attachment A) authorizing the use of \$256,744 of Federal Transit Administration (FTA) Section 5311 funds for operating assistance in nonurbanized areas.

#### Budget Impact

None at this time.

### DISCUSSION:

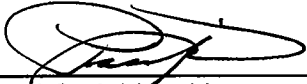
The FTA provides funds for capital and operating assistance to agencies providing rural transportation through the Section 5311 Nonurbanized Area Formula Program. These funds do not come directly to the region but are apportioned to the states. The California Department of Transportation (Caltrans), on behalf of the state, in turn reapportions the funds to the region based solely on the regional rural population as a share of the state total rural population. San Diego Association of Governments (SANDAG) allocates the funds to both North County Transit District (NCTD) and MTS based on the relative rural population in each service area. As shown within Attachment A, FTA 5311 funding would provide \$256,744 in operating assistance for MTS.



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

### Recommendation

Grant requirements include submission of a resolution by the Board of Directors authorizing its submittal and project programming. Therefore, staff recommends that the Board approve, by resolution, submission of a grant application and project programming. Caltrans requires that SANDAG certify that it would amend the Regional Transportation Improvement Program in the event of a grant award.



---

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Nancy Dall, 619.557.4537, [nancy.dall@sdmts.com](mailto:nancy.dall@sdmts.com)

FEB19-09.11.FTA 5311 PROJ.NDALL.doc

Attachment: A. Resolution No. 09-8

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 09-8

Resolution Authorizing Federal Funding Under FTA Section 5311  
(49 U.S.C. Section 5311) with the California Department of Transportation

WHEREAS, the U.S. Department of Transportation is authorized to make grants to states through the Federal Transit Administration (FTA) to support capital and operating assistance projects for nonurbanized public transit services under Section 5311 of the Federal Transit Act; and

WHEREAS, the California Department of Transportation has been designated by the Governor of the State of California to administer Section 5311 grants for public transportation projects; and

WHEREAS, MTS desires to apply for said financial assistance to operate rural transit service in San Diego County; and

WHEREAS, MTS has, to the maximum extent feasible, coordinated and consulted with other transportation providers and users in the region; NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that MTS does hereby authorize the Chief Executive Officer, or designated representative, to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital assistance projects pursuant to Section 5311 of the Federal Transit Act of 1964, as amended.

1. General Counsel, or designated representative, is authorized to execute and file all assurances or any other documents required by the California Department of Transportation.

2. The Chief Financial Officer, or designated representative, is authorized to provide additional information as the California Department of Transportation may require in connection with the application for Section 5311 projects.

PASSED AND ADOPTED, by the Board of Directors this \_\_\_\_\_ day of \_\_\_\_ 2009, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

\_\_\_\_\_  
Chairperson  
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

\_\_\_\_\_  
Clerk of the Board  
San Diego Metropolitan Transit System

\_\_\_\_\_  
Office of the General Counsel  
San Diego Metropolitan Transit System



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

## Agenda

Item No. 12

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

OPS 901

February 19, 2009

SUBJECT:

MTS: LEASE WITH U.S. NAVY FOR REGIONAL TRANSIT MANAGEMENT SYSTEM  
REPEATER SITE ON MOUNT SOLEDAD

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute a five-year lease (Attachment A) with three 5-year options with the U.S. Navy for its Regional Transit Management System (RTMS) repeater site on Mount Soledad.

Budget Impact

The total cost for the entire five-year agreement would be \$191,128.89, which would be borne equally by MTS and North County Transit District (NCTD). MTS's total expense would be approximately \$95,564.45.

DISCUSSION:

The Mount Soledad RTMS repeater site provides MTS and NCTD with operationally critical voice and data radio communications over a wide coverage area. For MTS, the site provides voice and data coverage for buses and support vehicles in the La Jolla, University Towne Center, University of California San Diego, University City, and Clairemont Mesa areas, including the Interstate 5 and western State Route 52 freeway corridors. For NCTD, the site provides coverage along the entire coastal area from La Jolla to southern Orange County.

Since the implementation of the RTMS, repeater equipment has been at this site under a temporary rental arrangement negotiated between the San Diego Association of

Governments and the site's owner, the U.S. Navy. Entering into a lease agreement would ensure continued repeater presence at this essential location.

The Mount Soledad repeater site is shared by MTS and NCTD, and both agencies have a formal RTMS Memorandum of Understanding to equally share this repeater's expense. Under the terms specified, MTS would be reimbursed by NCTD for 50% of the site's ongoing costs.



---

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Jim Byrne, 619.238.0100, [jim.byrne@sdmts.com](mailto:jim.byrne@sdmts.com)

FEB19-09.12.RTMS SITE MT SOLEDAD.JBYRNE.doc

Attachment: A. Draft Lease **(Board Only Due to Volume)**

# DRAFT

Att. A, AI 12, 2/19/09

DEPARTMENT OF THE NAVY  
GENERAL PURPOSE OUTLEASE  
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All correspondence in connection with  
this contract should include reference  
to Contract No. **N6247309RP00005**  
Supersedes Contract No. N6871105RPP0528  
Activity/UIC **N63406**

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GENERAL PURPOSE OUTLEASE  
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this contract should include reference  
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Activity/UIC **N63406**

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Contract No. **N6247309RP00005**  
Supersedes Contract N6871105RP05P28  
Activity/UIC **N63406**

**DEPARTMENT OF THE NAVY  
GENERAL PURPOSE OUTLEASE**

**BETWEEN**

**THE UNITED STATES OF AMERICA  
AND  
METROPOLITAN TRANSIT SYSTEM**

THIS LEASE, executed this 15 day of January, 2009 by and between THE UNITED STATES OF AMERICA, acting by and through the Department of the Navy, hereinafter called the "Government" and, Metropolitan Transit System (MTS), hereinafter referred to as "Lessee".

**WITNESSETH:**

**WHEREAS**, the Government owns that certain real property known as the Mount Soledad Signal Station, which is located in La Jolla, California and is under the control of the Department of the Navy, Naval Base Point Loma.

**WHEREAS**, the Leased Premises covered by this Lease and described in Section 1 of this Lease is a portion of the Mount Soledad Signal Station, and

**WHEREAS**, the Leased Premises are not excess property as defined in section 3 of the Federal Property and Administrative Services Act of 1949, as amended, (40 U.S.C. §102); and

**WHEREAS**, the Secretary of the Navy, pursuant to the provisions of 10 U.S.C. §2667, has determined that the proposed use of the Leased Premises, subject to the terms and conditions of this Lease will promote the national defense or be in the public interest.

**NOW THEREFORE**, in consideration of the terms, covenants, and conditions hereinafter set forth, Government and Lessee hereby agree as follows:

**1. LEASED PREMISES.**

**A.** Government does hereby lease, rent, and demise to Lessee, and Lessee does hereby hire and rent from the Government four racks, and one microwave dish at the Leased

Contract No. **N6247309RP00005**  
Supersedes Contract N6871105RP05P28  
Activity/UIC **N63406**

Premises, as more particularly described as the Consolidated Area Radio Trunking System (CARTS 2) as shown in Attachment A, attached hereto and made a part hereof, together with all improvements and all related Personal Property as described and/or shown in Attachment A, and with all rights of access to the Leased Premises for ingress, egress, parking, and utilities as provided in accordance with Paragraphs 10 and 30 below.

**B. Property Condition,** Lessee understands that the Leased Premises are offered and leased on an "as is, where is" basis, without representation or warranty on the part of the Government as to suitability for any purpose. Lessee has inspected the Leased Premises, knows the extent and condition of said Leased Premises, and acknowledges receipt of the Leased Premises as is, where is, from the Government. The Government is under no obligation to make any repair, alteration, or addition to the Leased Premises or to perform any act of maintenance or upkeep thereto.

## **2. TERM.**

The term of this Lease shall be for a period of five (5) years beginning on 15 January, 2009 and ending on 14 January, 2014 unless sooner terminated in accordance with the provisions of Paragraph 14, Termination. At the discretion of the Government, the term of this Lease may be extended for three (3) additional periods of five (5) years each by delivery to the Local Government Representative of written notice of Lessee's request to extend no later than ninety (90) days prior to the expiration of the then current term, provided no extension shall be granted which creates a total term in excess of twenty (20) years. Each succeeding lease term shall be on the same terms and conditions as the initial term, except with respect to expiration date and rent. Per 10.U.S.C. §2695, Lessee will provide funding at least nine months prior to the termination of the Lease to have a fair market rent value appraisal of the property performed by the Navy, and the future rent shall be modified accordingly based on the completed appraisal and prior to the beginning of the new term. Rent for any succeeding term shall not be less than the preceding term.

## **3. CONSIDERATION.**

Lessee shall pay rent for a total of four racks, and one microwave dish in the amount of \$3,000.00 per Month, payable annually in advance. Lessee shall pay the annual rent due no later than 15 January of each year. The rent shall increase each year thereafter by 3% as stated in the rent schedule below:

Contract No. **N6247309RP00005**  
 Supersedes Contract N6871105RP05P28  
 Activity/UIC **N63406**

**Rent Schedule:**

Lessee	Year 1 Rent	Year 2 Rent	Year 3 Rent	Year 4 Rent	Year 5 Rent
MTS	<u>\$36,000.00</u>	<u>\$37,080.00</u>	<u>\$38,192.40</u>	<u>\$39,338.17</u>	<u>\$40,518.32</u>

Rent check shall be made payable to "The Treasurer of the United States", citing the Contract Number appearing at the top right corner of this Lease Agreement.  
 The check (s) shall be delivered to the following address:

Commanding Officer  
 Naval Facilities Engineering Command Southwest  
 1220 Pacific Highway  
 San Diego, CA 92132-5190  
 Attn: Asset Management, Real Estate Branch (RES.JP)

**4. USE OF LEASED PREMISES.**

**A. Purpose.** The purpose for which the Leased Premises may be used, in the absence of prior written approval by the Government, is a lease for the installation, operation, maintenance and removal of racks and antennas and communication equipment in conjunction with the Lessee's primary business of mobile communications service. The Lessee shall be responsible for all labor, materials, equipment and supplies and associated costs used in conjunction with the construction, installation, operation, maintenance and removal of antennas and communications equipment. The Lessee understands and acknowledges that this Lease is not and does not constitute a commitment by the Government with regard to any fee title conveyance of the Leased Premises, in whole or in part, to Lessee or any agency or instrumentality thereof, or to any sublessee.

**B. Design Criteria.** Lessee shall comply with design criteria and guidelines established in the Base Exterior, Architecture Plan (BEAP) in all site planning, architecture landscape, street and parking standards, signage and other improvements made on lands leased for their use. The Lessee shall not erect any cards, signs, or billboards containing advertising on Government property.

Contract No. **N6247309RP00005**  
Supersedes Contract N6871105RP05P28  
Activity/UIC **N63406**

**C. Warning Signs.** At each wireless antenna facility constructed, the Lessee shall post easily readable Warning Signs, located at prominent locations that can be easily seen from all avenues of approach on all four sides of the facility. Warning Signs shall be in designed in accordance with the latest version of the BEAP. Such, signs shall be posted and legible at distances and locations sufficient to forewarn personnel before they breach the required Safety Standoff distance for the specific emitter(s).

**D. Historic/Archeological Property.** Lessee shall not undertake any activity that may affect a historic or archeological property, including excavation, construction, alteration or repairs of the Leased Premises, without the prior written approval of the Government and compliance with Section 106 of the National Historic Preservation Act, 16 U.S.C. §470, and the Archeological Resources Protection Act of 1979, 16 U.S.C. §470 aa. Buried cultural materials may be present on the Leased Premises. If such materials are encountered, Lessee shall stop work immediately and notify the Government. The Government has no knowledge of any designated historical or archeological property or sites on the Leased Premises; in the event that it becomes aware of such property, the Government will immediately notify the Lessee. The Lessee shall, upon discovering Native American Human remains, funerary objects, sacred objects, or object of cultural patrimony, as those terms are defined in 43 C.F.R. 10.2(d) immediately notify by telephone the Base Archaeologist, Natural and Cultural Resources Manager, Andy Yatsko, at 619-532-2800, followed by written confirmation within 5 days of discovery. The Lessee shall cease all activities in the area of the inadvertent discovery until directed otherwise by the Base Archaeologist. Additionally, the Lessee shall make a reasonable effort to protect any such Native American Human remains, funerary objects, sacred objects, or objects of cultural patrimony so discovered.

**E. Natural/Cultural Resources.** Lessee shall manage the natural and cultural resources on the lands leased for their use consistent with the philosophies and supportive of the objectives of the Activity Integrated Natural Resource Management Plan and the Integrated Cultural Resource Management Plan.

## **5. ASSIGNMENT AND SUBLEASING**

**A.** Lessee shall neither transfer, assign, or sublet this Lease or any interest therein or any property on the Leased Premises, or grant any interest, privilege or license whatsoever in connection with this Lease without the prior written consent of Government. Consent to any assignment, sublease, or license will be conditioned on the new operator presenting proof of appropriate licensing by the Federal Communications Commission (FCC) to the Real Estate Contracting Officer.

Contract No. **N6247309RP00005**  
Supersedes Contract N6871105RP05P28  
Activity/UIC **N63406**

**B.** Any sublease granted by Lessee shall contain a copy of this Lease as an attachment and be identical to the terms and conditions of this Lease and shall terminate immediately upon the expiration or any earlier termination of this Lease, without any liability on the part of the Government to Lessee or any sublessee, except as specifically provided in this Lease. No sublease shall relieve Lessee of any of its obligations hereunder. Under any sublease made with or without consent of the Government, the sublessee shall be deemed to have assumed all of the obligations of the Lessee under this Lease. Every sublease shall be subject to, and shall be deemed to contain, the Environmental Protection provisions set forth in Paragraph 13 below.

**C.** Lessee shall submit to the Government for its prior written consent, a copy of each sublease Lessee proposes to execute. Such consent may include a requirement that Lessee renegotiate and revise the sublease to conform to the provisions of this Lease. Consent to the sublease shall not be taken or construed to diminish or enlarge any of the rights or obligations of either of the parties to this Lease. Should a conflict arise between the provisions of this Lease and a provision of the sublease, the provisions of this Lease shall take precedence. Upon its execution, a copy of each sublease shall be immediately furnished to the Government.

**D.** As additional rent, the Lessee agrees to pay the Government on an annual basis, 50% (fifty percent) of any and all rents, fees, or other payments, for use of the Leased Premises or any improvements thereon, received from third parties under a sublease/license or other arrangement as approved by the Government. The Lessee will be responsible for providing an accounting of all sublease/license payments made to the Lessee to the Government on a quarterly basis and/or otherwise transferred use of the Leased Premises to another without charge or for less than fair market rental, Lessee shall pay to the Government on an annual basis 50% (fifty percent) of the Government's Fair Market Rental appraisal for the interest or use so transferred by Lessee.

**6. JOINT INSPECTION AND INVENTORY REPORT (NON-ENVIRONMENTAL).**

**A.** Prior to use and occupancy of the Leased Premises by the Lessee or any sublessee, a Joint Inspection and Inventory Report (JIIR) thereof will be conducted by representatives of the Government and the Lessee and a complete inventory of Government real and personal property located thereon shall be made. JIIR shall describe the condition of the Leased Premises and will note any deficiencies found to exist. The report is attached to the Lease and made a part thereof as **Attachment B**.

Contract No. **N6247309RP00005**  
Supersedes Contract N6871105RP05P28  
Activity/UIC **N63406**

**B.** Each inventory contained in the JIIR shall be identified by building number or facility number and signed and dated by the parties to this Lease. All personal property in a building, unless specifically exempted by the terms and conditions of this Lease shall remain with the building.

**C.** The Leased Premises shall be delivered to the Lessee on an "As Is, Where Is" basis, and, as such, Government makes no warranty relative to the Leased Premises as to its usability generally or as to its fitness for any particular purpose.

## **7. ENVIRONMENTAL CONDITION OF PROPERTY REPORTS**

Environmental Condition of Property (ECP) is attached to this Lease and made a part hereof as **Attachment C**. The ECP describes the existing environmental conditions of the Leased Premises as represented by a baseline survey conducted by the Government, and sets forth the basis for the Government's determination that the Leased Premises are suitable for leasing. Lessee and each sublessee are hereby made aware of the notifications contained in the ECP and shall comply with all restrictions set forth therein.

## **8. ALTERATIONS/RESTORATION**

**A.** Lessee, or any sublessee, shall not construct or make any construction, alterations, additions, modifications, excavations, betterments, or improvements to, installations upon, or otherwise modify or alter the Leased Premises in any way (hereinafter called "work"), including those that may adversely affect human health or the environment, without the prior written consent of the Government. Such consent shall not be unreasonably withheld. Further, such consent may involve a requirement to provide the Government with a performance and payment bond satisfactory to the Government in all respects and other requirements deemed necessary to protect the interests of the Government. For such work in the proximity of any known Installation Restoration Program (IRP) site, such consent may also include a requirement for the written approval of the Government's Remedial Project Manager in addition to approval by the Real Estate Contracting Officer. All such work shall be done in a workmanlike manner and be subject to the requirements of all applicable state and local building codes. Lessee shall provide Government with prior written notification and a full description of the proposed work including any other information on the proposed work on the Leased Premises requested by Government. Except as provided herein or provided in the Government's written approval, all such approved work affixed to the Leased Premises shall, upon expiration or termination of the Lease, become the property of the Government. Upon expiration or termination of the Lease or by expiration, termination, revocation or surrender of any sublease, to the extent directed by the Government, Lessee or sublessee shall either:

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(1) Remove, at no cost or expense to the Government within 30 days of the termination, revocation, surrender or expiration of the Lease, all alterations, additions, betterments, and improvements made or installed without the consent of the Government or which were previously noted by the Government to be removed, and restore the Leased Premises, to the same or as good condition as existed on the date of entry under this Lease; subject to reasonable wear and tear and loss or damages for which the Lessee is not responsible hereunder; or

(2) Abandon such work and/or improvements in place, at which time title to said work and/or improvements shall vest in the Government; provided, in either event all personal property and trade fixtures of Lessee or any third party may be removed and Lessee or such third party shall at no cost or expense to the Government repair any damages to the Leased Premises resulting from such removal.

**9. ACCESS BY GOVERNMENT.**

At all reasonable times throughout the term of this Lease, the Government shall be allowed access to the Leased Premises for any purpose upon reasonable notice to Lessee or sublessee. Government normally will give Lessee or any sublessee 24-hour prior notice of its intention to enter the Leased Premises, unless it reasonably determines the entry is an emergency required for safety, health, environmental, operations or security purposes, in which event no notice shall be required. Lessee or sublessee shall have no claim on account of any entries against the Government or any Government officer, agent, employee or contractor, provided, however, that nothing herein shall be deemed to prejudice the rights of the Lessee or any sublessee under any contract, other agreement or law including, but not limited to the Federal Tort Claims Act, as to the Government. However, public access shall be limited to normal hours with alternative arrangements made for after hours access with the designated Government Representative. All necessary keys to the buildings, and Leased Premises occupied by Lessee or any sublessee shall be made available to the Government upon request.

**10. UTILITIES AND SERVICES.**

Provision to the Leased Premises of any utilities such as gas, water, steam, sewer, telephone, trash removal, etc., shall be at the cost or expense and the responsibility of the Lessee and any sublessee. In the event that the Lessee shall request and the Government shall furnish Lessee with any utilities and services maintained by the Government that Lessee may require in connection with its use of the Leased Premises.

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Lessee shall pay the Government the agreed charges therefore in addition to the rent required under this Lease. Such charges and the method of payment thereof shall be determined by Government or the appropriate supplier of such service, in accordance with applicable laws and regulations, on such basis as the Government or appropriate supplier of such service may establish, and may include a requirement for the installation of adequate connecting and metering equipment at the sole cost and expense of the Lessee. It is expressly agreed and understood that the Government in no way warrants the continued maintenance or adequacy of any utilities or services furnished by it to the Lessee. Lessee shall have the right, subject to Paragraph 8 above herein, to install such utilities or make improvements to existing utilities on the Leased Premises, including but without limitation, the installation of emergency power generators, as may be necessary for the operation of Lessee's equipment.

In accordance with this section, the supplier of such utilities and services is Space and Naval Warfare Systems Center, San Diego (SSC SD). SSC SD has determined that the charges for utilities and services and the method of payment under this Lease shall be governed by a Memorandum of Agreement (MOA) between SSC SD and the Lessee.

**11. NON INTERFERENCE WITH GOVERNMENT OPERATIONS.**

**A.** Lessee or any sublessee shall not conduct operations or activities, nor make any alterations, that would interfere with or otherwise restrict Government operations, environmental clean-up or restoration actions by the Government, U. S. Environmental Protection Agency (EPA), state environmental regulators, or their contractors. Cleanup, restoration, or testing activities for environmental purposes by these parties shall take priority over Lessee's or any sublessee's use of the Leased Premises in the event of any conflict. However, the Government will take reasonable steps to prevent interference with the Lessee's or the sublessee's use of the Leased Premises.

**B.** Lessee shall not install or use any equipment or device that emits or transmits electronic signals of any kind without obtaining express prior written permission from the Naval Base Point Loma Commanding Officer and the Government's Frequency Manager. No device will be allowed that conflicts with the findings of the Joint Spectrum Center Analysis. Approved equipment and devices shall be operated in such a manner as to produce electronic emissions only at the frequency or frequencies specified in said written permission. In the event the Government determines that any electronic emissions represent a hazard to aircraft or interference with Government operations, Lessee will, upon notification, immediately cease operating the device or equipment causing such emissions regardless if it was previously approved.

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**C.** The Lessee shall not itself conduct nor permit its contractors to conduct, any subsurface excavation, digging, drilling, or other disturbance of the surface without prior written approval from Mr. Bruce Thomas, Facility Manager, SSC SD at 619-553-3835; email [bruce.w.thomas@navy.mil](mailto:bruce.w.thomas@navy.mil).

**D.** Lessee covenants and agrees that in the event Lessee's telecommunications transmission system is damaged, or full service of the system is otherwise in any way interrupted or disrupted, by any action of the Government or its agents, employees, or contractors, the liability, if any, of the Government shall be limited, and only as authorized by applicable federal law, to the cost of repair of the physical damage to the system, and shall specifically exclude any liability for consequential damages to Lessee or any customer of Lessee or any other third party resulting from any loss, interruption or disruption of telecommunication service. Lessee agrees to indemnify, defend, and hold harmless the Government, its agents, employees, and contractors, of, from, and against any and all claims, demands, and suits by any third party for loss or damages alleged to have been in any way caused by or in any way result from, any such damage to, or disruption of service from Lessee's telecommunication transmission system.

## **12. PROTECTION AND MAINTENANCE OF LEASED PREMISES.**

**A. Protection/Maintenance.** Lessee shall, at its own expense, protect, preserve, maintain, and repair the Leased Premises such that it will be kept at all times in at least as good condition as when the Lessee received it as reflected in the **JIR**, attached hereto and made a part hereof as **ATTACHMENT B**, normal wear and tear and Acts of God excepted.

Lessee's responsibilities shall include, but are not limited to, removal of trash, litter, broken glass and other hazards/obstructions from the Leased Premises that are generated by Lessee, its agents, contractors or employees. Lessee shall ensure the Leased Premises are maintained free of any noxious or nuisance causing condition. Lessee is responsible for the maintenance and repair of all buildings or structures built on the Leased Premises by Lessee.

**B. Exterior Utility Systems.** The Lessee is responsible for the repair and maintenance of all exterior utility distribution lines, connections, and equipment that solely support Lessee's facilities. This responsibility extends from the facilities leased to the point of connection with the utility system that serves users other than the Lessee. These systems include but are not limited to: heating plants, steam lines, traps, high voltage transformers, substations, power distribution lines (overhead and underground), poles, towers, gas mains, water and sewage mains, water tanks, fire protection systems,

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hydrants, lift stations, manholes, isolation valves, meters, storm water systems, catch basins, etc.

**C. Refuse Removal.** Debris, trash and other undesirable materials shall be promptly removed from the Leased Premises, and the Leased Premises shall be kept reasonably clean and free of undesirable materials at all times. At termination or expiration of the Lease, the Leased Premises shall be left without containers, Lessee's equipment, and other undesirable materials, and in an acceptably clean condition.

**D. Security Protection.** Lessee shall provide security to assure security and safety of the Leased Premises. Any crimes or other offenses, including traffic offenses and crimes and offenses involving damage to or theft of Government property, shall be reported to the appropriate state or local municipal authorities for investigation and disposition and to the Government as property owner.

**E. Emergency Contact.** In the event of an emergency, or during non business hours, Lessee shall contact the following: Mr. Bruce Thomas, Facility Manager, SSC San Diego at 619-553-3835, or call 619-913-8787; email: [bruce.w.thomas@navy.mil](mailto:bruce.w.thomas@navy.mil), and the Regional Public Works Trouble Desk at 619-556-7341. Lessee shall notify Mr. Timothy Weiss, Facilities Tenant Liaison, at Naval Base Point Loma, at 619-524-8517, on the first working day after contacting the above emergency number.

### **13. ENVIRONMENTAL PROTECTION PROVISIONS.**

**A.** Lessee, any sublessees and contractors shall comply with the applicable Federal, state and local laws, regulations and standards that are, or may become, applicable to Lessee's activities on the Leased Premises.

**B.** Lessee and any sublessee shall be solely responsible for obtaining, at its own cost and expense, any applicable environmental permits required for its operations under the Lease, independent of any existing permits held by the Government. Any and all environmental permits required by the Lessee or any sublessee for its operations on the Leased Premises shall be subject to prior written approval by the Government. Copies of all permits obtained shall be provided to the Government.

**C.** Government's rights under this Lease specifically include the right for Government officials to inspect, upon reasonable notice, the Leased Premises for compliance with environmental, safety, and occupational health laws and regulations, whether or not the Government is responsible for enforcing them.

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Such inspections are without prejudice to the right of duly constituted enforcement officials to make such inspections.

The Government normally will give the Lessee or sublessee twenty-four (24) hours prior notice of its intention to enter the Leased Premises unless it determines that entry is required for safety, environmental, operations, or security purposes. The Lessee shall have no claim on account of any entries against the United States or any officer, agent, employee or contractor thereof.

**D. The Government, United States EPA, and the State of California, its officers, agents, employees, contractors, and subcontractors have the right, upon reasonable notice to Lessee and any sublessee, to enter upon the Leased Premises for the purposes enumerated below and for such other purposes consistent with needs associated with execution of the Government's Installation Restoration Program (IRP);**

(1) To conduct investigations and surveys, including, where necessary, drilling, soil and water sampling, test pitting, testing soil borings, and other activities related to the IRP;

(2) To inspect field activities of the Government and its contractors and subcontractors in implementing the IRP;

(3) To conduct any test or survey required by the United States EPA or state or otherwise relating to the implementation of the IRP or other assessment of environmental conditions on the Leased Premises or to verify any data submitted to the United States EPA or state relating to such program or conditions;

(4) To construct, operate, maintain, or undertake any other response or remedial action as required or necessary under the IRP, including, but not limited to, monitoring wells, pumping wells, and treatment facilities.

**E. The Lessee agrees to comply with the provisions of any Government health or safety plan in effect under the IRP during the course of any of the above described response or remedial actions. Any inspection, survey, investigation, or other response or remedial action will, to the extent practicable, be coordinated with representatives designated by the Lessee and any sublessee. The Lessee and any sublessees, assignees, licensees, or invitees shall have no claim on account of such entries against the Government or any officer, agent, employee, contractor, or subcontractor thereof. In addition, the Lessee shall comply with all applicable federal, state and local occupational safety and health regulations.**

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Nothing herein shall obligate the Government to compensate Lessee or any third person for any lost profits, lost opportunities, wages or operating expenses or any other costs incurred as a result of Lessee's compliance with this provision.

**F.** The Lessee shall strictly comply with all applicable hazardous waste management and permitting requirements under the Resource Conservation and Recovery Act (RCRA) and/or its applicable state equivalent. Except as specifically authorized by the Government in writing, the Lessee must provide at its own expense all necessary hazardous waste management facilities in compliance with applicable laws and regulations. Any existing Government hazardous waste management facilities will not be made available to the Lessee or any sublessee. Any DoD component accumulation points for either hazardous or non-hazardous wastes shall not be used by the Lessee nor shall the Lessee or any sublessee permit its hazardous wastes to be commingled with hazardous waste of any DoD component. Any violation of the requirements of this condition may, depending upon their severity and at the discretion of the Government, be deemed a material breach of this Lease.

**G.** The Lessee shall have a Government-approved plan for responding to wastewater, hazardous waste, fuel, or toxic chemical spills prior to commencement of operations on the Leased Premises. Such plan shall be independent of any existing Government plan and, unless expressly agreed to by the Government otherwise, shall not rely on use of Government personnel or equipment for necessary fire response and/or spill containment. Should the Government provide fire response and/or spill containment services upon request of the Lessee, or because Lessee was not, in the opinion of the Real Estate Contracting Officer, conducting timely cleanup actions, the Lessee shall reimburse the Government for the full cost of such services.

**H.** The Lessee shall not conduct or permit any sublessee(s) to conduct any subsurface excavation, digging, drilling or other disturbance of the surface without the prior written approval of the Government. If, after receipt of written approval by the Government, the Lessee undertakes any subsurface excavation, digging, drilling, or other disturbance of the surface, the Lessee shall immediately notify the Government should any buried debris, or foreign, potentially hazardous material be encountered during this work.

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I. Lessee shall indemnify and hold harmless the Government from any costs, expenses, liabilities, fines or penalties resulting from discharges, emissions, spills, storage, or disposal, arising from Lessee's occupancy, use or operations, or any other action by Lessee or any sublessee giving rise to Government liability, civil or criminal, or responsibility under Federal, state, or local environmental laws. This provision shall survive the expiration or termination of the Lease, and Lessee's obligations hereunder shall apply whenever Government incurs costs or liabilities for Lessee's or any sublessee's actions.

J. The Lessee and any sublessee shall provide prior written notification to the Government of any articles, tools, equipment, or devices brought on-site that contain radioactive material. Examples of potential radiological sources include radium-containing dials, gauges, and illuminators; tritium in illuminators and exit signs; thorium in optical lenses or welding consumables; abrasive blasting material; or any radioactive source used for calibration, medical diagnosis or therapy, or industrial radiography. The Lessee is responsible for removal of any such potential radiological sources upon termination of the Lease.

K. Storage, treatment, or disposal of toxic or hazardous materials on the Leased Premises is prohibited except as authorized by the Government in accordance with 10 U.S.C. §2692.

#### **14. TERMINATION.**

**A. Termination by Government.** The Government shall have the right to terminate this Lease in whole or part, without liability, and regardless of any lack of breach by Lessee of any of the terms and conditions of this Lease and for any reason upon ninety (90) days written notice to Lessee.

**B. Federal Communication Commission (FCC) License.** The Government may terminate this Lease immediately upon written notice to the Lessee if Lessee fails to maintain its license from the FCC to provide wireless telecommunication service in the service area of which the Leased Premises is a part.

**C. National Emergency.** In the event of a national emergency declared by the President or the Congress, the Government may terminate this Lease immediately, without notice to Lessee.

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**D. Breach of Terms By Lessee.** In the event of breach by Lessee of any of the terms, conditions, or obligations hereof, the Lessee shall be afforded thirty (30) calendar days from the receipt of Government's notice of intent to terminate for Breach of Terms to complete the performance of the obligation or otherwise cure the subject breach and avoid termination of this Lease, unless Government determines in its sole discretion that a shorter period of time is required for safety, environmental, operational or security purposes. The Government may grant a reasonable extension of time to complete the cure. In the event that the Government shall elect to terminate this Lease on account of the breach by the Lessee of any of the terms and conditions, the Government shall be entitled to recover and the Lessee shall pay to the Government:

- (1) The reasonable costs incurred in resuming possession of the Leased Premises;
- (2) The costs incurred by the Government in performing any obligation on the part of the Lessee to be performed hereunder; and.
- (3) An amount equal to the aggregate of any maintenance obligations, and charges assumed hereunder and not paid or satisfied, such amounts shall be due and payable at the time when such obligations and charges would have accrued or become due and payable under this Lease.

**E. Sale or Transfer of the Property.** If the property upon which the Leased Premises is located is to be sold or transferred by the Government during the term of this Lease, the Government may terminate this Lease by providing ninety (90) days written notice to Lessee.

**F. Federal Requirement.** In the event the property is required for Federal use, or if Lessee's use of the Leased Premises is not consistent with Federal program purposes, the Government may terminate the Lease upon issuance of ninety (90) days written notice to Lessee.

**G. Termination by Lessee.** Lessee may terminate this Lease at any time upon ninety (90) days written notice to the Real Estate Contracting Officer at address listed under Section 19.

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**15. INDEMNIFICATION.**

Lessee shall indemnify, defend and save Government harmless and shall pay all costs, expenses, and reasonable attorney's fees for all trial and appellate levels and post-judgment proceedings in connection with any fines, suits, actions, damages, liability and causes of action of every nature whatsoever arising or growing out of, or in any manner connected with, the occupation or use of the Leased Premises by Lessee, its employees, servants, agents, guests, invitees, and contractors. This includes, but is not limited to, any fines, claims, demands and causes of action of every nature whatsoever that may be made upon, sustained or incurred by the Government by reason of any breach, violation, omission or non-performance of any term, covenant or condition hereof on the part of the Lessee, its employees, servants, agents, guests, invitees, or contractors. This indemnification also applies to claims arising out of the furnishings of any utilities or services by the Government or any interruption therein or failure thereof, occasioned by the negligence or lack of diligence of Lessee or its respective officers, agents, servants or employees. However, this indemnity shall not extend to damages due to the sole fault of the Government or its employees, agents, servants, guests, invitees or contractors. This covenant shall survive the termination of this Lease.

**16. DAMAGE**

Lessee covenants and agrees that in the event Lessee's telecommunications transmission system is damaged, or full service of the system is otherwise in any way interrupted or disrupted, by any action of the Government or its agents, employees, or contractors, the liability, if any, of the Government shall be limited and only to the extent authorized by applicable federal law, to the cost of the repair of the physical damage to the system, and shall specifically exclude any liability for consequential damages to Lessee or any customer of Lessee or any other third party resulting from any loss, interruption or disruption of telecommunication service. Lessee agrees to indemnify, defend, and hold harmless the Government, its agents employees, and contractors, of, from, and against any and all claims, demands, and suits by any third party for loss or damages alleged to have been in any way caused by or in any way result from, any such damage to, or disruption of service from Lessee's telecommunication transmission system.

**17. INSURANCE.**

**A.** At the commencement of this Lease, the Lessee shall obtain, from a reputable insurance company or companies satisfactory to the Government, comprehensive general liability insurance.

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The insurance shall provide an amount not less than a minimum combined single limit of \$4,000,000 for any number of persons or claims arising from any one incident with respect to bodily injuries or death resulting therefrom, property damage or both, suffered or alleged to have been suffered by any person or persons resulting from or related to the presence or operations of the Lessee, its employees, agents, contractors or invitees under this Lease. The Lessee shall require the insurance company or companies to furnish the Government with a certified copy of the policy or policies, or certificates of insurance evidencing the purchase of such insurance. Each policy of insurance required under this Paragraph shall contain an endorsement reading as follows:

**"The insurer waives any right of subrogation against the United States of America which might arise by reason of any payment made under this policy."**

**B.** All insurance required of the Lessee hereunder shall be in such form, for such periods of time and with such insurers as the Government may require or approve. All policies or certificates issued by the respective insurers for public liability and property insurance shall name the United States of America as an additional insured, shall provide that any losses shall be payable notwithstanding any act or failure to act or negligence of the Lessee or the Government or any other person, shall provide that no cancellation, reduction in amount or any material change in coverage thereof shall be effective until at least thirty (30) calendar days after receipt by the Government of written notice thereof.

**C.** If and to the extent required by law, the Lessee shall provide workman's compensation or similar insurance in such forms and amounts required by law.

**D.** During the entire period the Lease shall be in effect, Lessee shall require its contractors or sublessees or any contractor performing work at Lessee's or sublessee's request on the Leased Premises to carry and maintain the insurance required below:

- (1) Comprehensive general liability insurance in the amount of \$4,000,000.
- (2) Workman's compensation or similar insurance in the form and amount required by law.

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E. The Lessee and sublessees shall deliver or cause to be delivered promptly to the Contracting Officer a certificate of insurance or a certified copy of each renewal policy evidencing the insurance required by this Lease and shall also deliver no later than thirty (30) calendar days prior to expiration of any such policy, a certificate of insurance evidencing each renewal policy covering the same risks.

## **18. LABOR PROVISIONS.**

A. Equal Opportunity. During the term of this Lease, Lessee and each sublessee agree as follows with regard to all employees located at, or involved with, the Leased Premises:

(1) Lessee and each sublessee shall not discriminate against any employee or applicant for employment because of race, color, age, marital status, handicap, religion, sex, or national origin. Lessee and each sublessee shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, age, marital status, handicap, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, retention or recruitment advertising, layoff or termination, rate of pay or other forms of compensation, selection for training, including apprenticeship. Lessee and each sublessee agree to post in conspicuous places available to employees and applicants for employment, notices to be provided by the Government setting forth the provisions of this nondiscrimination clause.

(2) Lessee and each sublessee shall, in all solicitations or advertisements for employees placed at the Leased Premises by or on behalf of Lessee and each sublessee, state that all qualified applicants will receive consideration for employment without regard to age, marital status, handicap, race, color, religion, sex, or national origin.

(3) Lessee and each sublessee shall send to each labor union or representative of workers for the Leased Premises with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by Government, advising the labor union or worker's representative of commitments under this Equal Opportunity Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) Lessee and each sublessee shall comply with all provisions of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations, and relevant orders of the Secretary of Labor as they relate to the Leased Premises.

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(5) Lessee and each sublessee shall furnish all information and reports required by Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and by the rules, regulations, and orders of the Secretary of Labor or pursuant thereto, and will permit access to its books, records, and accounts by Government and the Secretary of Labor for purposes of investigating to ascertain compliance with such rules, regulations, and orders.

(6) In the event of Lessee's or any sublessee's noncompliance with the Equal Opportunity Clause or with any of said rules, regulations, or orders, this Lease or such sublease may be canceled, terminated, or suspended in whole or in part and Lessee or such sublessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Lessee shall include the above provisions in every sublease unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, so that such provisions will be binding upon each sublessee. Lessee will take such action with respect to any sublessee as Government may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event Lessee becomes involved in, or is threatened with, litigation with sublessee as a result of such direction by Government, Lessee may request the Government to enter into such litigation to protect the interests of the Government.

**B. Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-330).** This Lease and each sublease, to the extent that it is a contract of a character specified in the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-330) and is not covered by the Walsh-Healy Public Contracts Act (41 U.S.C. §§35-45), is subject to the following provisions and exceptions of said Contract Work Hours and Safety Standards Act and to all other provisions and exceptions of said law as they apply to employment at the Leased Premises:

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(1) Lessee and each sublessee shall not require or permit any laborer or mechanic in any workweek in which he/she is employed on any work on the Leased Premises to work in excess of 40 hours in such workweek on work subject to the provisions of the Contract Work Hours and Safety Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his/her basic rate of pay for all such hours worked in excess of 40 hours in such workweek. The "basic rate of pay", as used in this clause, shall be the amount paid per hour, exclusive of the employer's contribution or cost for fringe benefits and any cash payment made in lieu of providing fringe benefits, or the basic hourly rate contained in the wage determination, whichever is greater.

(2) In the event of any violation of the provision of the preceding sub-paragraph, Lessee or sublessee shall be liable to any affected employee for any amounts due, and to the Government for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph 18.B.1 above, in the sum of \$10.00 for each calendar day on which such employee was required or permitted to be employed on such work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the preceding sub-paragraph.

**C. Convict Labor.** In connection with the performance of work required by this Lease or any sublease, Lessee or such sublessee agrees not to employ any person undergoing a sentence of imprisonment at hard labor.

**19. SUBMISSION OF NOTICES.** Notices shall be sufficient under this Lease if made in writing and submitted in the case of Lessee to:

MTS  
1255 Imperial Ave, Ste. 1000  
San Diego, CA 92101  
Attn: Manager of Real Estate Assets

and in the case of the Government to:

Naval Facilities Engineering Command Southwest  
1220 Pacific Highway, Bldg 127  
San Diego, CA 92132-5190  
Attn: Teresa Rios, Asset Management, Real Estate Branch  
619-556-9873

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The above-named individuals shall be the representatives of the parties and the points of - contact during the period of the Lease. Such notice shall be deemed to have been given unless delivered personally, when deposited in the U.S. mail, postage pre-paid, certified mail, return receipt requested and addressed as set forth above or to such other address as either party shall have provided to the other by like notice, or upon confirmation of receipt if sent by facsimile on a regular business day and addressed as set forth above, or within twenty-four (24) hours, or the next business day if sent by an overnight delivery service such as Federal Express.

**20. AUDIT.**

This Lease and any sublease shall be subject to audit by any and all cognizant Government agencies. Lessee and each sublessee shall make available to such agencies for use in connection with such audits all records that it maintains with respect to this Lease or any sublease and copies of all reports required to be filed hereunder or thereunder.

**21. INTEREST.**

Notwithstanding any other provision of this Lease, unless paid within thirty (30) calendar days, all amounts that become payable by Lessee to Government under this Lease (net of any applicable tax credit under the Internal Revenue Code) shall bear interest from the date due. The rate of interest will be the Current Value of Funds Rate published by the Secretary of the Treasury pursuant to 31 U.S.C. §3717 (Debt Collection Act of 1982). Amounts shall be due upon the earliest of (a) the date fixed pursuant to this Lease, (b) the date of the first written demand for payment, consistent with this Lease, including demand consequent upon default termination, (c) the date of transmittal by Government to Lessee of a proposed supplemental agreement to confirm completed negotiations fixing the amount, or (d) if this Lease provides for revision of prices, the date of written notice to Lessee stating the amount of refund payable in connection with a pricing proposal or in connection with a negotiated pricing agreement not confirmed by lease supplement.

**22. AGREEMENT.**

This Lease shall not be modified unless in writing and signed by both parties. No oral statements or representation made by, for, or on behalf of either party shall be a part of this Lease. Should conflict arise between the provisions of this Lease and any attachment hereto, or any other agreement between Government and Lessee, the provisions of this Lease shall take precedence.

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Activity/UIC **N63406**

**23. FAILURE TO INSIST ON COMPLIANCE.**

The failure of Government to insist, in any one or more instances, upon performance of any of the terms, covenants, or conditions of this Lease shall not be construed as a waiver or relinquishment of Government's right to the future performance of any such terms, covenants, or conditions and Lessee's obligations in respect to such future performance shall continue in full force and effect.

**24. DISPUTES.**

**A.** This Lease is subject to the provisions of the Contract Disputes Act of 1978, as amended, (41 U.S.C. §§601-613), the "Act".

**B.** Except as provided in the Act, all disputes arising under or relating to this Lease shall be resolved under this clause and the provisions of the Act.

**C.** "Claim", as used in this clause, means a written demand or written assertion by the Lessee or the Government seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of Lease terms, or other relief arising under or relating to this Lease. A claim arising under this Lease, unlike a claim relating to this Lease, is a claim that can be resolved under a Lease clause that provides for the relief sought by the claimant. However, a written demand or written assertion by the Lessee seeking the payment of money exceeding \$100,000 is not a claim under the Act until certified as required by subparagraph 24 C.(2) below. A voucher, invoice, or other routine request for payment that is not in dispute is not a claim under the Act. The request may be converted to a claim under the Act, by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

(1) A claim by the Lessee shall be made in writing and submitted within six (6) years after accrual of the claim to the Commanding Officer, Naval Facilities Engineering Command Southwest, for a written decision. A claim by the Government against the Lessee shall be subject to a written decision by the Commanding Officer, Naval Facilities Engineering Command Southwest.

(2) Lessee shall provide the certification stated in subparagraph (2)(b)(ii) immediately below, when submitting any claim:

(a) Exceeding \$100,000; or

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(b) Regardless of the amount claimed, when using:

(i) Arbitration conducted pursuant to 5 U.S.C. §§575-580; or

(ii) Any other alternative means of dispute resolution (ADR) technique that the agency elects to handle in accordance with the Administrative Dispute Resolution Act (ADRA).

"I certify that the claim is made in good faith; that the supporting data is accurate and complete to the best of Lessee's knowledge and belief; that the amount requested accurately reflects the Lease adjustment for which the Lessee believes the Government is liable; and that I am duly authorized to certify the claim on behalf of the Lessee."

(3) The certification requirement does not apply to issues in controversy that have not been submitted as all or part of a claim.

(4) The certification may be executed by any person duly authorized to bind the Lessee with respect to the claim.

**D.** For Lessee claims of \$100,000 or less, the Commanding Officer, Naval Facilities Engineering Command Southwest, must, if requested in writing by the Lessee, render a decision within sixty (60) days of the request. For Lessee-certified claims over \$100,000.00, the Commanding Officer, Naval Facilities Engineering Command Southwest, must, within sixty (60) days decide the claim or notify the Lessee of the date by which the decision will be made.

(1) The decision of the Commanding Officer, Naval Facilities Engineering Command Southwest shall be final unless the Lessee appeals or files a suit as provided in the Act.

**E.** At the time a claim by the Lessee is submitted to the Commanding Officer, Naval Facilities Engineering Command Southwest, or a claim by the Government is presented to the Lessee, the parties, by mutual consent, may agree to use alternative means of dispute resolution. When using arbitration conducted pursuant to 5 U.S.C. §§575-580 or when using any other ADR techniques that the agency elects to handle in accordance with ADRA, any claim, regardless of amount, shall be accompanied by the certification described in Paragraph 24.C(2)(b)(ii) above and executed in accordance with Paragraph 24.C(4) above.

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**F.** The Government shall pay interest on the amount found due and unpaid by the Government from (1) the date the Commanding Officer, Naval Facilities Engineering Command Southwest received the claim (properly certified if required), or (2) the date payment otherwise would be due, if that date is later, until the date of payment. With regard to claims having defective certifications, as defined in (FAR) 48 CFR 33.201, interest shall be paid from the date that the Commanding Officer, Naval Facilities Engineering Command Southwest initially receives the claim. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury, as provided in the Act, which is applicable to the period during which the Commanding Officer, Naval Facilities Engineering Command Southwest receives the claim and then at the rate applicable for each six (6) month period as fixed by the Treasury Secretary during the pendency of the claim.

**G.** Notwithstanding anything herein to the contrary, the Lessee shall proceed diligently with the performance of the Lease, pending final resolution of any request for relief, claim, appeal, or action arising under the Lease, and comply with any decision of the Commanding Officer, Naval Facilities Engineering Command Southwest.

**25. COVENANT AGAINST CONTINGENT FEES.**

Lessee warrants that no person or agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial agencies maintained by Lessee for the purpose of securing business. For breach or violation of this warranty, Government shall have the right to annul this Lease without liability or in its discretion to require Lessee to pay, in addition to the rental or consideration, the full amount of such commission, percentage, brokerage, or contingent fee.

**26. OFFICIALS NOT TO BENEFIT.**

No member of or delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this Lease or to any benefit to arise therefrom, but this provision shall not be construed to extend to this Lease if made with a corporation for its general benefit.

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**27. LIENS.**

Lessee and each sublessee shall promptly discharge or cause to be discharged valid lien, right in rem, claim, or demand of any kind, except one in favor of Government, which at any time may arise or exist with respect to the Leased Premises or materials or equipment furnished thereof, or any part thereof, due to the Lessee's or such sublessee's use of the Leased Premises, and if the same shall not be promptly discharged by Lessee or such sublessee, or should Lessee or any sublessee be declared bankrupt or make an assignment on behalf of creditors, or should the leasehold estate be taken by execution, Government reserves the right to take immediate possession without any liability to Lessee or any sublessee. Lessee and any sublessee shall be responsible for any costs incurred by Government in securing clear title to its property due to their acts or omissions clouding the title.

**28. TAXES.**

Lessee shall pay to the proper authority, when and as the same become due and payable, all taxes, assessments, and similar charges that, at any time during the term of this Lease may be imposed with respect to the Leased Premises. Title 10 U.S.C. §2667 (e) contains the consent of Congress to the taxation of Lessee's interest in the Leased Premises, whether or not the Leased Premises are in an area of exclusive Federal jurisdiction. Should Congress consent to taxation of Government's interest in the Leased Premises, this Lease will be renegotiated.

**29. SUBJECT TO EXISTING AND FUTURE EASEMENTS AND RIGHTS-OF-WAY.**

This Lease, and each sublease, is subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in, and upon the Leased Premises, or any portion thereof, and to the right of Government to grant such additional easements and rights-of-way over, across, in and upon the Leased Premises as it shall be deemed to be in the public interest; provided that (i) the Government coordinates with the Lessee to minimize any impact to the Lessee's operations, and (ii) any such additional easement or right-of-way shall be conditioned on the assumption by the grantee thereof of liability to Lessee for such damages as Lessee shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such easements and rights-of-way as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair, or replacement of facilities located thereon, and to any Federal, state, or local official engaged in the official inspection

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thereof, such reasonable rights of ingress and egress over the Leased Premises as shall be necessary for the performance of their duties with regard to such facilities subject to Paragraph 9 (Access by Government) above.

**30. INGRESS, EGRESS, PARKING AND SECURITY.**

**A.** Lessee and any sublessees, and their employees, will be granted reasonable access to the Leased Premises under this Lease. As a condition, Lessee and sublessee, and their employees agree to adhere to all Government rules and regulations regarding Government security, ingress, egress, safety and sanitation as may be prescribed from time to time by the Commanding Officer. Lessee and any sublessee and their employees shall coordinate parking with the appropriate office of the Government.

**B. Security.** The Lessee and any sublessee(s) are required to comply with all applicable security rules, regulations, and procedures issued by the Commanding Officer. Any and all employees of the Lessee or sublessee(s) that are required by the Government to do so, shall obtain a security clearance to access the Leased Property. Failure to obtain the required security clearance shall result in denial of access to the Leased Premises of the Lessee's or sublessee's employees. Lessee and any sublessee(s) agrees to hold harmless the Government from any liability of any nature for financial or other losses incurred by the Lessee or any sublessee(s) by reason of Lessee's or any sublessee's employees failure to obtain security clearance for access to the Leased Premises.

**31. ADMINISTRATION.**

Except as otherwise provided for under the Lease, the Real Estate Contracting Officer of the Naval Facilities Engineering Command Southwest shall have complete charge of the administration of this Lease, including granting any consents and/or approvals hereunder, and shall exercise full supervision and general direction thereof insofar as the interests of Government are affected.

**32. DAMAGE TO THE LEASED PREMISES.**

In the event the Leased Premises or any portion of the Leased Premises is damaged either directly or indirectly as a result of Lessee's use or occupancy of the Leased Premises, whether during the construction, operation, maintenance, or replacement or removal of improvements or otherwise, due to acts or omissions of Lessee, its agents, contractors or employees, Lessee shall upon demand, and at the sole discretion of the Government either compensate the Government for such loss or damage, or rebuild, replace or repair

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the item or items of the Leased Premises or facilities so lost or damaged, as the Government may elect.

**33. APPLICABLE RULES AND REGULATIONS**

**A.** Lessee and any sublessee shall comply with all Federal, State, and local laws, regulations, and standards that are applicable or may become applicable to Lessee's or sublessee's activities on the Leased Premises. This includes, but is not limited to, laws and regulations concerning the environment, construction of facilities, health, safety, food service, water supply, sanitation, and any licenses and permits to conduct business. Lessee and any sublessee are responsible for obtaining and paying for permits required for their operations under the Lease.

**B.** Further, all activities authorized hereunder shall be subject to such rules, regulations, and procedures regarding security, supervision or otherwise, as may, from time to time, be prescribed by the Commanding Officer.

**34. SUBCONTRACTORS AND AGENTS FOR LESSEE.**

All work involving Lessee Facilities must be performed by skilled tradesmen who are accomplished at their craft and bonded against loss due to damages resulting directly or indirectly from work performed.

**35. SURRENDER.**

Upon the expiration of this Lease or its prior termination, Lessee shall quietly and peacefully remove itself and its personal property from the Leased Premises and surrender the possession thereof to Government; provided, in the event Government shall terminate this Lease upon less than thirty (30) days notice, Lessee shall be allowed a reasonable period of time, as determined by the Real Estate Contracting Officer, but in no event to be less than thirty (30) days from receipt of notice of termination, in which to remove all of its personal property from and terminate its operations on the Leased Premises. During such period prior to surrender, all obligations assumed by Lessee under this Lease shall remain in full force and effect; provided, however, that if the Government shall in its sole discretion, determine that such action is equitable under the circumstances, it may suspend, in whole or in part, any further accruals of rent if any, or maximum amount to be expended between the date of termination of the Lease and the date of final surrender of the Premises. Government may, in its discretion, declare any personal property that has not been removed from the Leased Premises upon expiration or termination provided for above, as abandoned personal property upon thirty (30) days notice.

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**36. ATTACHMENTS.**

Attachments to this Lease are set forth below:

- A. The Leased Premises
- B. Joint Inspection and Inventory Report (JIIR)
- C. Environmental Baseline Survey

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**IN WITNESS WHEREOF**, the parties hereto have, on the respective dates set forth below duly executed this Lease as of the day and year first above written.

**WITNESSES:**

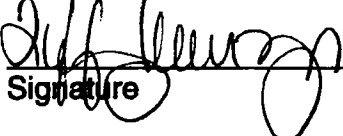
**THE UNITED STATES OF AMERICA**, acting  
by and through the Department of the Navy

\_\_\_\_\_  
Signature By: \_\_\_\_\_  
Real Estate Contracting Officer

\_\_\_\_\_  
(Printed Name) Date: \_\_\_\_\_

**WITNESSES:**

**LESSEE**

  
Signature By: \_\_\_\_\_

Tiffany Lorenzen  
(Printed Name) Name: Paul C. Jablonski

Title: Chief Executive Officer

Date: \_\_\_\_\_

Contract No. **N6247309RP00005**  
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**FOR CORPORATE COMPANY, CERTIFICATION BY SECRETARY OR ASSISTANT  
SECRETARY OF THE CORPORATION**

I certify that the person who signed this Lease on behalf of the Company, was then the Officer indicated, and this Lease was duly signed for and on behalf of the said corporation by authority of its governing body and is within the scope of its corporate powers.

**(CORPORATE SEAL HEREUNDER)**

I HEREBY CERTIFY that this  
Statement is true and correct.

*Gail Williams*  
Gail Williams, Clerk of the Board

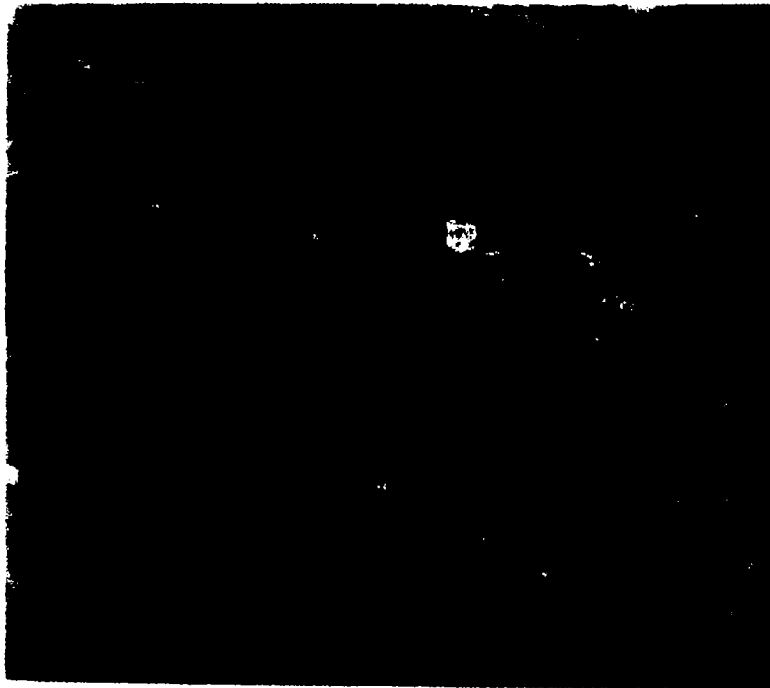
*Gail Williams*  
Signature

Clerk of the Board  
Title

Gail Williams  
BY:

**CONCURRENCE**

\_\_\_\_\_  
**COMMANDING OFFICER  
NAVAL BASE POINT LOMA**



## **JOINT INSPECTION AND INVENTORY REPORT (JIIR)**

**Contract Number**  
N6247309RP00005

**Activity & Location**  
Naval Base Point Loma  
Mt Soledad Signal Station  
San Diego, CA

**Location Lease**  
Mount Soledad Signal Station  
Facility

Photographer/Inspector  
Lambert, C. Shem CIV SPAWAR

**ATTACHMENT (B)**

**Description of Leased Premises**

**Parcel/Site Location and Description:** Consolidated Area Radio Trunking System (CARTS). The premises contains approximately 5.75 acre parcel of land, located on Via Casa Alta Rd., La Jolla, California, on top of the Mount Soledad Signal Station Facility.

CARTS/Mount Soledad has been used continually since at least the 1940s for communications towers. Activities at the site are limited to operations of communications towers and equipment. There are seven (7) buildings located at the site. Four buildings are maintained by Space and Naval Warfare Systems (SSC SD). The City of San Diego maintains one building and the Federal Aviation Administration maintains two buildings.

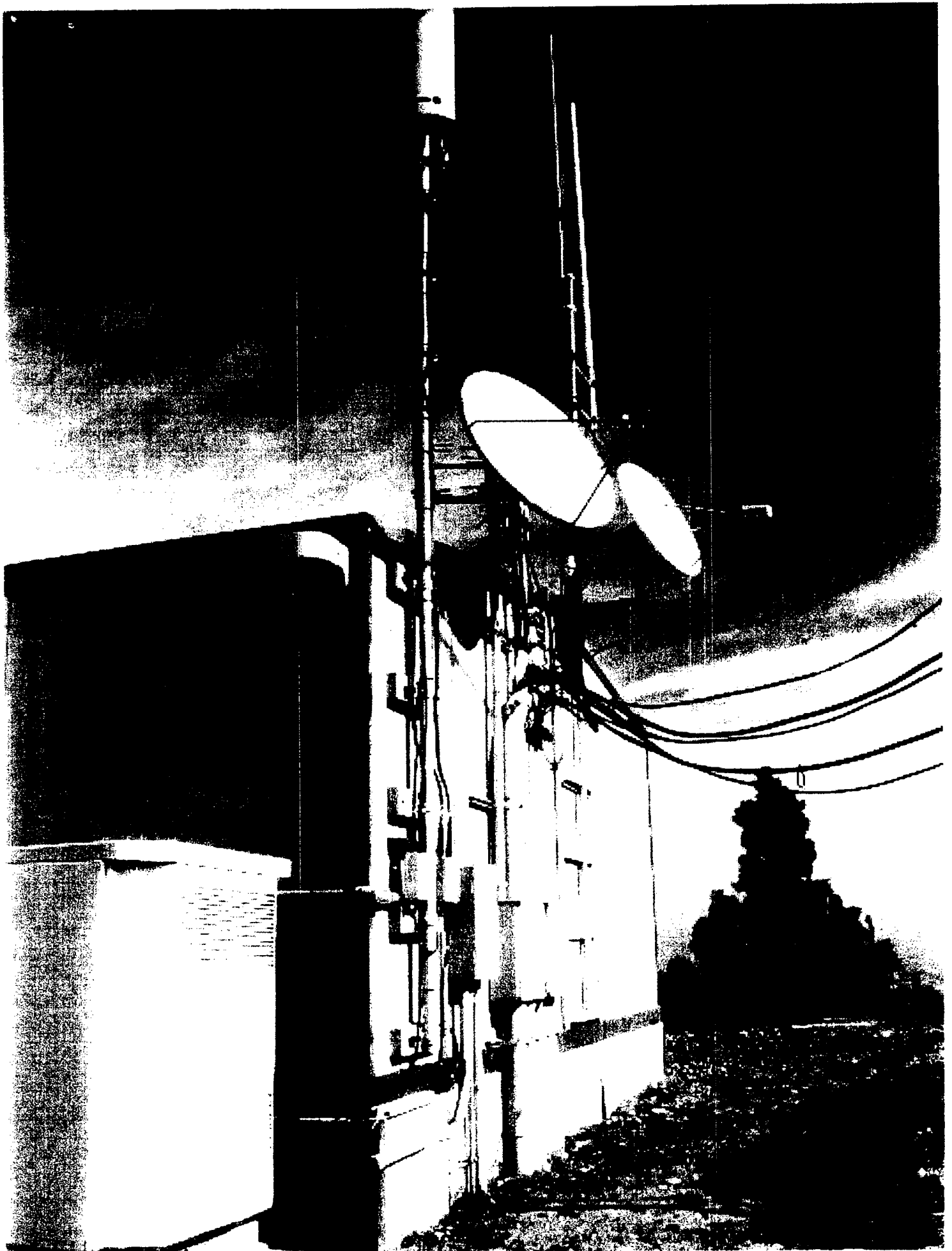
**General Condition of Leased Premises**

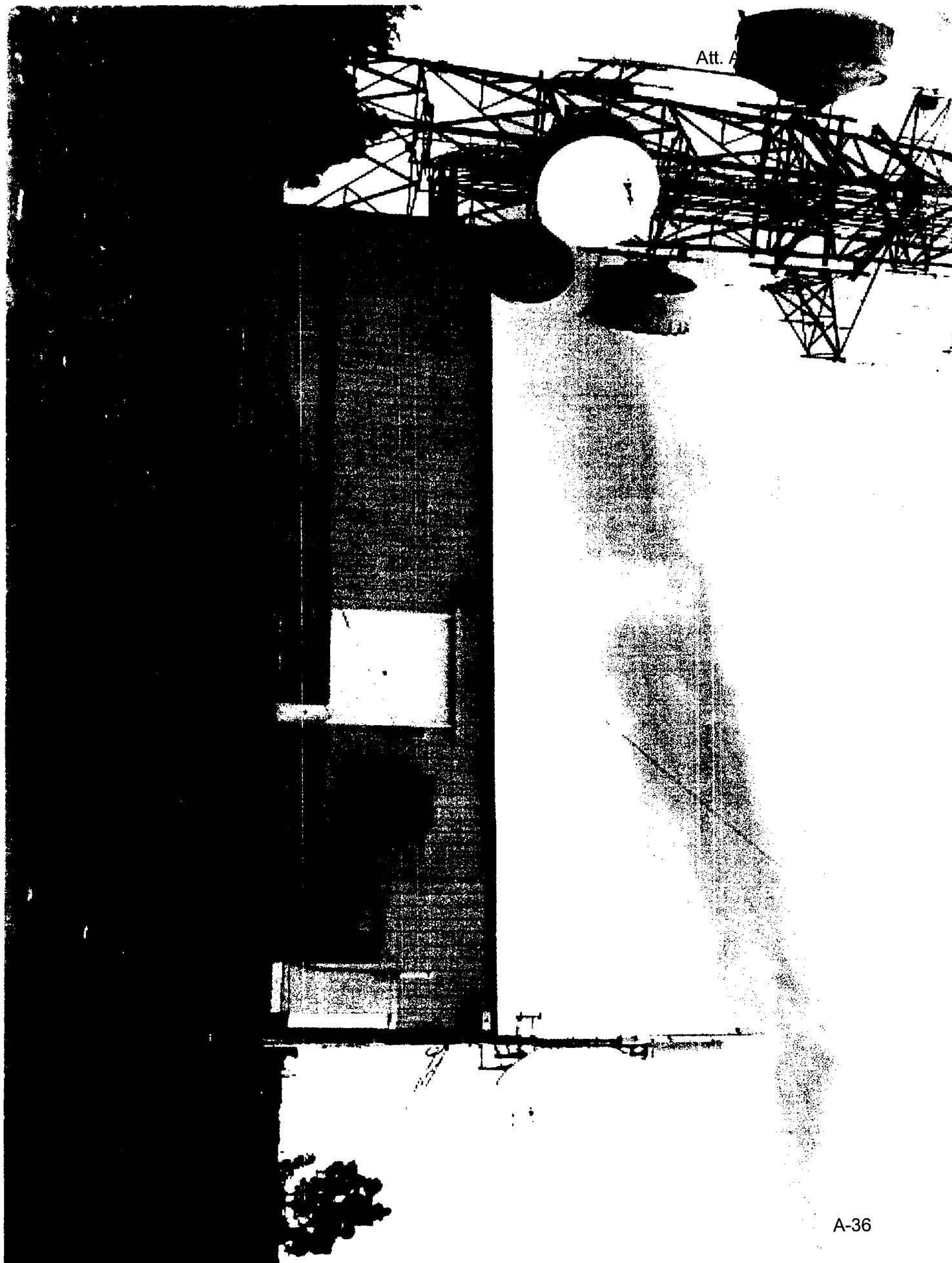
Overall the grounds and buildings are well maintained and in good condition and present no apparent problems. All buildings house communications equipment connected to one of several towers and antennas located on the property. The property is currently maintained by SSC SD.

The Navy has determined that current tenant operations at the site are compatible with the Navy's mission.

Exhibit A to this report shows the Leased Premises as described.

Any known environmental issues are addressed in the Environmental Condition of Property (ECP) checklist associated with the lease and are therefore not discussed in this Condition Report. The ECP Checklist was prepared by the Coastal Integrated Product Team, in April 2008.





Att. A

**CERTIFICATE OF ACCEPTANCE**

This report covering the premises located at: Via Casa Alta Road, La Jolla, California.

And consisting of 5 pages has been examined and represents a true condition of the property herein described:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Lessee

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Government's Representative

**Installation: Naval Base Point Loma**

**Parcel/Site Location and Description:** Consolidated Area Radio Trunking System (CARTS)/Mount Soledad - The CARTS/Mount Soledad property is a 5.75-acre parcel on top of Mount Soledad in San Diego, California. CARTS/Mount Soledad has been used continually since at least the 1940s for communications towers. Activities at the site are limited to operations of communications towers and equipment. Including CARTS 2, there are seven (7) buildings located on the site. SSC has responsibility for maintenance on four (4) CARTS buildings: 1, 2, and 3, and Building 513. The City of San Diego maintains one (1) building, and the Federal Aviation Administration maintains two (2) buildings. All buildings house communications equipment connected to one of several towers and antennas located on the property. The property is currently maintained by Space and Naval Warfare Systems Center (SSC) San Diego.

**Proposed Real Estate Action Description:** Temporary use license for SANDAG, Federal Aviation Administration, Cook Paging, Omnipoint Communications/T-Mobile, National Oceanic and Atmospheric Administration (NOAA), Department of Treasury, City of San Diego, State of California, and San Diego County (Sheriff's office)

**1. Information regarding site uses and any hazardous materials, contamination, or conditions.** All available and pertinent files, records, reports and aerial photographs were reviewed and, where necessary, a site inspection and/or personal interviews were conducted to document the environmental conditions of the property to support the proposed real estate action. A summary of the conditions, sources of information (including location), and any required use restrictions are provided for each environmental condition.

**A. Parcel/Site Uses:**

**Prior Uses:** Used for communications towers since at least the 1940s.

**Current Uses:** Communications towers

**Future Uses:** Communications towers

**B. Contaminants:** ☐ Yes ☒ No ☐ Unknown

If yes, identify contaminant and media:

**Source of information:** Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

**Restrictions or Land Use Controls:** ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**C. Hazardous Materials Use:** ☒ Yes ☐ No ☐ Unknown

**Hazardous Materials Storage:** ☐ Yes ☒ No ☐ Unknown

**Type of HM:** Numerous lead-acid batteries are used for backup power.

**Type of Use and/or Storage:**

**Source of information:** Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

**Restrictions or Land Use Controls:** ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**D. Treatment, Storage, Disposal of Hazardous Waste:** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**E. Underground Storage Tanks:** ☐ Yes ☒ No ☐ Unknown

UST No. \_\_\_\_\_ Gals. \_\_\_\_\_

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

No known leaks. 10 gallon tank previously onsite was removed in spring 2007.

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**F. Above-Ground Storage Tanks:** ☒ Yes ☐ No

AST No. 3 Gals. diesel - 350, 2 propane - 250

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

No known leaks or visible staining.

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**G. Presence of Polychlorinated Biphenyl's (PCB's):** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**H. Asbestos:** ☒ Yes ☐ No ☐ Unknown

If yes: ☐ Friable ☒ Non-friable ☐ Unknown

Source of information: Building 513 is suspected to have floor tile with mastic containing asbestos. - Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**I. Lead Paint:** ☒ Yes ☐ No ☐ Unknown

Source of information: Building 513 suspected to have lead-based paint. Paint is in poor condition. - Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Paint chips visible on ground outside and inside of building.

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**J. Radon:** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**K. Radiological Materials:** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**L. Solid/Bio-Hazardous Waste:** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**M. Munitions and Explosives of Concern:** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**N. Threatened or Endangered Species:** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and discussion SSC and Maryanne Flanagan, SSC Environmental and consultation with Dr. Chris Gillespie, NAVFAC botanist.

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**O. Natural or Cultural Resources:** ☐ Yes ☒ No ☐ Unknown

Source of information: Site visit and consultation with Dr. Chris Gillespie, NAVFAC botanist.

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**P. Use of Adjacent Property:**

Current Use: Residential

Past Use: undeveloped, Residential

Source of information: Site visit and discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**Q. Has the site had any Notices of Violation?** ☐ Yes ☒ No.

If yes, please explain:

Source of information: Discussions with Pearl Demara, SSC and Maryanne Flanagan, SSC Environmental

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**R. Additional information or comments regarding questions shown above (attach sheet(s) if additional room is needed):**

Source of information:

Restrictions or Land Use Controls: ☐ Yes ☒ No

If yes, please identify and explain in detail in Section 2 below.

**2. List of Land Use Controls required for Real Estate Action:**

**3. Signature:**

Based on records reviews, site inspections, and interviews, the environmental professional(s) certify that the environmental conditions of the property are as stated in this document and this property is suitable for outgrant.

Environmental Professional:

  
Signature

Terence Martin

Print Name

Environmental BLTL

Title

4/21/08  
Date

The real estate professional(s) acknowledge these restrictions and/or LUCs identified above and will ensure they are made a part of the outgrant document.

Real Estate Professional:

  
Signature

Teresa Rios

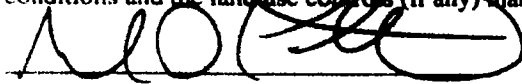
Print Name

Realty Specialist

Title

4/21/08  
Date

Property Owner (Activity or Region) acknowledges and accepts the foregoing statement of environmental conditions and the land use controls (if any) that will be required for this real estate outgrant:

  
Signature

Mark D Patton CAPT USN

Print Name

Commanding Officer NBPL

Title

23 Apr 08

Date



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

## Agenda

Item No. 13

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

AG 210.9 (PC 50102)

February 19, 2009

SUBJECT:

MTS: OFFICE OF HOMELAND SECURITY GRANT APPLICATIONS

RECOMMENDATION:

That the Board of Directors approve Resolution No. 09-9 (Attachment A) authorizing the Chief Executive Officer (CEO) to submit applications for fiscal year 2008-2009 California Transit Security Grant Program—State Transit Assistance Agencies funding.

Budget Impact

None.

DISCUSSION:

Resolution No. 09-9 would authorize filing applications with and requesting reimbursements from the California Office of Homeland Security (OHS) and would satisfy requirements of fiscal year 2008-2009 California Transit Security Grant Program—State Transit Assistance Agencies. MTS's allocation for fiscal year 2009 is \$2,779,445; the funds would be used to enhance security at MTS trolley stations and on MTS buses.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [sharon.cooney@sdmts.com](mailto:sharon.cooney@sdmts.com)

FEB19-09.13.HOMELAND SECURITY GRANT APPL.NDALL.doc

Attachment: A. Resolution No. 09-9

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 09-9

Resolution Approving the Submittal of Applications and Requests for Reimbursements  
for Fiscal Year 2008-2009 California Transit Security Grant Program Funding

WHEREAS, the San Diego Metropolitan Transit System (MTS) is a public entity established under the laws of the State of California for the purpose of providing transportation services in the County of San Diego who desires to apply for and obtain funding for transit security purposes.

THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that MTS does hereby authorize the Chief Executive Officer, or designated representative, to execute any actions necessary on behalf of MTS for the purpose of obtaining state financial assistance provided by the Governor's Office of Homeland Security

PASSED AND ADOPTED by the Board of Directors this \_\_\_\_ day of \_\_\_\_\_ 2009,  
by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

\_\_\_\_\_  
Chairperson  
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

\_\_\_\_\_  
Office of the Clerk of the Board  
San Diego Metropolitan Transit System

\_\_\_\_\_  
Office of the General Counsel  
San Diego Metropolitan Transit System



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

## Agenda

Item No. 14

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

FIN 340

February 19, 2009

**SUBJECT:**

MTS: FISCAL YEAR 2010 CAPITAL IMPROVEMENT PROGRAM (CIP) REVISION

**RECOMMENDATION:**

That the Board of Directors:

1. approve the fiscal year 2010 Capital Improvement Program (CIP) with the amended federal and nonfederal funding levels (Attachment A). As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels (any adjustments in excess of \$500,000 would be brought to the Board's attention);
2. forward a recommendation to the San Diego Association of Governments (SANDAG) Board of Directors to approve the submittal of the adjusted federal Section 5307 and 5309 applications for the MTS fiscal year 2010 CIP (shown in Attachment A) now that federal appropriations have been finalized; and
3. forward a recommendation to the SANDAG Board of Directors to approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2010 CIP recommendations.

Budget Impact

Due to revised federal funds offset by additional CNG credits, the FY 2010 CIP funding levels has declined by \$1.18 million.

## DISCUSSION:

On Friday, January 23, 2009, SANDAG staff advised MTS that the apportioned amount for FY 10 CIP had been overstated. Federal Sections 5307 and 5309 would remain at the same level as the previous year's CIP. This development has resulted in a \$3.9 million deficit for FY 10 CIP.

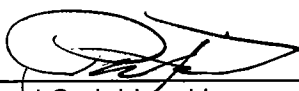
As indicated within Attachment A, the estimated allocation for the MTS Section 5307 program is now \$37.8 million, which would be matched with local funds of \$9.5 million. Section 5309 funds estimated allocation to MTS is \$13.6 million and would be matched with local funds of \$3.4 million.

In addition, there has been confirmation that the federal legislation has been extended, which allows compressed natural gas (CNG) providers to receive a rebate of \$.50 per therm of CNG as part of an incentive for providers to increase infrastructure of this cleaner fuel. This rebate program is administered through the Internal Revenue Service (IRS) and is expected to run through federal fiscal year 2009. The total financial rebate for fiscal year 2010 is estimated at \$2.8 million.

As a result, the funding for MTS projects has declined by \$1.18 million.

Under the newly apportioned budget constraints, staff has been forced to remove funding from two capital project categories. The category of major facility and construction projects were previously funded for a total of \$14.6 million and will now receive \$13.8 million for approved projects. The category of other facility and operating equipment budgeted amount was also decreased from \$1.6 million to \$1.2 million in available funding.

Project	FY 10 Funding	% of Total
40 foot CNG Vehicles (38 vehicles [13 years old])	15,950.0	17.0%
Rail Infrastructure (Blue Line Project)	43,441.6	46.4%
Other Rail Infrastructure (Catenary, Traction Motors, Other)	6,000.0	6.4%
Major Facility & Construction Projects	13,870.4	14.8%
LRV Components (Tires, Body Rehab, Other)	5,325.0	5.7%
Security Projects	7,315.4	7.8%
Other Facility and Operating Equipment	1,233.5	1.3%
Miscellaneous Operating Capital	500.0	0.5%
Total Project Funding Available	<u>\$93,635.9</u>	100.0%

  
\_\_\_\_\_  
Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Lisa Fowler, 619.557.4510, [lisa.fowler@sdmts.com](mailto:lisa.fowler@sdmts.com)

FEB19-09.14.FY 2010 CIP REVISION.LFOWLER 30

Attachment: A. Fiscal Year 2010 Detailed CIP Revised

File	Funding Description	Grant	FY10	FY11	FY12	FY13	FY14
5307 80% Funding Estimate			37,831.400	39,344.7	40,918.4	42,555.2	44,257.4
TDA Local Match (5307) 20%			9,457.850	9,836.2	10,229.6	10,638.8	11,064.3
5307 80%- carryover			1,661.000				
TDA Local Match (5307- carryover) 20%			415.250				
5309 Rail Mod 80% Funding Estimate			13,568.416	14,111.2	14,675.6	15,262.6	15,873.1
TDA Local Match (5309) 20%			3,392.104	3,527.8	3,668.9	3,815.7	3,968.3
5309 Rail Mod 80%- carryover			1,653.000				
TDA Local Match (5309- carryover) 20%			413.250				
5311 T- El Cajon Transit Center			38.863				
TDA Local Match (5311 f)			31.376				
JARC for HASTOPS		Federal	62.832				
JARC match		TDA	15.708				
CMAQ for Buses		X051	62.543				
CMAQ match (11.47%)		TDA	8.103				
TSGP- FFY08 Rail & Bus		TSGP	1,500.000				
Security- Prop 1B Rail (FFY08)		State	1,500.000				
Security- Prop 1B Bus (FFY08)		State	1,200.000				
Security- Prop 1B Bus & Rail (FFY09)		State	2,779.445				
Proposition 1B (FFY08)		State	27,787.888				
Proposition 1B (FFY09)		State	15,653.734				
FY08 TDA Unallocated		TDA	97.972				
TDA (increase PM to \$41.5M)		TDA	12,500.000	12,500.0	12,500.0	12,500.0	12,500.0
CNG Fuel Credits FFY09			2,800.000				
Project Transfer #11199-Misc capital		Y474, 0206, Y350	477.030				
Project Transfer #11199- Misc capital match		MATCH	119.169				
Project Transfer #11215- non federal		STA	151.283				
SANDAG Project Transfer #1108400		5309 CA-03-0690	286.261				
SANDAG Project Transfer #1108400- match		MATCH	71.565				
Project Transfer #11217- station improv.		5309-0220	28.512				
Project Transfer #11217- station improv. match		MATCH	34.319				
Project Transfer #11221- low volt wiring		5309-0233	140.023				
Project Transfer #11221- low volt wiring match		MATCH	35.006				
Project Transfer #11261- special event match		5307-Y677	27.200				
Project Transfer #11202-Non revenue Vehicles		5309-0220/5307-Y677	200.445				
Project Transfer #11202- Non revenue Vehicles		MATCH	50.111				
SANDAG Planning Study			(922.500)	(898.300)	(934.2)	(971.6)	(1,010.5)
Preventive Maintenance			(41,500.000)	(41,500.0)	(41,500.0)	(41,500.0)	(41,500.0)
Available Funding for FY 10 Capital Program			93,635.958	36,921.5	39,558.3	42,300.7	45,152.7

Division	Category	Project Number	Project Description	Funded thru	FY09	FY10 Funded Projects	FY10 Unfunded	FY11	FY12	FY13	FY14
MTS	Admin	11200	Misc Capital (Non Federal)	542.1		500.0	-	500.0	500.0	500.0	500.0
MTS	Admin	NEW	Haslop module for Planning Haslop Program	-		78.5	-	-	-	-	-
MTS Bus	Buses	11239	40 Ft. CNG Buses (97)	37,754.8		15,000.0	-	27,500.0	-	-	-
CVT	Buses	11250	CVT 40 FT. CNG Buses	2,460.0		950.0	-	-	-	-	-
SANDAG	Construction	1128300	H street, Trolley & Bus ADA improvements	115.0		327.0	-	-	-	-	-
SANDAG	Construction	1128400	Configuration Management	100.0		200.0	-	-	-	-	-
SANDAG	Construction	1128300	Old town Trolley & Bus ADA Improvements	115.0		89.0	-	-	-	-	-
SDTI	Equipment	1142800	OCS Strain Insulator Replacement	1,186.0		375.0	-	405.0	-	-	-
SDTI	Equipment	11183	SDTI Cross Tie Procurement	-		280.0	-	280.0	290.0	290.0	300.0
SDTI	Equipment	NEW	SDTI Ticket Vending Equipment (TVM)	-		500.0	-	500.0	868.8	-	-
MTS Bus	Facilities	11237	ECBMF	5,672.3		3,647.1	-	6,890.0	25,000.0	-	-
MTS Bus	Facilities	1048500	SBMF Site Prep	10,432.9		1,000.0	-	-	-	-	-
MTS Bus	Facilities	NEW	El Cajon Transit Center	-		70.2	-	29,463.0	7,000.0	-	-
MTS Bus	Land	NEW	SBF- Land Acquisition	-		8,537.0	-	48,000.1	64,000.0	121,712.0	122,500.0
SDTI	LRV Rehab	11266	Blue Line Rehabilitation	-		43,441.6	-	1,248.0	1,248.0	1,248.0	1,248.0
SDTI	LRV rehab.	11214	SD100 HVAC Unit Rehab/Retrofit	453.5		1,775.0	-	1,000.0	1,000.0	1,000.0	1,000.0
SDTI	LRV rehab.	11251	SDTI-U2 SD100 Gear Box Rehab	500.0		500.0	-	550.0	-	-	-
SDTI	LRV rehab.	11165	LRV Body & Paint Rehab	2,160.0		550.0	-	-	-	-	-

SDTI	LRV rehab.	11167	LRV Tires	1,626.4	491.0	-	545.5	589.2	636.3	687.2
SDTI	LRV Rehab.	11254	SD100 Brake Rehabilitation	125.0	350.0	-	-	-	-	-
SDTI	LRV rehab.	11219	Pilot Motor Control Unit Drive Rehab	200.0	284.0	-	284.0	284.0	284.0	284.0
SDTI	LRV rehab.	11252	SD100 Blower Motor Conversion	290.0	100.0	-	-	-	-	-
SDTI	LRV rehab.	NEW	SD100 Traction Motor Disconnects	-	275.0	-	275.0	275.0	275.0	275.0
SDTI	Rail infra.	1142000	Overhead Catenary Wire Replacement	7,422.0	4,000.0	-	-	3,000.0	2,000.0	3,000.0
SDTI	Rail infra.	1129300	System Grade Crossing Replacements	780.0	900.0	-	900.0	1,000.0	1,000.0	1,000.0
SDTI	Rail infra.	11255	Broadway Wye Switch Machines	100.0	750.0	-	-	-	-	-
SDTI	Rail infra.	11206	Rail Profile Grinding	973.0	350.0	-	350.0	350.0	350.0	350.0
MTS	Security	NEW	Security Prop 1B	-	2,779.4	-	-	-	-	-
MTS	Security	11184	CCTV Bus- On Board Security Prop 1B	2,188.7	1,950.0	-	-	-	-	-
MTS	Security	11166	CCTV Rail- In Station Security Prop 1B	1,029.4	1,500.0	-	-	-	-	-
MTS	Security	11271	LRV On Board Cameras (match only)	1,008.0	1,086.0	-	-	-	-	-
MTS Bus	Equipment	1049000	MCs-AVL/MDT Technology on 370 Buses (RTMS)	-	-	5,500.0	-	3,000.0	4,200.0	-
SANDAG	Construction	1049700	Grossmont Pedestrian Enhancement	4,700.0	-	3,095.0	105.0	-	-	-
SANDAG	Construction	1095600	San Ysidro Slope	135.0	-	2,080.0	-	-	-	-
SANDAG	Construction	1128100	Mainline Drainage Improvements	260.0	-	645.0	-	-	-	-
SANDAG	Construction		Trolley Platform Repairs	-	-	342.9	-	-	-	-
CVT	Security		CVT Bus Security Cameras	-	-	277.5	-	-	-	-
MTS	Admin		Enterprise Planning System	-	-	150.0	-	-	-	-
MTS Bus	Equipment	11198	MTS Bus Farebox Support Equipment	424.7	-	100.0	-	-	-	-
MTS Bus	Equipment		MTS Bus Fleetwatch Data Logger Installation	-	-	95.0	-	-	-	-
MTS Bus	Equipment		SBMF/ECBMF Heavy Duty Lifts	-	-	75.0	145.0	150.0	155.0	160.0
MTS Bus	Equipment		MTS Bus Service Trucks	-	-	55.0	270.0	-	650.0	-
MTS Bus	Equipment		MTS Bus Regional Transit IT	-	-	45.0	-	-	-	-
SDTI	Construction	1128600	LRV Car Wash	100.0	-	1,184.7	-	-	-	-
SDTI	Rail infra.		Substation Retrofit Modifications	-	-	1,000.0	1,000.0	1,200.0	1,500.0	1,500.0
SDTI	Equipment	11186	Crane Truck	-	-	400.0	-	-	-	-
SDTI	Rail infra.	1142800	Catenary Catch Cable Restoration	390.0	-	390.0	-	-	-	-
SDTI	Rail infra.		SDTI VMS Sign Replacement	-	-	375.0	375.0	-	-	-
SDTI	Rail infra.		Signal System Design/ Schematic Updates	-	-	250.0	250.0	-	-	-
SDTI	LRV rehab.	11216	Electronic Control Circuit U2 Rehab	230.3	-	250.0	250.0	250.0	250.0	-
SDTI	Facilities	11228	SDTI Yard Facilities Building Repair	135.0	-	175.0	-	-	-	-
SDTI	LRV rehab.		U2 LRV Interior Rehab	-	-	100.0	100.0	100.0	100.0	-
SDTI	Facilities		Old Town Station Building Repairs	-	-	75.0	-	-	-	-
MTS Bus	Security	11212	Transit Store Security Improvements	69.0	-	50.0	-	-	-	-
MTS	Security	11258	DVR Replacement	24.0	-	36.0	36.0	36.0	36.0	36.0
MTS Bus	Equipment		MTS Bus IAD Roof & HVAC Repairs	-	-	35.0	915.0	-	-	-
CVT	Admin		CVT AVL & APC System	-	-	-	-	-	-	-
SANDAG	Equipment	1049000	RTMS	16,774.0	-	-	-	-	-	-
TOTAL				112,239.3	93,636.0	16,781.0	132,284.6	130,640.9	142,631.3	146,715.2



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## Agenda

Item No. 30

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

ADM 150.3

February 19, 2009

### SUBJECT:

MTS: AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT

### RECOMMENDATION:

Action would amend the Executive Employment Agreement (EEA) with the Chief Executive Officer (CEO) to convert the Special Executive Cafeteria Plan from a percentage of pay to a fixed dollar amount and clarify that any future bonuses will be deposited into the CEO's 401(a) account.

#### Budget Impact

None.

### DISCUSSION:

On July 17, 2008, the Board of Directors entered into a new EEA with Paul C. Jablonski, CEO. The term of the agreement is July 1, 2008, to December 31, 2013.

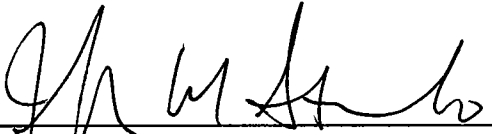
One of the provisions of his EEA references the following benefit in the MTS Management Handbook:

*The Chief Executive Officer shall receive an additional 3.5% ... of base salary (or such other amount specified in their employment agreement) in special benefits each fiscal year to be taken in the form of: dependent insurance premiums, additional annual leave, deferred compensation, additional life insurance and/or any other approved benefits.*

The International City County Management Association (ICMA) is the vendor who administers the Agency's 401(a) plan. ICMA has recently changed their guidance to employers and advised us that in order for the CEO to contribute the 3.5% of base pay to his 401(a) account, he cannot have options in how the benefit is received nor can it be a percentage of pay. ICMA also advised us to explicitly state which compensation would be deposited into Mr. Jablonski's 401(a) account.

Accordingly, staff would like to execute an amendment that would make it clear that Mr. Jablonski shall defer specific compensation to his 401(a) account.

The proposed amendment is cost neutral. Staff is simply requesting that certain modifications be made so that Mr. Jablonski can defer the compensation while complying with applicable law.

A handwritten signature in black ink, appearing to read 'Jeff M. Stumbo', is written over a horizontal line.

Jeffrey M. Stumbo  
Director of Human Resources and Labor Relations

Key Staff Contact: Jeffrey M. Stumbo, 619.557.4509, [jeff.stumbo@sdmts.com](mailto:jeff.stumbo@sdmts.com)

FEB19-09.30.CEO EEA AMENDMENT.JSTUMBO.doc



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## Agenda

Item No. 31

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

SRTP 830

February 19, 2009

**SUBJECT:**

MTS: SERVICE ADJUSTMENTS FOR SORRENTO VALLEY COASTER  
CONNECTION

**RECOMMENDATION:**

That the Board of Directors:

1. receive a report on public comments received since the January 15 public hearing;
2. approve Alternative No. 2, which includes elimination of Routes 975, 976, and 977, retention of adjusted Routes 89 and 978, restructuring of Routes 973 and 974 and Routes 971 and 972, and discontinuation of all Sorrento Valley Coaster Connection (SVCC) trips before 6:30 a.m. contingent upon a cost-sharing agreement between North County Transit District (NCTD) and MTS;
3. authorize the Chief Executive Officer (CEO) to execute a Memorandum of Understanding (MOU) between MTS and NCTD (in substantially the same form as in Attachment A); and
4. authorize complete elimination of the SVCC service on or after April 1, 2009 (Alternative 1), in the event that a cost-sharing agreement between MTS and NCTD is not executed.

### Budget Impact

Alternative No. 1 would result in an FY 2009 subsidy savings of \$230,974 and an FY 2010 savings of \$923,896. Operation of the service based on Alternative No. 2 would require \$75,971 in subsidy in FY 2009, and \$303,885 in subsidy in FY 2010. Alternative No. 2, as recommended by staff, is contingent upon execution of an MOU that would share the cost of subsidy for the service evenly between MTS and NCTD. Therefore, additional costs to MTS for Alternative No. 2 would be \$37,986 in FY 2009 and \$151,942 in FY 2010.

### DISCUSSION:

On January 15, the MTS Board held a public hearing on possible elimination or adjustment to the SVCC services. The Board also adopted Resolution 09-4, "Findings in Support of Exemption Under the California Environmental Quality Act Relating to Proposed Service Adjustments to Sorrento Valley Coaster Connection," and directed staff to return to the Board on February 19. A written and oral report on public comments received will be provided to the Board at the meeting.

### Recommendations for Service Adjustment

Following consideration of public comments, MTS staff has identified two alternatives for adjusting SVCC routes to address budgetary shortfalls. The Title VI report was prepared for the January 15 Public Hearing and presented to the Board at that time. Some changes to Alternative No. 2 being recommended based on public comments received, changes in circumstances affecting the routes since the Public Hearing, and further staff analysis have been determined by staff to have no impact on the findings of the Title VI Report.

- Alternative No. 1: Complete Elimination of SVCC

Routes 89, 971, 972, 973, 974, 975, 976, 977, and 978 would be eliminated following Board approval on April 1, 2009, or as soon as operationally feasible. These routes are among the poorest performers in the MTS system and combined have a significant subsidy per passenger. In addition, they all have a lower-than-average passenger per-revenue-hour rates as compared to MTS's fixed-route services and as compared to the average for other similar circulator routes.

- Alternative No. 2: Elimination of Routes 975, 976, and 977, retention of adjusted Routes 89 and 978, restructuring of Routes 973 and 974, and Routes 971 and 972, and discontinuation of all trips before 6:30 a.m. contingent upon a cost-sharing agreement between MTS and NCTD

On January 15, staff presented an alternative that would eliminate the least productive routes (975, 976, 977, and 89), retain the most productive routes (971, 972, and 978), combine Routes 973 and 974 into a single route with some reduction in coverage, and discontinue all trips on SVCC routes before 6:30 am. It was estimated that with this proposal over 60% of the SVCC ridership would be retained at a cost of \$282,474 in subsidy per year based on November passenger loads. This

alternative was only recommended by staff contingent upon the ability to secure outside funding for the service.

As reported at the January 15 meeting, two of the routes, Routes 971 and 972, predominantly serve Qualcomm. Qualcomm began a private shuttle service on February 2 between the station and its offices and, as anticipated, ridership on these routes declined significantly. Staff therefore no longer recommends retention of both routes and instead recommends that the two routes be combined.

In addition, staff recommends as part of this proposal to maintain Route 89 service. This service would provide at least minimal coverage in an area that would otherwise be served by two of the existing SVCC routes, would create a connection from the Coaster Station to University Towne Center (UTC) and MTS routes that use UTC, and would provide a connection to the 4S Ranch Commuter Express Service at UTC that is scheduled to begin operation in March. The subsidy cost to operate Route 89 is \$79,000, which would be shared with NCTD.

Staff has engaged NCTD staff in creating a draft MOU for cost-sharing to subsidize the service (Attachment A). Under such an agreement, MTS's share of the shuttle cost would be half of the service subsidy for Alternative No. 2.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [sharon.cooney@sdmts.com](mailto:sharon.cooney@sdmts.com)

FEB19-09.31.SVCC CHGS.COONEY.doc

Attachment: A. MOU Between NCTD and MTS for Continuation of SVCC Operation

**MEMORANDUM OF UNDERSTANDING  
BETWEEN NORTH COUNTY TRANSIT DISTRICT  
AND THE METROPOLITAN TRANSIT SYSTEM  
FOR CONTINUATION OF SORRENTO VALLEY COASTER CONNECTION SERVICE  
OPERATION**

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This Memorandum of Understanding ("MOU") is made and entered into effective as of this \_\_\_\_ day of \_\_\_\_\_, 2009, by and between the North County Transit District ("NCTD") and the Metropolitan Transit System ("MTS").

**RECITALS**

The following recitals are a substantive part of this Agreement:

WHEREAS, MTS operates public transit service within its area of jurisdiction including the area of the City of San Diego known as Sorrento Valley; and

WHEREAS, MTS has provided connecting service to employment centers in Sorrento Valley and University Towne Center for NCTD Coaster patrons since 1997; and

WHEREAS, MTS had funded this Sorrento Valley Coaster Connection service ("SVCC") with grants from the Air Pollution Control District ("APCD") and the California Department of Transportation ("Caltrans") which expired on June 30, 2008; and

WHEREAS, the loss of APCD funding combined with reduction in revenues due to declines in sales tax revenues and reductions in transit assistance from the State of California negatively impacts MTS' ability to maintain service levels; and

WHEREAS, the SVCC is used by riders of the Coaster, a commuter rail passenger service operated by NCTD; and

WHEREAS, MTS and NCTD see a public benefit in retaining service to employment centers in Sorrento Valley; and

WHEREAS, the purpose of this MOU is to memorialize the agreement between NCTD and MTS to fund the aforementioned SVCC route adjustments.

**AGREEMENT**

NOW THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

**NCTD AGREES:**

1. To reimburse MTS one half the actual subsidy cost (actual operating cost minus actual fare revenue) ("NCTD Contribution") to operate a newly designed SVCC based on a service plan that will be developed and approved by both parties (Exhibit A) . Such service will be implemented by April 1, 2009 and will operate through June 30, 2010. Upon approval of the Service Plan by both parties, the Service Plan shall be attached to this MOU as Exhibit "A" hereto. The total NCTD Contribution shall not exceed \$150,000 annually.
2. To pay MTS a quarterly share of the NCTD Contribution, which amount shall not exceed \$40,000 quarterly, on the following dates: April 1, 2009, August 1, 2009, December 1, 2009, April 1, 2010. MTS shall provide an invoice to NCTD no less than thirty days prior to the date payment is due. Notwithstanding the foregoing, NCTD's obligation hereunder shall terminate on the effective date of termination of this MOU and NCTD shall not be responsible for any further payments thereafter.
3. MTS may consider suspending or eliminating its contributions to this service based on the lack of availability of funds or based on MTS's determination through its Board of Directors that the service is not cost effective. NCTD may continue to subsidize the operations of the entire route or a modified route through this agreement in the event that MTS suspends or eliminates the MTS portion of the funding. MTS will provide quarterly reports to the Board regarding SVCC performance at which time the Board may determine this agreement should be terminated or amended.
4. That NCTD shall have the right to discontinue funding for this service anytime after June 30, 2010.
5. Neither NCTD nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, MTS shall fully defend, indemnify and save harmless NCTD, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU.

**MTS AGREES:**

6. To provide transit service based on a service plan ("Service Plan") that will be developed and approved by both parties. MTS will implement the mutually agreed upon service plan by April 1, 2009, and will operate such service through June 30, 2010. Upon approval of the Service Plan by both parties, the Service Plan shall be attached to this MOU as Exhibit "A" hereto. MTS shall have the discretion to determine the operator for this service and to make minor adjustments to the service for efficiency or other reasons. MTS and NCTD will meet on a quarterly basis, if needed, to review possible adjustments

to the route which may include changes in stops, frequency, span, routing, or other changes. MTS agrees to schedule the service as close as possible to the scheduled stop of Coaster trains at the Sorrento Valley Transit Center. Exhibit "A" hereto shall be amended as necessary to reflect modifications.

7. MTS may consider suspending or eliminating its contributions to this service based on the lack of availability of funds or based on MTS's determination through its Board of Directors that the service is not cost effective. NCTD may continue to subsidize the operations of the entire route or a modified route through this agreement in the event that MTS suspends or eliminates the MTS portion of the funding. MTS will provide quarterly reports to the Board regarding SVCC performance at which time the Board may determine this agreement should be terminated or amended.
8. It has the discretion to determine whether to continue to operate SVCC service, subject to a public hearing and a decision by the MTS Board of Directors. In the event that MTS decides to terminate the service, MTS will reimburse NCTD any unspent subsidy.
9. That NCTD shall have the right to discontinue funding for this service anytime after June 30, 2010. At least 30 days prior to discontinuing funding, NCTD shall provide notice to MTS.
10. Neither MTS nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by NCTD under or in connection with any work delegated to MTS under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, NCTD shall fully defend, indemnify and save harmless MTS, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU.

**THE PARTIES MUTUALLY AGREE:**

1. That all obligations of MTS under the terms of this MOU are subject to the appropriation of the required resources by the NCTD and MTS Boards of Directors. Further, both parties may mutually agree to terminate this MOU prior to June 30, 2010.
2. Any notice required or permitted under this MOU may be personally served on the other party, by the party giving notice, or may be served by certified mail, return receipt requested, to the following addresses:

For NCTD  
810 Mission Avenue  
Oceanside, CA 92054  
Attn: Matthew Tucker

For San Diego Metropolitan Transit System  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
Attn: Paul Jablonski

3. That unless it is amended by the parties in writing, this MOU is subject to termination automatically upon elimination of legislative or administrative authorization of the Program by any state or federal government agency.

4. The indemnification provision of this MOU shall survive termination of the MOU.
5. This MOU shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this MOU, the action shall be brought in a state or federal court situated in the County of San Diego, State of California.
6. All terms, conditions, and provisions hereof shall inure to and shall bind each of the parties hereto, and each of their respective heirs, executors, administrators, successors, and assigns.
7. For purposes of this MOU, the relationship of the parties is that of independent entities and not as agents of each other or as joint venturers or partners, nor shall any employee of either party be deemed an employee of the other by virtue of this MOU. The parties shall maintain sole and exclusive control over their personnel, agents, consultants, and operations.
8. No alteration or variation of the terms of this MOU shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.
9. Nothing in the provisions of this MOU is intended to create duties or obligations to or rights in third parties to this MOU or affect the legal liability of the parties to this MOU to third parties.
10. This MOU may be executed in any number of identical counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument when each party has signed one such counterpart.

IN WITNESS WHEREOF, the Parties hereto have executed this MOU effective on the day and year first above written.

SAN DIEGO METROPOLITAN TRANSIT  
SYSTEM

\_\_\_\_\_  
PAUL C. JABLONSKI  
Chief Executive Officer

Date: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Office of General Counsel

Date: \_\_\_\_\_

\_\_\_\_\_  
Matthew Tucker  
Executive Director

Date: \_\_\_\_\_

APPROVED AS TO FORM

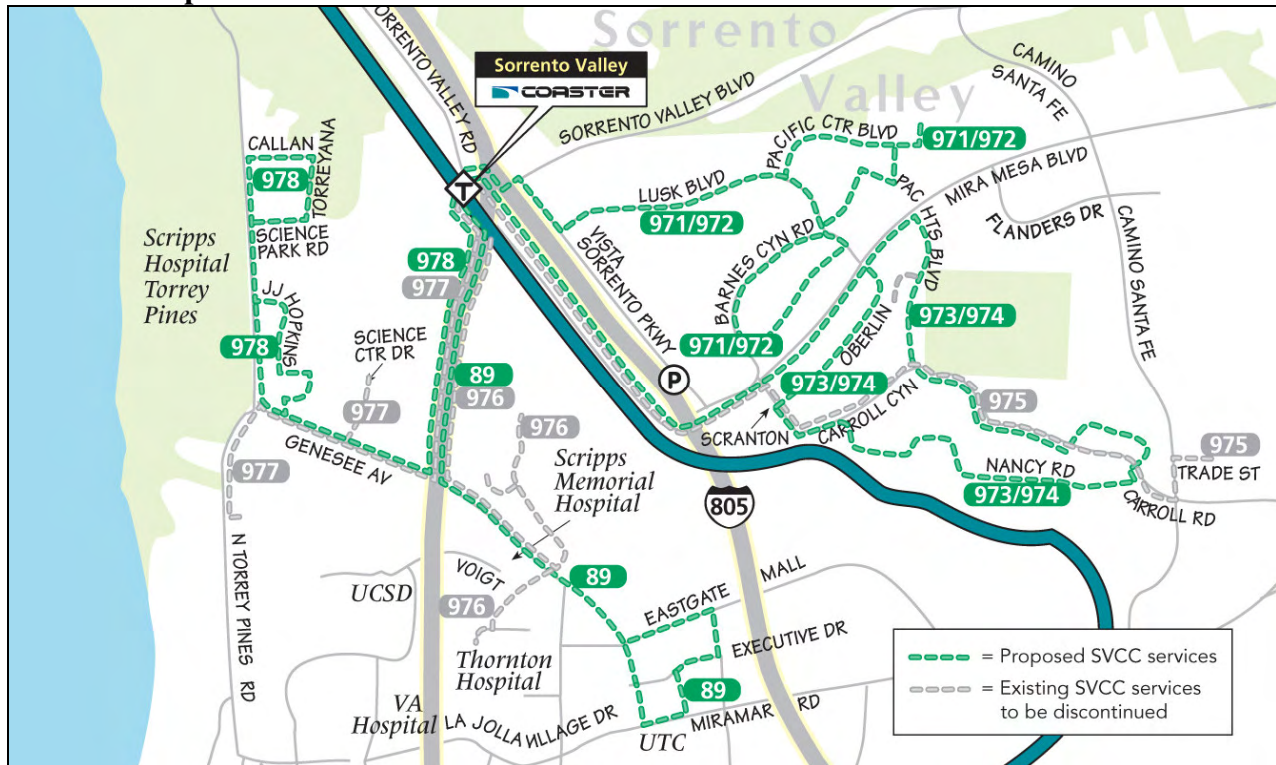
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Office of General Counsel

Date: \_\_\_\_\_

## “Exhibit A”

The proposed services are shown on Map A.

### MAP A. Proposed Service



While there may be some slight adjustments to the routes – particularly to the Route 973/974 and 971/972 combinations and Route 89 – the routes will operate substantially in the proposed form.

- **ROUTE 89** – Route 89 will continue to connect the Sorrento Valley Coaster Station with University Towne Center, where passengers can connect to eight other MTS routes. Some alignment adjustments may be made to make the service more effective.
- **ROUTE 971/972** – Current Routes 971 and 972 will be combined into one route serving Lusk Blvd., Morehouse Drive, Barnes Canyon Road, Pacific Center Court, and Pacific Center Blvd. All current stops will still be served. Some adjustments to the schedule will have to be made to this route to ensure adequate meet times with Coaster trains.
- **ROUTE 973/974** – Current Routes 973 and 974 will be combined into one route serving Oberlin Road, Nancy Ridge Drive, and Carroll Park Drive in a clockwise direction. Some adjustments will have to be made to this route to ensure adequate meet times with Coaster trains.
- **ROUTE 978** – Route 978 will continue to serve the businesses off of North Torrey Pines Road, north of Genesee Avenue.

The routes would operate in vastly the same manner that they do now – they would be scheduled around the Coaster southbound arrival times in the morning and Coaster northbound departure times in the afternoon. SVCC routes would operate with the following spans:

- AM – Four trips serving the Coaster trains arriving at Sorrento Valley at 6:36 a.m., 7:16 a.m., 7:49 a.m., and 8:13 a.m.
- PM – Five trips serving the Coaster trains departing Sorrento Valley at 4:04 p.m., 4:51 p.m., 5:18 p.m., 5:55 p.m., and 6:44 p.m..



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

## Agenda

Item No. 32

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

CIP 11217

February 19, 2009

### SUBJECT:

MTS: EL CAJON TRANSIT CENTER DEMOLITION PROJECT STATUS - MOU  
EXPIRATION/NEW PROPOSAL

### RECOMMENDATION:

That the Board of Directors:

1. authorize the Chief Executive Officer (CEO) to execute a letter (Attachment A) to the San Diego Association of Governments (SANDAG) to let the Memorandum of Understanding (MOU) (MTS Doc. No. L0862.0-09) between SANDAG and MTS (for construction and construction management services) expire on March 31, 2009, and request that SANDAG return the remaining funds to MTS Capital Improvement Project (CIP) 11217 (Blue and Orange Line Station Improvements); and
2. authorize the CEO to execute a multiyear contract (Attachment B) with The Kobey Corporation, in partnership with BriceHouse Starboard LLC (the Partnership), to provide the structural capital improvement necessary to house, maintain, and manage an on-site convenience store, including accessible public restroom facilities.

### Budget Impact

The \$150,000 originally transferred to SANDAG CIP 1129500 (El Cajon Transit Center Demolition) less the current expenditure by SANDAG of \$11,000 would be transferred back to MTS CIP 11217 (Blue and Orange Line Station Improvements).

The Partnership would have operating and maintenance responsibility for the facility providing MTS with a corresponding budget savings of approximately \$37,200 annually.

## DISCUSSION:

At its April 10, 2008, meeting, the MTS Board directed the CEO to take the following actions:

1. take steps to demolish the building at the El Cajon Transit Center using funds in CIP 11217 (Blue and Orange Line Station Improvements) and negotiate relocation of the existing tenants;
2. work with the City of El Cajon Redevelopment Agency to aggressively pursue a joint development agreement for the site; and
3. work with the master concessionaire to retain a mobile food establishment on site after demolition.

The status of each item is as follows:

1. The plans and specifications for the El Cajon Transit Center facility demolition, utilities relocation, hazardous materials survey, and design for new concrete pad construction have been completed. Based on an early estimate by SANDAG engineering staff, the Board approved an MOU with SANDAG for construction, construction management, and transfer of \$150,000 from MTS CIP 11217 (Orange and Blue Line Station Improvements) to fund SANDAG CIP 1129500 (El Cajon Transit Center Demolition) at its August 21, 2008, meeting. Currently, SANDAG is negotiating the construction task order with the job order contractor for demolition of the facility and construction of a new concrete pad. The preliminary estimate from the contractor is nearly \$300,000 due, in part, to various concrete pad improvements, including an Americans with Disabilities Act ramp, railings, and utility access to accommodate a vendor's food stand and restroom facility.
2. MTS and City of El Cajon staff met to discuss joint development prospects for the property. The City of El Cajon is currently studying the environmental effects of an amendment to its downtown-specific plan that will include the El Cajon Transit Center. The update to this plan will define the vision for the area surrounding the transit center and define the development guidelines for transit-oriented development at the site. MTS is developing a financial analysis to present to the Board showing the current development potential.
3. Staff obtained a proposal from the master concessionaire to position a prefabricated concession stand, including a restroom facility and utility accommodations on the new concrete pad surface.

### New Proposal

Effective March 1, 2009, the Partnership will assume control of the El Cajon Transit Center building and provide the structural improvements and interior tenant improvements to operate and maintain an on-site convenience store business with accessible restroom facilities for public use.

If approved, the CEO would execute a contract between MTS and the Partnership to establish a five-year contract with an option for two extensions and a liquidated-damages provision for early termination of the initial lease term. In consideration of the capital investment by the partnership, the initial lease term would be rent free, but any option term would be paid at 25% of gross to MTS. Lease extensions would only be available in the event that the future redevelopment of the site is postponed or removal of the subject building is not included in the scope of the proposed redevelopment.

Liquidated damages for early lease termination or buyout of the base lease for future redevelopment of the subject parcel would be \$5,000 per month for months remaining on the initial five-year term of the lease agreement.

The anticipated building and tenant improvements are estimated to be approximately \$150,000 to be made at the sole expense of the partnership as follows:

#### Building

- HVAC System replacement
- Plumbing and electrical renovation and upgrade
- Restroom repair
- Repair and repaint roof
- Improvements to control bird infestation
- Exterior cleanup and surface painting
- Repair and upgrade existing T-bar ceiling
- Remove and install new interior flooring

#### Tenant Improvements

- Convenience store build-out
- Installation of a walk-in cooler
- Refrigeration system installation

#### Proposal Comparisons

The El Cajon Transit Center was quit claimed by the City of El Cajon to MTDB in May 1989. At that time, Greyhound Bus Lines was an existing tenant who remained housed at the facility in lieu of \$1.00 annual rent for the life of the structure. When demolition of the facility was planned, arrangements were made to relocate Greyhound to another facility at a cost to MTS of \$1,200 per month for a 14-month term through April 30, 2010. Under the proposed arrangement with the Partnership, MTS may need to continue to subsidize the monthly rent for Greyhound until the earlier of: (1) the term of the Partnership lease, or (2) parcel redevelopment.

1. Demolition of the facility would cost MTS.....\$316,800.00
2. The Partnership's proposal over the 5-year term would save MTS.....\$114,000.00



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Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Wayne Terry 619.595.4906, [wayne.terry@sdmts.com](mailto:wayne.terry@sdmts.com)

FEB19-09.32.ECTC MOU EXPIRE.WTERRY.doc

Attachments: A. Letter of Expiration  
B. Draft Lease Agreement

DRAFT

February 19, 2009

CIP 11217

Mr. Dennis Wahl  
Associate Engineer  
San Diego Association of Governments  
401 B Street  
San Diego, CA 92101

Dear Mr. Wahl:

SUBJECT: TERMINATION OF MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN  
MTS AND SANDAG DATED OCTOBER 20, 2008 (MTS DOC. NO. L0862.0-09)

On October 20, 2008, in accordance with the MOU between MTS and SANDAG, MTS transferred \$150,000 from CIP 11217 (Orange and Blue Line Station Improvements) to SANDAG CIP 1129500 to provide construction and construction management services for demolition of the El Cajon Transit Center facility. To date, \$8,400 has been spent by SANDAG for these services.

MTS staff has received an alternate and more cost-effective proposal to upgrade the existing facility. In a meeting of the MTS Board of Directors on February 19, 2009, the Board approved the staff recommendation to discontinue the El Cajon Transit Center demolition project and pursue the alternate plan.

As of this date, MTS is executing its 60-day right to terminate the MOU and requests the return of the remaining funds to MTS.

Sincerely,

E. Wayne Terry  
Chief Operating Officer – MTS Rail

FEB19-09.32.AttA.TERMINATEMOULTR.WTERRY.doc

cc: P. Jablonski  
T. Lorenzen  
R. Desai

MTS Doc. No.  
ADM 160.2

## LEASE AGREEMENT

THIS LEASE is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2009 (the "Execution Date"), by and between San Diego Metropolitan Transit Systems (MTS), hereinafter referred to as "Lessor," and The Kobey Corporation, hereinafter referred to as "Lessee."

### PREMISES

Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, that certain real property situated in the City of El Cajon, State of California, commonly known as the transit center building at the El Cajon Transit Center, improved with a building of approximately 2,350 square feet, containing bathroom facilities, storage space, and interior area suitable for retail (hereinafter the "Lease Agreement"). The real property is hereinafter called the "Premises" and as shown on "Exhibit A" attached hereto, and by this reference made a part hereof.

### TERM

The term of this Lease shall be five (5) years ("Initial Term") commencing on March 1, 2009 ("Commencement Date"). Lessee shall have the right to extend this lease for two (2) additional terms of two (2) years each ("Renewal Term"). Each Renewal Term shall be on the same terms and conditions as set forth herein with the exception of rental increases as identified in the "Rental Adjustment" paragraph.

### RENT

There will be no rent due during the Initial Term in consideration of improvements to the Premises as described in this Lease Agreement. On exercise of each Renewal Term, Lessee will pay to Lessor monthly payments of twenty-five percent (25%) of the gross monthly rent received by Lessee from approved sublessees. In the event that the Premises are occupied by the Lessee without a sublease, the monthly rent will be subject to market rates as determined by Lessor. Market rates refers to the monthly rental amount for which the Premises could be leased between a willing lessor and a willing lessee, based upon market conditions then in effect for similar properties, located in the same geographical area as the Premises, determined by a real estate appraiser having not less than 5 years' experience appraising real estate rental values in the area of the Premises.

Checks payable to MTS shall be mailed to:

MTS  
Attn: Manager of Real Estate Assets  
1255 Imperial Avenue, Ste. 1000  
San Diego, CA 92101-7490

or to such other address as Lessor or Lessor's agent may designate by written notice to Lessee.

## RENTAL ADJUSTMENTS

In the event the Lessee occupies the premises in during the Renewal Terms, the monthly rent shall be increased annually beginning on the first anniversary of the Renewal Term commencement date of March 1, 2014 ("Renewal Term Commencement Date"), and every year thereafter (each an "Anniversary Date"), pursuant to changes in the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index, for all Urban Consumers, All Items, Los Angeles region ("CPI"). For the purpose of this Lease Agreement, the monthly rent payable for the first month of the Renewal Term, or the rent payable for the first month after the most recent Anniversary Date, shall be multiplied by a fraction, the numerator of which shall be the CPI of the calendar month during which the adjustment is to take effect and the denominator of which shall be the CPI for the calendar month of the Commencement Date (or Anniversary Date, whichever is later).

In no event shall the monthly rent be less than the market rent of the initial Renewal Term. If, for any reason whatsoever, there is any change of any kind in the method of calculation or formulae of the aforesaid Index, or, if said Index shall be no longer published, then another index generally recognized as authoritative shall be substituted by agreement, and if the parties shall not agree, such substituted index shall be decided by the presiding Judge of the Superior Court of the State of California in and for the County of San Diego for the time being, upon application of either party.

## USE OF PREMISES

The Premises may, during the term of this lease, be used by the Lessee and approved subleasees for a convenience store as allowed by the City of El Cajon and those uses permitted under Ordinances and Policies of Lessor. Lessee shall make no other use of the Premises absent the prior written consent of the Lessor.

Lessee shall not use or permit said Premises or any portion of said Premises to be improved, developed, used, or occupied in any manner for any purposes that are in any way in violation of any valid law, ordinance, or regulation of any federal, state, county, or local government agency, body, or entity. Furthermore, Lessee shall not maintain, commit, or permit the maintenance or commission of any nuisance, storage, handling, treatment, transportation, spillage, leakage, dumping, discharge, or disposal (whether legal or illegal, accidental, or intentional) of hazardous or toxic substances, materials, or wastes regulated under local, state, or federal law.

Should any discharge, leakage, spillage, emission, or pollution of any type occur upon or from the Premises due to Lessee's use and occupancy thereof or use or occupancy permitted by Lessee, Lessee at its sole expense, shall clean all property affected thereby, to the full satisfaction of Lessor and any governmental body having jurisdiction.

## LESSEE ACCESS

Lessor maintains and operates public transportation at the El Cajon Transit Center ("ECTC") located adjacent to the Premises. Lessee shall at all times, during the term of this lease, not interfere with or restrict the operations of Lessor at the ECTC. Lessor will designate a location for acceptable delivery access and parking for Lessee and its subleasees that will not interfere with Lessor's operations, the location of which may change from time to time.

## LESSOR'S WARRANTIES AND REPRESENTATIONS

Lessor makes no warranties or representations of any kind concerning the use, suitability, compliance with building codes, or fitness of the Premises, including the building thereon, or of available land use of the Premises. Lessor is not aware of the existence of toxic or hazardous waste on the Premises.

Lessee is aware that the Premises has been the subject of flooding from the adjacent drainage channel, and Lessee agrees to provide its own protection against future flooding and will have no recourse against Lessor for any damage for any reason, including flood damage, to Lessee's automobiles, equipment, or other assets of Lessee.

## UTILITIES

Through the term of this Lease and any extensions thereto, Lessee shall pay or cause to be paid, and hold Lessor and the property of the Lessor, including said Premises, free and harmless from all charges for the furnishings of gas, water, electricity, telephone service, and other public utilities to said Premises during the term of this Lease and for the removal of refuse and rubbish from said Premises during the term of this Lease. Lessee may use a suitable location for trash storage and removal as designated by the Lessor, location of which may change from time to time. At no time will trash removal interrupt or impact Lessor's operations of the ECTC.

## TAXES

Lessee shall pay all real and personal property taxes, including possessory interest taxes, general and special assessments, and other charges of every description levied or assessed against Lessee arising out of the existence of this Lease Agreement. Lessee recognizes and agrees this Lease Agreement may create a possessory interest subject to property taxation and that Lessee may be subject to the payment of taxes levied on such interests and that Lessee shall pay all such possessory interest taxes prior to delinquency.

## MAINTENANCE, REPAIRS, AND ALTERATIONS

Lessee shall maintain the Premises in as good a condition as received, normal wear and tear excepted.

Lessee agrees to keep said Premises free and clear of liens for labor, services, materials, supplies, or equipment performed on or furnished to the Premises.

Lessee shall make improvements to the Premises with the written consent of the Lessor. Lessee may not demolish, remove, replace, or relocate any existing improvements or alterations, whether made at Lessor's or Lessee's expense, without the prior written consent of the Lessor. All alterations shall be surrendered with the Premises upon expiration of the lease, unless Lessor requires Lessee to remove the same.

The anticipated building and tenant improvements to be constructed at Lessee's and approved sublessee's sole expense shall include, but not be limited to: HVAC system replacement, plumbing and electrical renovation and upgrade, restroom repair, repair and repainting of the Premises roof, improvements to control bird infestation, exterior cleanup and surface painting, repair and upgrade of existing T-bar ceiling, removal and installation of new interior flooring, convenience store build-out, installation of a walk-in cooler, and refrigeration system installation.

Lessee's and sublessee's Contractors shall obtain a valid right of entry permit from Lessor as a part of this lease prior to construction of any improvements on the Premises including, but not limited to, interior improvements, exterior improvements, and utility connections by a contractor other than Lessee and sublessee. Contractors shall comply with the terms, conditions, and requirements of said permit, including the insurance requirements, as a part of this lease. The construction of any improvements on the Premises shall have the prior written consent of Lessor in all cases.

THIS LEASE DOES NOT GRANT UNLIMITED ACCESS TO THE PREMISES. FAILURE OF LESSEE'S CONTRACTOR TO OBTAIN AND COMPLY WITH THE REQUIREMENTS OF A VALID RIGHT OF ENTRY PERMIT WILL BE SUFFICIENT REASON FOR LESSOR TO TERMINATE THIS LEASE.

## INDEMNITY AND INSURANCE

Lessee shall indemnify and hold Lessor and the property of Lessor, including said Premises and any buildings or improvements now or hereafter on said Premises, free and harmless from any and all liability, claims, loss, damages, or expenses, including attorneys' fees and costs, resulting from Lessee's occupation and use of the Premises, specifically including, without limitation, any liability, claim, loss, damage, or expense arising by reason of:

- A. The death or injury of any person, including Lessee or any person who is an employee, contractor, invitee, or agent of the Lessee, or by reason of the damage to or destruction of any property, including property owned by Lessee or by any person who is an employee, contractor, invitee, or agent of Lessee, from any cause whatever while such person or property is in or on the Premises or in any way connected with the Premises or with any of the improvements or personal property on the Premises.
- B. Any work performed on the Premises or materials furnished to the Premises at the request of the Lessee or any person or entity acting for or on behalf of the Lessee.

Lessee shall, at Lessee's own cost and expense, promptly secure (after execution of this Lease) and maintain during the entire term of this Lease a broad form of comprehensive coverage policy of public liability insurance acceptable to Lessor and issued by an entity authorized to issue liability insurance in California, insuring Lessee and Lessor against loss or liability caused by or connected with Lessee's occupation and use of the Premises under this Lease in the amounts not less than:

- A. Two million dollars (\$2,000,000) for injury to or death to one or more persons as a result of any accident or incident; and
- B. One million dollars (\$1,000,000) for damages to or destruction of any property of others.

Lessee will include the contract number on all insurance-related correspondence, i.e., the insurance certificate itself.

All policies required shall be issued by companies who are licensed to do business in the State of California and hold a current policyholder's alphabetic and financial-size category rating of not less than A-VI, in accordance with A.M. Best.

All policies and coverages shall contain a provision for 30 days' written notice by the Insurer(s) to MTS Contracts Specialist of any cancellation or material reduction of coverage. A ten-day notice is required for non-payment of premium.

**All such policies shall name the San Diego Metropolitan Transit System (MTS), San Diego Trolley, Inc. (SDTI), San Diego and Arizona Eastern (SD&AE) Railway Company, San Diego and Imperial Valley (SD&IV) Railroad, and San Diego Transit Corporation (SDTC), their directors, officers, agents, and employees as additional insureds as their interests may appear.**

Lessee agrees that all general liability coverages required under this insurance section are PRIMARY and that any insurance of MTS, SDTI, SD&AE, SD&IV, and SDTC shall be excess and noncontributory (endorsement required).

## QUIET ENJOYMENT

Lessor warrants that it has sufficient title to the property affected by this Lease Agreement to make this Lease Agreement for the term set forth herein. Lessor covenants and agrees that Lessee shall have quiet and peaceful possession of the Premises and shall enjoy all the rights herein granted without interference.

## ASSIGNMENT

Lessee has no right of assignment or subletting to others without written consent of Lessor, which consent may not be unreasonably withheld. Lessor shall review the request of Lessee within five business days of Lessee's written request of sublease. The draft sublease shall be submitted with the written request. Lessor shall be a signatory on any sublease.

## DEFAULT

Any of the following events shall constitute a material default under this Lease Agreement. The following shall sometimes be referred to as "events of default":

- A. If payment of any sum including, but not limited to, rent due hereunder, or any part thereof when the same is due and payable and not paid, and such nonpayment continues for a period of ten (10) days following written notice thereof by Lessor; or
- B. If Lessee fails in the performance of or in compliance with any of the covenants, conditions, agreements, terms, or provisions contained in this Lease Agreement, which failure is not capable of being cured; or
- C. Any act of bankruptcy caused, suffered, or permitted by Lessee. For purposes of this Lease Agreement, an "act of bankruptcy" shall include the following:
  - any general assignment or general arrangement for the benefit of creditors;
  - the filing of any petition by or against Lessee to have Lessee adjudged as bankrupt; and
  - the appointment of a trustee or receiver to take possession of substantially all of the Lessee's interest in this Lease Agreement.

## TERMINATION

This Lease may be terminated without further liability on thirty (30) days' prior written notice as follows:

- A. By either Party upon an Event of Default, which Event of Default is not cured within sixty (60) days of receipt of written notice of such default (except for nonpayment of rent, which default must be cured within 15 days of written notice); or
- B. By Lessee prior to Commencement Date for any reason or for no reason provided Lessee delivers written notice of early termination to Lessor no later than thirty (30) days prior to the Commencement Date; or
- C. By Lessee, upon thirty (30) days' written notice to Lessor, if Lessee in good faith pursues all necessary licenses, permits, or other approvals (including legal rights of access to the Premises) but fails to obtain or maintain any license, permit, or other approval (including legal rights of access to the Premises) necessary for the construction and operation of Lessee's

Facilities, or if Lessee is unable to occupy or utilize the Premises due to a ruling or directive of any governmental/regulatory agency; or

- D. In the absence of any breach of this Lease by Lessee, during the Initial Term and each Renewal Term, Lessor shall have the right unilaterally to terminate this Lease with ninety (90) days' advance notice to Lessee. If Lessor terminates this lease during the Initial Term, Lessor shall pay to the Lessor a sum equal to \$5,000 per month, or prorated part thereof, of the remainder of the Initial Term. During any Renewal Term, Lessee will not be entitled to any additional compensation if Lessor terminates this Lease Agreement.
- E. By Lessee, upon thirty (30) days' notice to Lessor, at any time during the Lease Agreement.

#### ATTORNEY'S FEES

In the event either party hereto brings or commences legal proceeding to enforce any of the terms of this Lease Agreement, the successful party shall then be entitled to receive from the other party a reasonable sum as attorneys' fees and costs, to be fixed by the court in the same action.

#### NOTICES

Any notice or demand required or desired to be given in connection with this Lease shall be in writing and sent or delivered to the recipient at its notice address. A notice sent by registered or certified mail, return receipt requested, shall be deemed given five calendar days after deposited in the U.S. mail. Addresses for notices of the parties are as follows:

Lessor: San Diego Metropolitan Transit System  
Attention: Manager of Real Estate Assets  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490

Lessee: The Kobey Corporation

EXECUTED in the City of San Diego, County of San Diego, State of California.

LESSOR:

LESSEE:

San Diego Metropolitan Transit System

The Kobey Corporation

By: \_\_\_\_\_  
Paul C. Jablonski, Chief Executive Officer

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

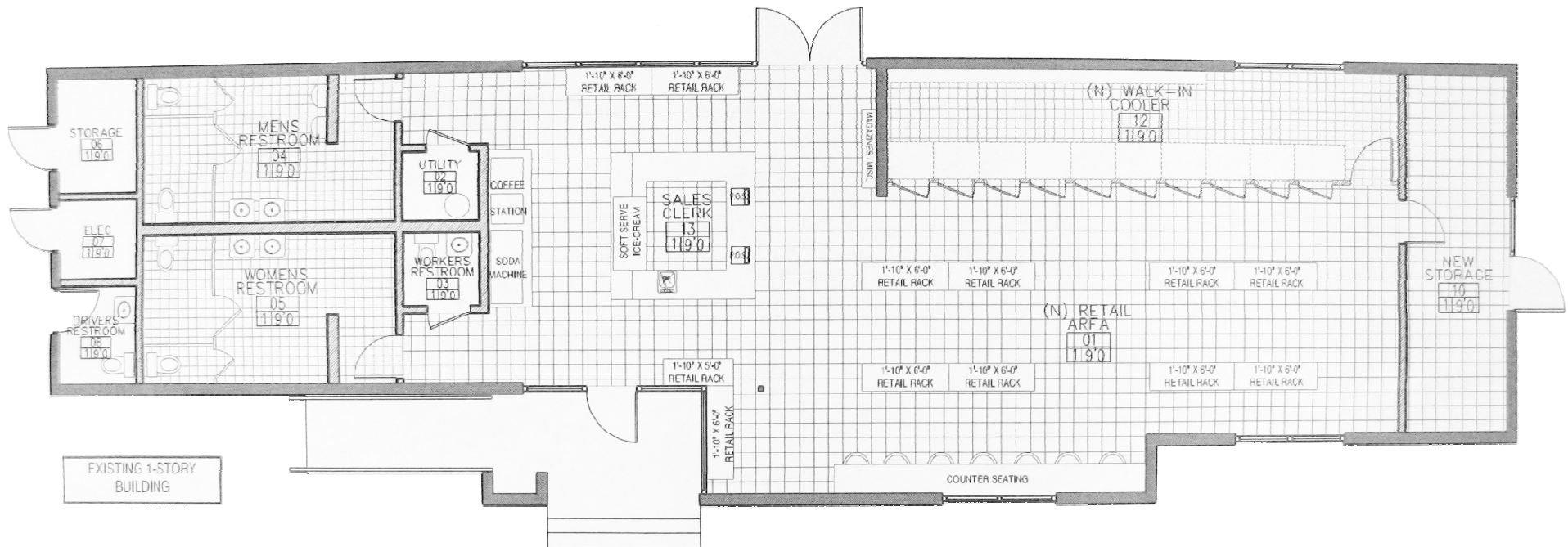
Approved as to form:

By: \_\_\_\_\_  
Office of General Counsel

Dated: \_\_\_\_\_

Attachment: Exhibit A

# Proposed Facility Improvements



- The convenience store will create a nice transit center amenity
- Vendor-maintained accessible restrooms will be available for public use
- Facility improvements will be approved by MTS
- Improvements and ongoing maintenance of the facility will be made at the sole expense of the Partnership and its vendor





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

## Agenda

Item No. 33

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

FIN 300

February 19, 2009

SUBJECT:

MTS: NATURAL GAS HEDGE PROGRAM

RECOMMENDATION:

That the Board of Directors:

1. approve the Natural Gas Hedge Program;
2. approve the Core Aggregate Transfer (CAT) Program; and
3. adopt a natural gas hedge policy, which designates the Chief Executive Officer and Chief Financial Officer as the administrators of the policy and authorizes the administrators to execute hedges in accordance with this policy.

Executive Committee Recommendation

At its meeting on February 12, 2009, the Executive Committee recommended forwarding this item to the Board of Directors for approval.

Budget Impact

None at this time.


DISCUSSION:

MTS combined operations will spend over \$11 million on compressed natural gas (CNG) in FY 2009. Due to this large volume and the price volatility in the market of this commodity, staff researched the viability of a CNG hedge program.

In July of 2008, staff went to bid for a consulting firm to evaluate current CNG spending, recommend a strategy for future spending, and focus on creating budget certainty within these costs without any negative impacts on operations. In September of 2008, McDonald Partners, Inc. was selected as the consultant for this project.

McDonald has completed its analysis reviewing existing spending and the various alternatives in the marketplace. McDonald submitted the attached Natural Gas Hedging Strategy (Attachment A). As part of the strategy, McDonald recommends participation in SDG&E's Core Aggregate Transport (CAT) Program, which would allow MTS to purchase CNG from competitive suppliers at market prices. McDonald also recommends using a commodity swap to hedge future CNG prices.

The proposed Natural Gas Hedge Policy is included as Attachment B.

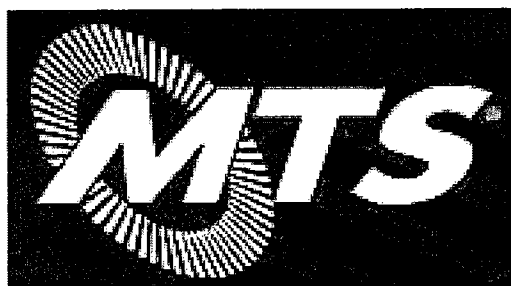


Paul C. Jablonski  
Chief Executive Officer

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Attachments: A. Natural Gas Hedging Strategy }  
B. Natural Gas Hedge Policy } **Board Only Due to Volume**



*Natural Gas Hedging Strategy*

*Submitted to:*

*The San Diego Metropolitan Transportation System*

McDonald Partners, Inc.

December 18, 2008

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## Introduction and Overview

The San Diego Metropolitan Transit System (“MTS”) retained McDonald Partners to evaluate hedging strategies to address the variability in MTS’ budget due to fluctuation in the price of natural gas. The following discussion addresses key elements of a natural gas hedging strategy and the factors that can influence the success of any hedging program. The discussion includes an examination of alternative hedging products, an evaluation of SDG&E’s transport only service option and McDonald Partners’ recommendations for achieving MTS’ hedging goals. The discussion concludes with additional recommendations for policies and procedures to ensure the success of a gas price risk management strategy.

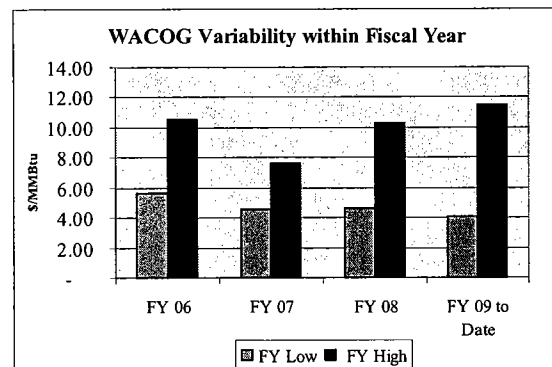
### Section One MTS’ Fuel Expense and Hedge Program Goals

MTS is currently a “core” customer of San Diego Gas and Electric Co. (“SDG&E”), a subsidiary of Sempra Energy. SDG&E is an investor owned utility whose retail rates are regulated by the California Public Utility Commission (“CPUC”). MTS currently spends in the range of \$3.0-\$3.25 million each year for natural gas, before transport costs.

MTS receives gas service from SDG&E under a tariff specifically designed for customers using natural gas for motor vehicle fuel. In accordance with this tariff, MTS pays a two part volumetric rate for the gas it consumes each month. The larger portion of the bill is a Gas Procurement Charge (“GPC”) which includes SDG&E’s weighted average cost of gas (“WACOG”) and certain additional fees. Since the CPUC allows SDG&E to pass its actual natural gas cost on to its retail customers, the GPC is calculated each month and can vary significantly within a budget year. The smaller portion of the bill is a Transportation Charge that reflects SDG&E’s fixed costs associated with the procurement, transportation and storage of natural gas and the recovery of regulatory and other administrative expenses. This smaller portion of MTS’ bill does not vary significantly within a budget year.

The monthly variance in SDG&E’s WACOG reflects changes in the commodity price for natural gas generally, as well as the impact of SDG&E’s withdrawals from storage. As a Sempra company, SDG&E’s gas procurement is combined with procurement for SoCal Gas, serving the Los Angeles area. Together, SoCal Gas and SDG&E have an extensive underground storage system that allows the companies to purchase and store natural gas when demand and prices are generally low. During the winter months when the market price for gas can be relatively high, SDG&E can supplement market purchases with less costly gas released from storage. As a result, SDG&E is able to mitigate the volatility in the natural gas market to some extent.

As the chart at right indicates, deviations in WACOG within a fiscal year have ranged from \$3.00/MMBtu to nearly \$7.50/MMBtu, with an average variability of \$5.27/MMBtu over the last



four fiscal years. With MTS' FY08-09 estimated consumption of nearly 462,000 MMBtu of natural gas, this volatility represents the potential for budget swings in the range of \$2.0-2.5 million per year. In periods of extremely high volatility, such as the current fiscal year, MTS could encounter substantially greater budget volatility.

### **Program Goal**

There are numerous reasons why participants in the natural gas market hedge price volatility. Some strategies are designed to limit losses for producers, some are designed to limit expenses for consumers and some are designed for speculation. With potential budget variability due to natural gas price volatility in the range of \$2.0-2.5 million, MTS should develop and execute a commodity price hedge strategy to *mitigate budget uncertainty*. A hedge program designed to meet this goal will not necessarily generate annual savings, but will provide a gain to offset high gas bills if market prices rise and a loss that will be offset by lower gas expenses if gas prices fall. A program with this objective does not involve speculation and would not require MTS policy makers or staff to take a position on the direction of market prices. If properly designed and implemented, the program will result in total natural gas costs, inclusive of the hedge, that will be within a narrow band of the natural gas component of MTS' annual budget.

## **Section Two WACOG Overview**

Because WACOG is a price derived by the actions of SDG&E there are no products that are designed to hedge WACOG directly. As a result, so long as SDG&E continues to receive service under its current tariff, any hedging strategy will include the risk that the hedged price, WACOG, differs from the commodity price hedged. This risk is known as basis risk.

As the map on the following page illustrates, several interstate pipelines connect to the SDG&E/SoCal Gas pipeline system at the Southern California border. This pipeline network permits competition between in-state supplies and imported gas from four major producing regions. Prices quoted at the Southern California border reflect the price of gas at its source and the cost to transport the gas to the border. Competition among suppliers results in converging prices at the border location.

## Western North American Natural Gas Pipelines



WACOG monthly prices are highly correlated with monthly prices at the SoCal border. Gas purchasers with large loads, such as SDG&E, typically buy gas on a monthly basis. As we would expect, WACOG prices are more highly correlated to the first of month index than to the monthly average of daily index prices. There are several publications that publish a price index which represents the mean price of all of the reported transactions for the following month that take place during the last week of trading prior to the delivery month. This index, which is referred to as the SoCal Border First of Month Index (“SoCal FOM Index”), is widely used to hedge gas prices at the Southern California border.

Although the average annual difference between WACOG and the SoCal FOM Index is relatively small, there can be discrepancies of as much as \$ 0.99/MMBtu in any given month.

This difference is due to SDG&E's storage component. As the table at right indicates, although the variance can be significant from year to year, there are patterns that can be seen over a three year average. In particular, WACOG was, on average, above the monthly border price during the winter heating months over a three year period and below the monthly border price during the summer air conditioning months. If SDG&E has large amounts of stored gas that must be burned when weather is mild and prices fall, WACOG will be above the monthly market price.

Monthly Basis (WACOG-NGI SoCal)		
\$/MMBtu		
	Last 12 Months	Avg. Last 3 Fiscal Yrs
Jul	(0.77)	(0.26)
Aug	(0.38)	(0.40)
Sep	(0.94)	(0.29)
Oct	0.47	(0.07)
Nov	0.33	(0.81)
Dec	(0.41)	0.13
Jan	0.29	0.16
Feb	(0.36)	0.14
Mar	(0.42)	0.36
Apr	0.25	0.55
May	(0.10)	(0.09)
Jun	(0.18)	0.06
Average	(0.18)	(0.04)

The chart at right further indicates that over the last three fiscal years, the basis differential has averaged negative \$0.04/MMBtu. At this level, and with average gas price in the range of \$6.50/MMBtu, the basis differential is sufficiently small (0.6%) that we believe a WACOG hedge based on the SoCal Border FOM Index will be reasonably effective over a twelve month budget period.

### Section Three Core Aggregation Transport Service

MTS is currently a "core" customer receiving bundled service from SDG&E. Core customers receive reliable supplies of natural gas and are rarely subject to curtailment. For this reason, MTS has expressed a desire to remain a core SDG&E Customer. As part of this analysis, we have explored an option in SDG&E's gas tariff which has the potential to lower MTS' overall gas costs, reduce budget risk and allow MTS to remain a core customer. This option is participation in SDG&E's Core Aggregation Transportation ("CAT") program. The CAT program allows core customers to purchase natural gas directly from competitive suppliers, rather than from SDG&E. As a participant in the CAT program, MTS would continue to receive gas transportation and distribution services from SDG&E, but would purchase the gas commodity from a competitive supplier, known as a gas service provider ("GSP"). SDG&E would continue to own and maintain the gas lines that deliver the gas to the current MTS delivery locations, and would continue to bill MTS for providing the gas transportation and distribution services. The CAT program requires SDG&E to provide standby gas service (back-up supplies) to ensure reliability for the customer and does not impact MTS' curtailment priority.

The transport component of the tariff for natural gas vehicles is the same whether or not the core customer purchases natural gas from SDG&E or an alternative provider. Likewise the core customer is required to pay public benefits charges based on the delivered volume regardless of where gas is procured. The difference is in how the gas commodity is priced and what adders are charged. A bundled customer pays the GPC rate for the commodity in addition to a franchise fee of 1% for service within the City of San Diego. The CAT customer pays a negotiated fee for gas supply in addition to a customer procurement surcharge for franchise fees (Schedule GP-SUR). The gas fees are paid to the alternate supplier and the franchise fees are paid to SDG&E.

The primary advantage MTS receives from purchasing gas from SDG&E is the ability to benefit from SDG&E's use of storage facilities. However, the Gas Procurement Charge assessed by

SDG&E includes additional charges for certain intra-state gas transportation facilities, procurement related overhead and regulatory expenses ("WACOG Adders"). We have reviewed three full fiscal years of San Diego's GPC and have found that the average WACOG Adders for each year have been a relatively constant \$.55/MMBtu. The question before MTS, then, is whether the storage value is greater than the savings that would result from eliminating the WACOG Adders associated with this service.

Monthly WACOG Adder (\$/MMBtu)				
	FY 06	FY 07	FY 08	FY 09
Jul	0.59	0.59	0.65	0.77
Aug	0.62	0.58	0.55	0.73
Sep	0.58	0.62	0.51	0.67
Oct	0.56	0.60	0.46	0.66
Nov	0.60	0.55	0.58	0.49
Dec	0.53	0.48	0.53	-
Jan	0.46	0.43	0.45	-
Feb	0.47	0.48	0.46	-
Mar	0.50	0.54	0.54	-
Apr	0.50	0.52	0.53	-
May	0.53	0.56	0.61	-
Jun	0.56	0.63	0.67	-
<b>FY Avg</b>	<b>0.54</b>	<b>0.55</b>	<b>0.55</b>	<b>N/A</b>

To answer this question, we discussed the CAT program with two different GSPs. We found that both providers would price the commodity at a spread to the So Cal Border First of Month Index. Spreads ranged from \$.05-\$.20/MMBtu. Assuming a spread in the range of \$.10/MMBtu and the average WACOG basis for the last three years, our analysis shows that MTS might realize a benefit in the range of \$.25/MMBtu, or \$120,000/year, from participation in the CAT program. A simplistic summary of our analysis appears below. The full analysis appears in Appendix A.

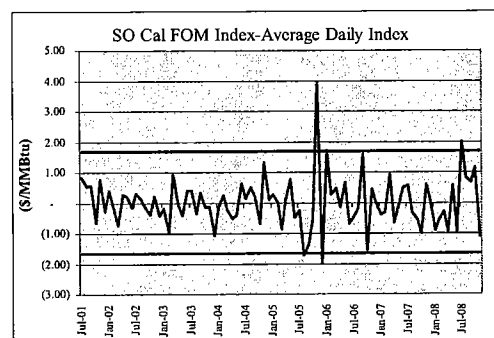
General Gas Procurement Cost (\$/MMBtu)				
Bundled Core Customer			CAT Customer	
WACOG=	So Cal Index +	(\$0.04)	Gas Cost =	So Cal Index + \$0.10
WACOG Adders* =		\$0.55	Surcharge** =	\$0.17
City Franchise Fee** =		\$0.04	Estimated GPC =	So Cal Index + \$0.27
Total Expected Cost =	So Cal Index +	\$0.55		

\* Includes some Franchise Fees

\*\*Franchise Fees estimated on \$6.25/MMBtu

We have performed several sensitivities on this analysis. Obviously, the benefit is driven by the adder charged by the GSP and the WACOG basis. In years when gas prices are rising and SDG&E utilizes gas that was stored at lower prices (larger negative WACOG basis) the benefits will be reduced. Similarly, if MTS has to pay the higher end of the range of prices quoted by GSPs, the benefits will be approximately half of our projections.

Another consideration that could impact this comparison is how variations in monthly gas consumption would be managed and priced. At present, MTS simply pays for whatever volume of gas is consumed at the then current GPC rate without regard to variability in the amount of gas consumed. Gas purchased from a GPS through the CAT program, on the other hand, is generally based on a fixed quantity per month. The GPS will generally agree to assume some volume risk within a specified range. A band of +/- 10% seems to be fairly common. Volumes above the 10% band would be priced at the daily index. If the volume falls



below the 10% band, MTS would effectively have to purchase the minimum volume at the monthly index price and sell the unused volumes back to the GSP at the daily price. We do not believe this is a significant risk based on our analysis of MTS' historical load since MTS' load is fairly constant and predictable. Moreover, our analysis of daily prices indicates that over the last seven years, the difference between the monthly average daily price and the first of month index price was within +/- \$1.70/MMBtu at least 95% of the time. So, not only would MTS' consumption rarely fall outside of the 10% band, the cost of doing so would be fairly minimal. A summary of the effect of changes in volume on the savings from the CAT program is included in Appendix A.

Participation in the CAT program is relatively simple and begins with the selection of a GSP. Once this selection has been made and the necessary contracts are in place with the new supplier, an application is submitted to SDG&E and the switch-over usually takes place at the beginning of the next month. For billing, MTS would have the option of continuing to receive a bill for transport only (including franchise fees and public benefits charges) from SDG&E, or receiving a consolidated bill from the GSP. Bundled customers who switch to CAT service are required to take the service for a minimum of twelve months.

Participation in the CAT program on the pricing basis discussed above would still leave MTS exposed to gas price volatility. All of the financial hedging options discussed herein are applicable whether or not MTS chooses to shift service to the CAT program. The CAT program does have the added benefit of eliminating the WACOG basis risk. Removing this risk will result in hedges that are far more effective in providing certainty with respect to monthly cash flows and slightly more effective in providing budget certainty over a budget year.

#### **Section Four**

##### **Alternative Hedge Strategies**

There are several ways that MTS can accomplish near budget certainty. The choice of a hedge strategy will primarily depend on:

- Effectiveness of Hedge
- Cost of Hedge
- Counterparty Credit Risk
- Execution Risk
- Administrative Burden

#### **Hedging Strategies**

Hedging strategies are considered in two major categories, physical and financial. The strategies differ with respect to cost, counterparty risk, administrative burden and effectiveness. The most appropriate hedge strategy will depend on the user's needs and can vary based on anything from staffing requirements to formal approval policies.

##### *Physical Hedge*

Under the CAT program, MTS could hedge its exposure to gas price volatility by purchasing a

portfolio of fixed priced gas supplies instead of the index pricing described above. In this case, the supplier would essentially embed the hedge into the fixed price provided to MTS. Since the CAT program requires the MTS to appoint a single GSP, this strategy would involve much less price transparency and carries the risk that the MTS is a price-taker from a single source. We anticipate there would also be some added premium in the fixed price for the volume risk borne by the GSP since this risk is more difficult to manage on a fixed price basis. For these reasons, if MTS elects to take part in the CAT program, we believe that the most efficient and cost effective approach would be to separate the gas procurement from the hedge. MTS' gas supply would be based on index pricing, and a separate hedge would be executed to manage price exposure. We have assumed that is the case for the remainder of this discussion.

Another physical option available to MTS is to use physical contracts to buy and sell gas at the southern California marketplace. This strategy would involve purchases that are completely separate from the gas MTS buys for consumption and would be specifically designed to achieve budget certainty. Prior to the beginning of each budget cycle, MTS would buy gas in approximately the quantity it expects to consume in each month of the coming fiscal year for delivery at the SoCal Border. At the end of each month, during "bid-week", MTS would sell the gas it previously purchased for the coming month rather than have it delivered. The sale price would approximate what MTS would pay either to SDG&E for the WACOG portion of its monthly gas bill or to MTS' GSP under the CAT program. Gas purchased and sold in this manner would require MTS to enter into standard master trading agreements developed by the North American Energy Standards Board ("NAESB") with several gas marketers in order to ensure competitive pricing and to manage counterparty credit risk. This strategy is illustrated on the attached Exhibit I.

A physical hedge of this style will not result in MTS receiving exactly the SoCal FOM Index. As mentioned above, the index is intended to be an average of all reported transactions in the market during bid-week. By definition, some transactions are executed below the index price and some above. For the month of December 2008, *Platts Energy Trader* reported the following month end prices:

**Southern California Gas Co. - December 2008**

Range	Index	Volume	Deals
\$5.24 to \$5.95	\$5.51	212,000	36

In this case, transactions were done as much as \$.44/MMBtu away from the published Index price. If MTS purchased gas at a price that at the time was in the range of \$.25/MMBtu above what the market anticipated the index to be, and later executed a sale transaction at \$.25/MMBtu below the SoCal FOM Index, the "cost" of MTS' hedge could be as much as \$.50/MMBtu, or approximately \$230,000 per year. Of course it is unlikely that MTS would consistently be this far at the outer extremes of all executed transactions, but the range underscores the risk associated with this approach to hedging. In addition, this form of physical hedging would involve a significant administrative burden since MTS would have to execute trades at the end of each month and would need to have trading agreements in place with several bidders to ensure that these transactions are executed at the most efficient price.

### *Financial Hedges*

There is a very deep and liquid financial market that can be used to develop an alternative hedging strategy. Natural gas hedges are generally based on a futures contract listed on the New York Mercantile Exchange ("NYMEX"). Hedgers can buy and sell the contract directly through the exchange, or execute privately negotiated transactions that are based on the contract.

#### Hedging with NYMEX Futures

Hedging with futures involves buying a contract for the future delivery of natural gas in a specified month. The NYMEX contract is actually a physical contract. We consider it a financial hedge however, since most futures positions are reversed just prior to the month the commodity is to be delivered. By closing out the physical transaction, cashflows are simply exchanged and no gas flows. The physical nature of the contract, however, keeps the financial market in line with the price of transactions in the physical market. At the time the contract expires (the last trading day before the gas is to be delivered), futures prices and physical market prices converge.

The NYMEX contract is a standard contract for 10,000 MMBtu/month of gas to be delivered at the Henry Hub marketplace in Louisiana. The benefits of hedging with the contract are standardization, deep liquidity, low transaction costs and very low credit risk. The exchange acts as a clearing house and all parties transact with the exchange. The exchange itself, which is now part of the CME Group, has a counterparty credit rating of Aa3/AA. In addition, the exchange provides transparency in pricing.

There are several drawbacks to hedging directly with NYMEX futures contracts. First, the nature of the physical futures transaction requires that MTS execute a close-out trade at the end of each month. Like the physical hedge described above, MTS may or may not close out at exactly the listed contract closing price. To reduce the administrative burden of executing a second transaction for small users and reduce transaction risk around closing, NYMEX has introduced a smaller (2,500 MMBtu/month), financial contract that settles at the NYMEX closing price. This contract, the miNY Natural Gas Futures, enables the purchaser to receive, or requires the purchaser to pay, the difference between the purchase price of the contract for a given month and the closing price of the NYMEX Natural Gas Futures contract for the same month. While clearly more convenient, there is little liquidity in the miNY contract beyond four months. For this reason, we believe the basic NYMEX futures contract is a more appropriate hedging tool should this option be selected.

A second drawback to hedging with NYMEX Futures is that there can be a substantial differential between the price of gas in Louisiana and the southern California border. To have a relatively effective hedge, MTS would have to execute additional contracts to manage this basis differential. The exchange has recently offered a Basis Swap contract, which is a financial contract cleared through the NYMEX clearing system, ClearPort. The market for this product has historically been a dealer to dealer market. It is difficult to determine the volume of transactions that have migrated to the exchange at this time. This contract is, however, clearly not as liquid as the NYMEX natural gas futures. The NYMEX Basis swap contract is for 2,500

MMBtu/month and must be purchased or sold in quantities that are multiples of the number of days in the month. Since the contract is a financial and not a physical contract, it does not require MTS to reverse the transaction prior to the hedged month. It does, however, add a third transaction (in addition to the original purchase and close out sale) for each month hedged. Thus, hedging with NYMEX futures will require 36 separate transactions each year. An illustration of this strategy for a single month is included as Exhibit II.

Third, to preserve its credit rating, NYMEX/CME has strict margin requirements. To hedge MTS' current annual requirement, we expect the minimum margin requirement for the combination of NYMEX futures and NYMEX SoCal Basis Swaps to be in the range of \$500,000. Since the margin is to protect the exchange from a failure to settle a closed position, the margin requirement fluctuates regularly with market prices. MTS could be required to post additional security on short notice.

Fourth, in order to transact in NYMEX futures, hedgers must become a member of the NYMEX Exchange (through the purchase of a "seat") or have an account with an exchange member. For an entity such as MTS who will transact relatively infrequently, it is far more economic to open a futures account with a NYMEX member firm. Margin requirements are lower for customers having an account at one of approximately 40 NYMEX Clearing Member Firms. Trading requires execution through a broker who transmits the trade to the Member's representative on the exchange trading floor.

In summary, whether MTS remains a SDG&E gas customer or participates in the CAT program with an index based supply contract, a hedge program based on NYMEX futures contracts can be constructed that will very effectively mitigate wide swings from MTS' budget for gas purchases with very little credit exposure. The program could require frequent margin posting and would require the execution of monthly close-out trades and basis swaps as well as payment of account maintenance fees.

#### Hedging with Commodity Swaps

In lieu of executing individual futures contracts for each month hedged, a market has developed for commodity swaps that combine hedges for multiple months in a single transaction. A commodity swap is a purely financial transaction that does not require an offsetting transaction on a monthly basis. The two parties agree to exchange prices for an agreed upon quantity of gas each month. A commodity swap hedge would result in MTS paying a fixed price to a swap counterparty in exchange for the SoCal FOM Index. The fixed swap price reflects the present value of the prices for each month available in the futures market. An illustration of the natural gas swap hedge appears in Exhibit III.

The market for commodity swaps is fairly broad. Commodity swaps are generally executed directly between two counterparties and not traded on an exchange. Many of the country's large financial institutions make markets in commodity swaps. Other major players include gas producers and marketers who use the contracts to both trade and hedge their underlying physical positions. Commodity swaps are executed using standard documentation developed by the International Swap and Derivatives Association, (the "ISDA"). The ISDA is a master agreement

that only needs to be negotiated once. Subsequent transactions are executed by separate confirmation agreements that are attached to the master agreement.

The benefits of a commodity swap are its ease of execution, customization in quantity and term, low administrative burden and high hedge efficiency. Because the swap and futures market can be easily arbitrated if they are out of line, pricing in the swap market reflects the same forward pricing available in the futures market. The swap counterparty is generally not in the transaction to speculate and will typically offset its exposure by executing a similar but opposite swap, or by buying or selling futures contracts. The swap counterparty makes money through a bid-offer spread on the swap. The mid-swap price is the price that can be achieved in the futures market. The mid-offer transaction fee is approximately \$.01-\$.02/MMBtu for swaps with a term of five years or less.

Swaps can be customized with different quantities for each month. The transactions can also be easily done for periods of one month to up to five years. Because the swap counterparty pays the SoCal FOM Index, the swap eliminates the risk that a monthly close-out transaction is not executed at or very close to the index that was the basis for the hedge.

The major risk to MTS in hedging with a commodity swap is counterparty credit risk. If MTS were to execute a swap and expected to receive the SoCal FOM Index, MTS would be left unhedged if the counterparty should default on its obligation. Unlike an exchange which clears all transactions, bi-lateral transactions in the swap market require careful credit review prior to execution. Counterparty credit risk is typically managed either by (i) executing commodity swaps only with highly rated counterparties, (ii) minimizing the term of the transaction, or (iii) requiring collateral for the market value of the transaction less some threshold amount. With MTS' revenue bond ratings of A1/A, we do not believe that MTS would have any significant collateral requirements, or credit expense, associated with a commodity swap. MTS should limit its exposure by requiring a collateral agreement from the swap counterparty.

Another drawback of the commodity swap is that the market does not offer the same transparency as the futures market. The market does, however, very closely match the futures market, so it is possible to monitor the value of the swap over time. At the time a swap is executed, it is typical to obtain two or more live bids from counterparties who are prepared to transact. Should MTS select this hedging option, we recommend that prices be obtained from at least three counterparties to ensure the transaction is executed at the best possible price.

#### Caps, Collars and Floors

Additional financial products that are used for hedging commodities prices include options such as caps, floors and collars. Like commodity swaps, these products are bi-lateral contracts executed under the ISDA master agreement. The options are used more like insurance policies and do not effectively hedge the fixed price at the time the option is purchased. A cap will limit an end user's exposure to rising gas prices, but will allow the user to benefit if prices fall. Similarly, a floor will hedge a producer's risk from falling prices, but will allow the producer to benefit from rising prices. These options are very expensive if they are purchased at levels close to market prices. To off-set the price of a close to market call, purchasers of call options often

sell floors (thereby agreeing to pay the other party the difference between a market price below the floor price and the floor price). The combination is known as a collar and effectively limits gas price risk exposure to a range bound by the cap price on the up-side and the floor price on the down side. Since MTS' current goal is to hedge its variance to budget, we do not believe these are appropriate hedging products for MTS' purpose.

## Section Five Hedging Strategy Recommendation

We have prepared a comparative analysis of the costs and benefits derived from hedging with physical transactions, NYMEX contracts and commodity swaps. The analysis is attached as Appendix B. The analysis indicates that the physical hedging strategy could result in a variance to budget in the range of \$115,000 if the close-out transactions are executed at an average price that is \$.25/MMBtu below the actual SoCal FOM Index. Since the NYMEX and Swap transactions are settled on the actual SoCal FOM Index, they are far better hedges and will result in an insignificant variance to budget if all other factors are held constant. With an embedded transaction cost of \$.02/MMBtu, the swap strategy will cost approximately \$10,000 more than a *perfectly* executed NYMEX futures strategy. Since the futures strategy requires MTS to close-out the prompt month contract on the last day of trading, it is highly improbable that MTS will execute the close-out trade at exactly the NYMEX closing price. Even if MTS waits until the last 15 minutes of trading, a swing of \$.02/MMBtu or more is very possible. In our view, the ease of execution and certain outcome makes the commodity swap the most appropriate hedging product for MTS. The commodity swap is a highly efficient and low cost hedging tool, which if executed with appropriate credit protection, will provide MTS with budget assurance and no significant risk.

The swap will produce gains and losses each fiscal year. When gas prices rise, MTS will receive the net difference from the hedged swap price and the higher market prices. This gain will offset the higher than anticipated bills MTS will receive from SDG&E. Conversely, if market prices fall, MTS will have a loss on the hedge and will have to pay the swap counterparty the differential between the hedged swap price and lower market prices. This payment will be offset by the fact that MTS will receive lower than expected bills from SDG&E or its GSP. The magnitude of the gains and losses for a \$2.00/MMBtu swing in gas prices is illustrated in the table below.

**Summary of Commodity Swap Hedge Effectiveness**  
Based on Projected Volumes for FY 09 and CAT Program  
All Other Variables Held Constant

Hedged Gas Price \$/MMBtu	Budgeted Gas Price	Actual Gas Price \$/MMBtu	Billed Gas Price	Gain/ (Loss) on Hedge	Total Cost Including Hedge	Over/ (Under) Budget
6.16	\$2,975,307	4.16	\$2,017,982	(\$933,163)	\$2,951,145	(\$24,162)
6.16	\$2,975,307	6.16	\$2,967,171	(\$8,363)	\$2,975,534	\$227
6.16	\$2,975,307	8.16	\$3,916,360	\$916,437	\$2,999,923	\$24,616

## Section Four

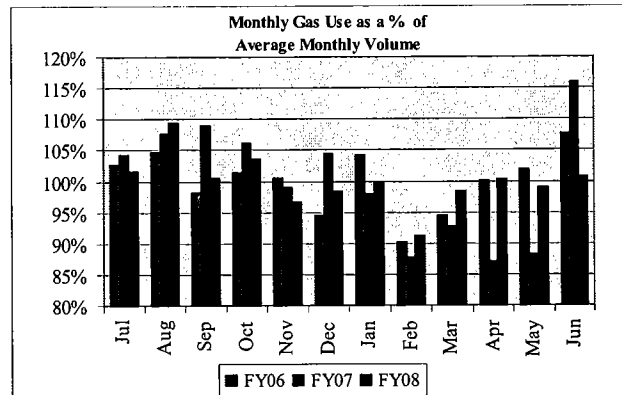
### Factors that Influence the Success of the Hedge

Each of the hedges described above will provide a fixed price for the volume hedged. MTS will use the fixed price and quantity hedged in the development of its annual budget. Since we have determined that WACOG can differ from the SoCal FOM Index price in specific months, a presumed WACOG basis should be added to the hedged price for budget purposes if MTS remains a SDG&E bundled customer. Once the hedge is in place and the budget is established, MTS' budget variance for gas purchases will be substantially reduced. The variance will not, however, be zero, due to a number of factors that simply cannot be hedged. These factors include:

- Volume Risk
- SoCal /WACOG Basis Risk (for bundled service)
- CPUC Regulatory Risk

#### *Volume Risk*

We have examined MTS' historical gas use and found that with a few exceptions the volumes are relatively constant month to month. There are monthly variations that appear from year to year as illustrated in the chart at right. These variations, which indicate slightly lower than average use in the first quarter and slightly above average use in the third quarter, may be caused by calendar issues such as the number of days, weekends or holidays during a month or operational changes such as the delivery of new gas fueled vehicles to MTS' fleet. Since SoCal border prices, and WACOG prices, vary by month, MTS should establish its budget and execute its hedge based on a projection of monthly fuel requirements. To the extent that MTS' gas use is higher or lower than projected in any month, MTS may have a gain or loss on the hedge that will not be offset with gas purchases from SDG&E or a GSP.



We have designed a hedge strategy that is based on MTS' projected FY 09 gas volume of 461,864 MMBtu. To evaluate the impact of monthly volume risk, we tested the hedge strategy using a scenario in which MTS' hedge and budget assumed the three year average for monthly gas use as a percentage of the annual total and that MTS' actual monthly volumes were equal in each month. We found that this outcome resulted in an additional variance to budget of approximately \$8,000 compared to a scenario in which the volume actually was the same as the three year average. We conclude that while monthly variations from the hedged volumes will impact the effectiveness of the hedge, this is a very low and acceptable risk.

Of greater importance is a significant deviation in MTS' annual gas consumption. A labor strike, severe service cutbacks or a failure to deliver several busses that were expected on time will

result in a significantly larger variation from budget. If volumes are significantly less than projected and gas prices have fallen, MTS will have a loss on the hedge. With lower gas prices and lower volumes, MTS will also have lower gas bills from SDG&E. The lower bills, combined with the hedge, will result in a total cost that will still be below budget, however the average cost/MMBtu of gas consumed will be greater than if the volume of gas consumed was actually as projected. If higher unit costs are a concern to MTS, a portion of the swap can be terminated (which will stop any additional losses on the excess hedge) at any time that it becomes apparent that MTS' volumes will be substantially below the hedged volumes. As the table below illustrates, if prices have risen, the gain on the additional volumes of hedged gas will result in additional savings relative to budget.

**Impact of 10% Reduction in Annual Consumption**  
Hedge Based on Projected Volumes for FY 09 and CAT Program  
NYMEX Change +/- \$2.00/MMBtu, All Other Variables Held Constant

Hedged Gas Price \$/MMBtu	Projected Consumption (MMBtu)	Budgeted Gas Price	Actual Gas Price \$/MMBtu	Actual Consumption (MMBtu)	Billed Gas Price	Gain/ (Loss) on Hedge	Total Cost Including Hedge	Over/ (Under) Budget	Average Gas Price
6.16	461,864	\$2,975,307	4.16	415,677	\$1,816,526	(\$933,163)	\$2,749,689	(\$225,618)	6.61
6.16	461,864	\$2,975,307	6.16	415,677	\$2,670,796	(\$8,363)	\$2,679,159	(\$296,148)	6.45
6.16	461,864	\$2,975,307	8.16	415,677	\$3,525,066	\$916,437	\$2,608,629	(\$366,678)	6.28

We have performed an additional analysis to test the impact of hedging less than MTS' projected annual volumes. Gas and electric utilities often take this approach to leave a small opportunity for their ratepayers to gain if energy costs should fall without assuming a large exposure to higher prices. As illustrated in the chart below, if MTS were to hedge only 90% of its projected natural gas requirements and MTS' actual consumption was as projected, MTS can expect to have a variance to budget of approximately +/- \$120,000. Since MTS' goal is to ensure that its natural gas budget is not exceeded, we recommend hedging 100% of MTS' projected volumes.

**Impact of 90% Hedge Ratio**  
Hedge Based on 90% of Projected Volumes for FY 09 and CAT Program  
NYMEX Change +/- \$2.00/MMBtu, All Other Variables Held Constant

Hedged Gas Price \$/MMBtu	Hedged Consumption (MMBtu)	Budgeted Gas Price	Actual Gas Price \$/MMBtu	Actual Consumption (MMBtu)	Billed Gas Price	Gain/ (Loss) on Hedge	Total Cost Including Hedge	Over/ (Under) Budget
6.16	413,700	\$2,975,307	4.16	461,864	\$2,017,243	(\$834,959)	\$2,852,201	(\$123,106)
6.16	413,700	\$2,975,307	6.16	461,864	\$2,966,432	(\$7,559)	\$2,973,990	(\$1,317)
6.16	413,700	\$2,975,307	8.16	461,864	\$3,915,621	\$819,841	\$3,095,779	\$120,472

#### *SoCal Border FOM Index – WACOG Basis Risk*

If MTS does not transfer service to the CAT program, MTS will experience budget variance even with a solid hedge in place if the actual variation between the SoCal FOM Index received on the swap and WACOG vary from what was assumed when the budget is adopted. We have prepared a sensitivity case in which we assumed that the basis differential for the last twelve months was used to establish the budget. As illustrated on page 4, over this period, the WACOG price was \$.18/MMBtu below the SoCal FOM Index on average. If the actual basis turned out to be the same as the average for the last three fiscal years (during which time WACOG was below SoCal FOM Index by \$.04/MMBtu on average), MTS' actual gas cost would be approximately \$65,000 higher than budget.

While we believe the variance from basis risk described above is within an acceptable range, we would advise monitoring SDG&E's own hedging activities. SDG&E employs certain hedging products to provide ratepayers and shareholders some protection. These hedges require CPUC approval and have, in the past, had little impact on the WACOG price since they are designed to serve as a cap in the event of significant and abnormal price spikes. However, it is possible that additional hedging strategies could be authorized in the future, which could impact the relationship between SoCal Border prices and WACOG. If MTS does not transfer to the CAT program, MTS should be required to re-evaluate its budget practices as soon as it becomes aware of any significant change in the way SDG&E procures natural gas or operates its storage facilities.

### **Section Seven Hedge Term and Timing of Execution**

MTS has expressed a desire to have a hedge in place by November for the following budget year. In keeping with MTS' stated goal that the hedging program be designed for price certainty and not speculation, it is appropriate to direct staff to execute the program over a defined period so that market timing will not overly influence execution decisions. Unfortunately, the size of MTS' load will necessitate a single hedge per year. Staff should have some flexibility to minimize the risk that market shocks around the time of execution will result in MTS budgeting, and paying, significantly more for gas than other SDG&E customers.

There is no premium for forward transactions. The forward prices are simply the market's collective view of where prices will be in those future months. Forward prices are often based on normalized weather conditions and reflect anticipated changes in supply and demand. MTS should be mindful of the risk that a longer forward period carries with it greater risk that the locked prices will be different than WACOG prices.

As FY09-10 is fast approaching, it is appropriate for MTS to execute one swap for projected needs in FY09-10 as soon as possible. The routine hedge program should commence in October or November for FY10-11.

### **Section Eight Implementation**

Prior to proceeding with a hedging program, MTS should adopt a formal policy (the "Hedge Policy") that will direct the program's implementation. The Hedge Policy should include:

- **Authorization to Transact**
- **Delegation to Staff**
- **Counterparty Credit Criteria**
- **Transaction Limits**
- **Frequency of Trades**
- **Monitoring and Reporting Responsibility**
- **Procedures for Mid-Term Corrections or Exceptions**

### *Authorization*

The Hedge Policy should authorize the Chief Executive Officer, or his or her designee, to execute trade confirmations that meet the requirements set forth in the policy. Swap prices are only good for minutes and need to be executed quickly. It is critical to have access to an authorized individual to telephonically confirm each trade within minutes of receiving quotes.

### *Delegation to Staff*

An effective hedge program requires accountability. Although the commodity swap structure was specifically selected to reduce administrative burden, management and oversight of the program should be delegated to an individual in a specific position. Additional responsibility for monitoring or reporting may be additionally delegated or left to the direction of the program manager. It may be appropriate for a group of individuals to be involved in the design and development of the program, however, once the program is underway, accountability is a must.

### *Counterparty Credit Criteria*

As we noted early on, the risk that MTS is hedging is typically in the range of \$2.0-2.5 million/year. MTS' Hedge Policy should include specific credit criteria that will enable the program manager to determine whether he/she is authorized to transact with a given counterparty. We recommend that MTS consider only transacting with counterparties who have executed an ISDA Master Agreement which includes a credit and support annex. Although credit limits for margin posting are negotiable, the Hedge Policy should contain maximum credit limits so that staff is authorized to execute with any party willing to accept the maximum limit or less. Counterparty credit limits in the following amounts are generally acceptable to market participants:

- \$25 million for a A3/A- or better credit
- \$15 million for a Baa1/BBB+ credit
- \$10 million for a Baa2/BBB credit
- \$2.5 million for a Baa3/BBB- credit
- \$0 for a Baa3/BBB- on credit watch

### *Transaction Limits*

Transactions should initially be limited to 12 months strips whose months fall within a single fiscal year. MTS may also want to initially establish that no more than 100% of MTS' projected gas consumption can be hedged at any single time.

### *Frequency of Trades*

Given the size and purpose of MTS' hedge program, and the transaction limits outlined above, the Hedge Policy should limit the frequency of transactions to no more than twice for each fiscal year. Transactions should also take place no more than 12 months prior to the beginning of a

Fiscal Year, and the entire year should be hedged by the first week of December prior to the fiscal year.

Once executed, the swaps should not be offset or terminated to realize gains or losses. Offsetting transactions should only be authorized to mitigate the effects of changes in projected consumption that are in excess of +/- 10% than the amount hedged in any month.

#### *Monitoring and Reporting Responsibility*

The Hedge Policy should require that the effectiveness of the hedge be evaluated on at least a quarterly basis. Monitoring activities might include, but not be limited to, updating MTS' projected gas requirements, preparing a mark-to-market calculation and a credit check on MTS' counterparty. If MTS does not transfer to the CAT program, monitoring activities should also include reviewing CPUC proceedings to determine whether any significant change to the WACOG price methodology has been introduced, evaluating whether SDG&E has significantly changed its own hedging policies and reviewing the SoCal FOM Index – WACOG basis.

The hedge strategy discussed herein is intended to be a long term strategy that will significantly reduce budget volatility. While we acknowledge there will be deviations to budget throughout the year, over the course of a year the hedge should be very effective. Actual gas costs, including gains or losses on the hedge, should be compared to budget at least quarterly. Inquiry should be required if deviations are in excess of 5%.

#### *Procedures for Mid-Term Corrections or Exceptions*

While we do not anticipate the need for deviations from the Hedge Policy, procedures should be established to discuss and/or authorize transactions that may be necessary to mitigate unusual circumstances. If, for instance, SDG&E announces that it has hedged a significant portion of its WACOG price, MTS may want to take gains, or limit losses, on a portion of the hedge that would no longer be necessary. These mid-term corrections will be highly unusual and very infrequent, however if they should occur they will require immediate attention.

### **Section Nine Summary**

We have examined the range of techniques and products available to MTS to accomplish the stated goal of achieving budgetary certainty with respect to the cost of natural gas. Natural gas prices are among the most volatile of any traded commodity largely due to the impact on both supply and demand of extreme weather events. Without employing some form of price hedging, it is highly likely that MTS will continue to experience significant variance between the budgeted and actual cost of natural gas.

Due to their ease of execution, high efficiency and low transaction costs, we recommend that MTS use financial products in the form of commodity swaps to hedge its gas price risk. The commodity swaps will involve MTS paying a fixed price for gas while receiving a variable price. The variable price will exactly match the price MTS would pay to a GPS under the Cat Program

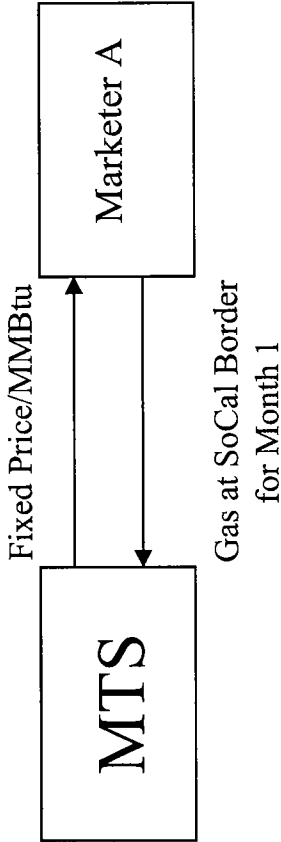
or will closely match the WACOG price MTS currently pays to SDG&E. Through sensitivity analyses, we have demonstrated that this approach will result in a high degree of budget certainty irrespective of whether MTS chooses to transfer to the CAT program. We further recommend that MTS adopt formal policies and procedures that expressly authorize the execution of commodity swaps and provide guidance for implementing and monitoring the program over time.

With respect to the CAT program, our analysis shows that MTS could expect savings in the range of \$75,000 to \$150,000 per year depending upon the variation between expected and actual gas consumption as well as the pricing band allowed by the supplier. If this potential savings is of interest to MTS, we recommend that indicative proposals be solicited from at least three certified gas suppliers to provide comfort that savings in this range could be achieved prior to making a final decision.

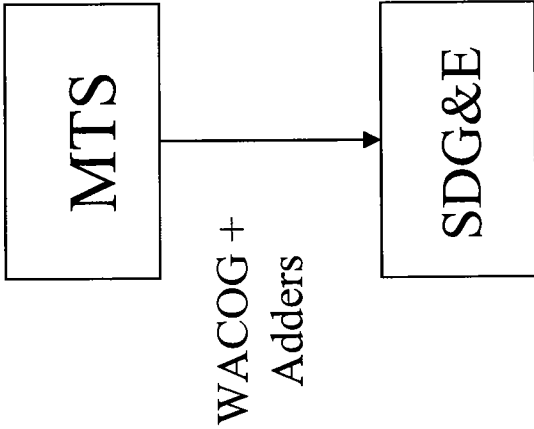
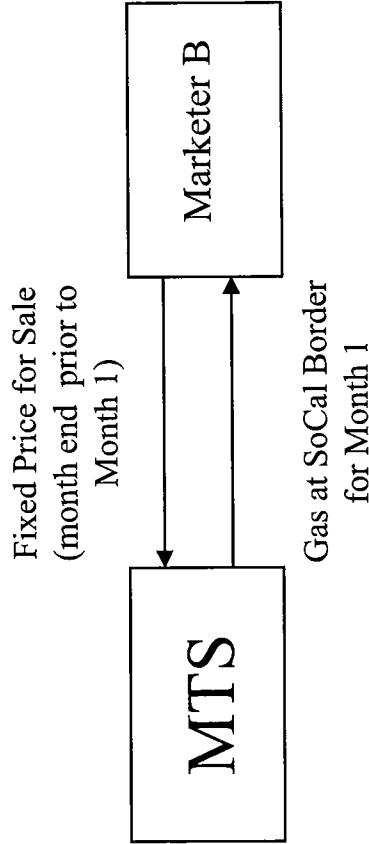
## **Exhibits**

# Physical Commodity Hedge - Month 1

## Purchase Hedge



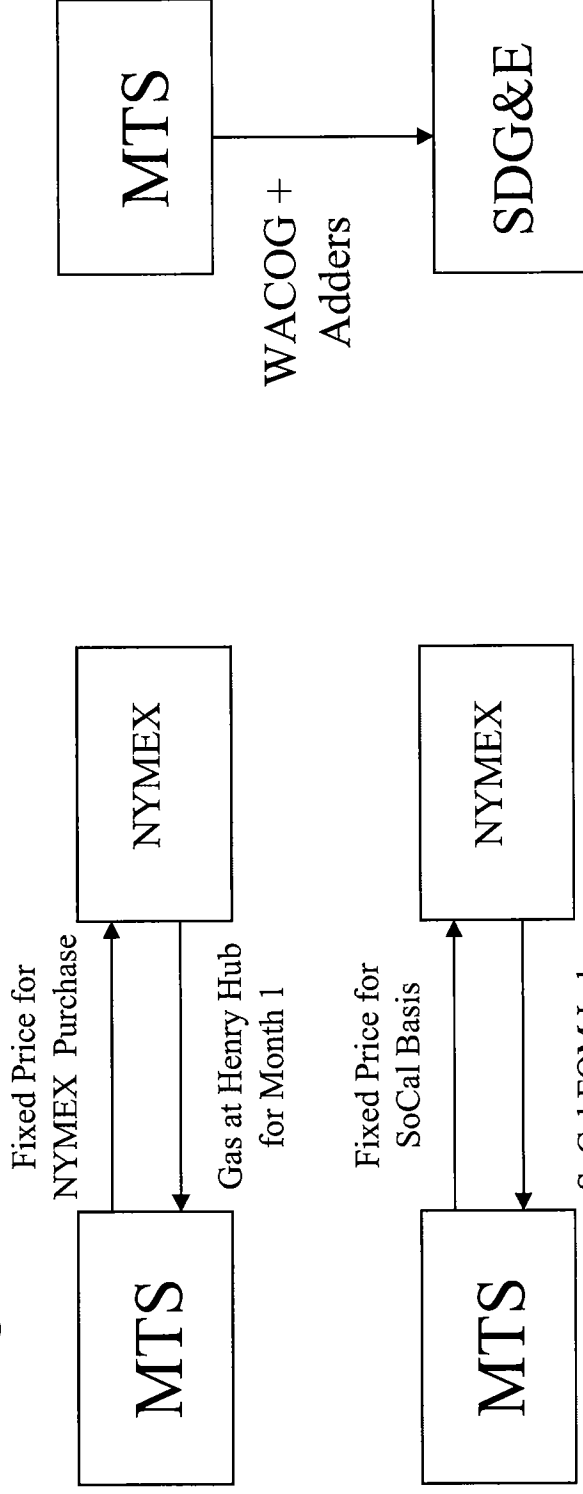
## Sell Hedge



*Net Cost to MTS:*  
Hedged SoCal Price – close to SoCal FOM Index + WACOG + Adders

# Commodity Futures – Hedged Month 1

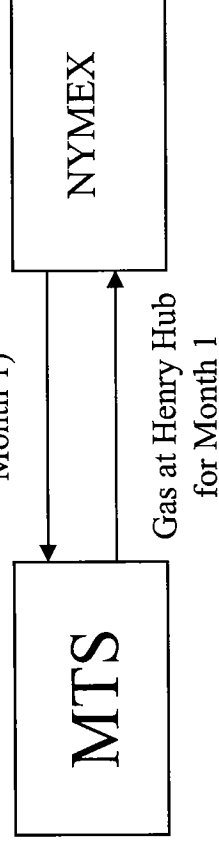
## Purchase Hedge



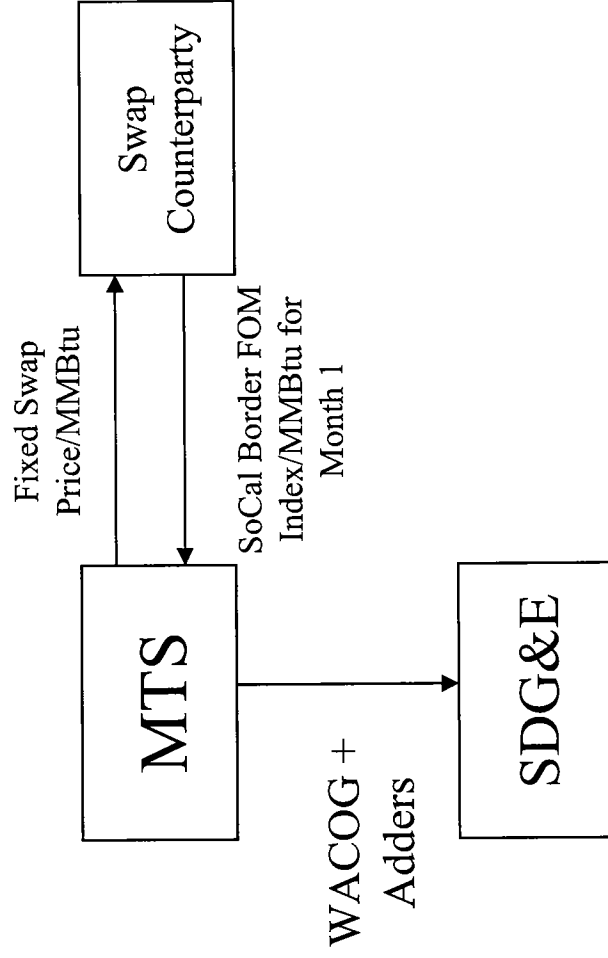
*Net Cost to MTS:*

Fixed Futures Price + Fixed SoCal Basis – close to NYMEX Closing Price – (SoCal FOM Index – Closing NYMEX Price) + WACOG + Adders  
 Or approximately-  
 Hedged SoCal Price - SoCal FOM Index + WACOG + Adders

## Sell Hedge



# Commodity Swap –Month 1



*Net Cost to MTS:*  
 Fixed Swap Price - SoCal FOM Index +  
 WACOG + Adders

# **Appendix A**

## **Core Transportation Aggregation Program**

**San Diego Metropolitan Transportation System  
CAT Program Savings Summary**

**Volume as Projected**

GSP Index Adder (\$/MMBtu)	0.05	0.10	0.20
CAT Program Savings	\$143,035	\$119,941	\$73,755

**Actual Volume 85% of Projected  
Daily Prices Two Standard Deviations Below FOM Index**

GSP Index Adder (\$/MMBtu)	0.05	0.10	0.20
CAT Program Savings	\$81,248	\$60,440	\$18,824

**Actual Volume 115% of Projected  
Daily Prices Two Standard Deviations Above FOM Index**

GSP Index Adder (\$/MMBtu)	0.05	0.10	0.20
CAT Program Savings	\$127,501	\$102,069	\$51,205

**San Diego Metropolitan Transportation System  
CAT Program Analysis**

Scenario: Natural Gas Prices: Stay the Same So Cal Border Basis: Stays the Same CAT Purchased Annual Volume: Projected  
 Budgeted WACOG Basis: 3 Year Avg. Budgeted Seasonality: 3 Year Avg. Actual Annual Volume: Projected  
 Actual WACOG Basis: 3 Year Avg. Actual Seasonality: 3 Year Avg. Daily Index: Average

Delivery Month	CAT FOM Index Price				Actual Prices			
	Close NYMEX	Close Basis	CAT Adder	CAT Gas	So Cal FOM Index	WACOG Basis	WACOG Price	GPC Price
Jul-09	\$5.94	(\$0.40)	\$0.10	\$5.64	\$5.54	(\$0.26)	\$5.28	\$5.83
Aug-09	6.04	(0.40)	0.10	5.75	5.65	(0.40)	5.25	5.80
Sep-09	6.10	(0.40)	0.10	5.80	5.70	(0.29)	5.41	5.96
Oct-09	6.21	(0.96)	0.10	5.35	5.25	(0.07)	5.18	5.73
Nov-09	6.67	(1.10)	0.10	5.66	5.56	(0.81)	4.76	5.31
Dec-09	7.14	(0.63)	0.10	6.61	6.51	0.13	6.64	7.19
Jan-10	7.42	(0.47)	0.10	7.05	6.95	0.16	7.11	7.66
Feb-10	7.43	(0.47)	0.10	7.06	6.96	0.14	7.10	7.65
Mar-10	7.26	(0.47)	0.10	6.89	6.79	0.36	7.15	7.70
Apr-10	6.78	(0.48)	0.10	6.41	6.31	0.55	6.85	7.40
May-10	6.76	(0.48)	0.10	6.38	6.28	(0.09)	6.19	6.74
Jun-10	6.86	(0.48)	0.10	6.48	6.38	0.06	6.44	6.99
Average:				\$6.26	\$6.16	(\$0.04)	\$6.11	\$6.66

	Estimated Volume MMBtu	CAT Purchase MMBtu/Day	Contract Monthly Volume	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	MTS CAT Gas Cost	GPS+ Franchise Fee	CAT Savings
Jul	39,582	1,300	40,300	39,582	44,330	36,270	-	5.56	39,582	\$223,242	\$6,360	\$229,602	\$232,197	\$2,595
Aug	41,268	1,300	40,300	41,268	44,330	36,270	-	5.67	41,268	237,208	6,598	243,806	240,877	(2,929)
Sep	39,479	1,300	39,000	39,479	42,900	35,100	-	5.72	39,479	228,977	6,486	235,463	236,792	1,329
Oct	39,900	1,300	40,300	39,900	44,330	36,270	-	5.27	39,900	213,447	6,304	219,751	230,148	10,397
Nov	37,995	1,300	39,000	37,995	42,900	35,100	-	5.58	37,995	215,220	5,560	220,781	203,006	(17,775)
Dec	38,150	1,200	37,200	38,150	40,920	33,480	-	6.53	38,150	252,247	7,565	259,813	276,204	16,391
Jan	38,761	1,300	40,300	38,761	44,330	36,270	-	6.97	38,761	273,247	8,186	281,433	298,860	17,427
Feb	34,528	1,200	33,600	34,528	36,960	30,240	-	6.98	34,528	243,817	7,284	251,101	265,935	14,833
Mar	36,642	1,200	37,200	36,642	40,920	33,480	-	6.81	36,642	252,632	7,778	260,409	283,968	23,559
Apr	36,891	1,200	36,000	36,891	39,600	32,400	-	6.33	36,891	236,363	7,530	243,893	274,907	31,015
May	37,065	1,200	37,200	37,065	40,920	33,480	-	6.30	37,065	236,550	6,890	243,440	251,550	8,111
Jun	41,602	1,400	42,000	41,602	46,200	37,800	-	6.40	41,602	269,665	8,016	277,681	292,668	14,987
	461,864		462,400	461,864					461,864	\$2,882,616	\$84,555	\$2,967,171	\$3,087,113	\$119,941

**San Diego Metropolitan Transportation System  
CAT Program Analysis**

Scenario:  
 Natural Gas Prices: Stay the Same  
 Budgeted WACOG Basis: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg.  
 So Cal Border Basis: Stays the Same  
 Budgeted Seasonality: 3 Year Avg.  
 Actual Seasonality: 3 Year Avg.  
 CAT Purchased Annual Volume: Projected  
 Actual Annual Volume: 85% of Projected  
 Daily Index: Less 2 Std Dev

Delivery Month	CAT FOM Index Price			Actual Prices		
	Close NYMEX	Close Basis	CAT Adder	So Cal FOM Index	WACOG Basis	WACOG Price
Jul-09	\$5.94	(\$0.40)	\$0.10	\$5.54	(\$0.26)	\$5.28
Aug-09	6.04	(0.40)	0.10	5.65	(0.40)	5.25
Sep-09	6.10	(0.40)	0.10	5.70	(0.29)	5.41
Oct-09	6.21	(0.96)	0.10	5.25	(0.07)	5.18
Nov-09	6.67	(1.10)	0.10	5.56	(0.81)	4.76
Dec-09	7.14	(0.63)	0.10	6.51	0.13	6.64
Jan-10	7.42	(0.47)	0.10	6.95	0.16	7.11
Feb-10	7.43	(0.47)	0.10	6.96	0.14	7.10
Mar-10	7.26	(0.47)	0.10	6.79	0.36	7.15
Apr-10	6.78	(0.48)	0.10	6.31	0.55	6.85
May-10	6.76	(0.48)	0.10	6.28	(0.09)	6.19
Jun-10	6.86	(0.48)	0.10	6.38	0.06	6.44
Average:				\$6.16	(\$0.04)	\$6.11
						\$6.66

	Estimated Volume MMBtu	CAT Purchase MMBtu/Day	Contract Monthly Volume	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	MTS CAT Gas Cost	GPS+ Franchise Fee	CAT Savings
Jul	39,582	1,300	40,300	33,645	44,330	36,270	(2,625)	3.88	36,270	\$194,379	\$5,406	\$199,784	\$197,368	(\$2,417)
Aug	41,268	1,300	40,300	35,078	44,330	36,270	(1,192)	3.99	36,270	203,726	5,608	209,334	204,745	(4,589)
Sep	39,479	1,300	39,000	33,557	42,900	35,100	(1,543)	4.04	35,100	197,347	5,513	202,860	201,273	(1,587)
Oct	39,900	1,300	40,300	33,915	44,330	36,270	(2,355)	3.59	36,270	185,576	5,358	190,934	195,626	4,691
Nov	37,995	1,300	39,000	32,295	42,900	35,100	(2,805)	3.90	35,100	187,875	4,726	192,602	172,555	(20,047)
Dec	38,150	1,200	37,200	32,427	40,920	33,480	(1,053)	4.85	33,480	216,264	6,430	222,694	234,773	12,079
Jan	38,761	1,300	40,300	32,947	44,330	36,270	(3,323)	5.29	36,270	238,111	6,958	245,069	254,031	8,962
Feb	34,528	1,200	33,600	29,349	36,960	30,240	(891)	5.30	30,240	208,814	6,191	215,006	226,044	11,039
Mar	36,642	1,200	37,200	31,146	40,920	33,480	(2,334)	5.13	33,480	218,846	6,611	225,457	241,373	15,916
Apr	36,891	1,200	36,000	31,358	39,600	32,400	(1,042)	4.65	32,400	202,744	6,400	209,144	233,671	24,527
May	37,065	1,200	37,200	31,505	40,920	33,480	(1,975)	4.62	33,480	204,544	5,856	210,400	213,818	3,417
Jun	41,602	1,400	42,000	35,362	46,200	37,800	(2,438)	4.72	37,800	233,508	6,814	240,322	248,768	8,446
	461,864		462,400	392,584					416,160	\$2,491,735	\$71,872	\$2,563,606	\$2,624,046	\$60,440

**San Diego Metropolitan Transportation System  
CAT Program Analysis**

**Scenario:**

Natural Gas Prices: Stay the Same      So Cal Border Basis: Stays the Same      CAT Purchased Annual Volume: Projected  
 Budgeted WACOG Basis: 3 Year Avg.      Budgeted Seasonality: 3 Year Avg.      Actual Annual Volume: 115% of Projected  
 Actual WACOG Basis: 3 Year Avg.      Actual Seasonality: 3 Year Avg.      Daily Index: Plus 2 Std Dev

Delivery Month	CAT FOM Index Price				Actual Prices			
	Close NYMEX	Close Basis	CAT Adder	CAT Gas	So Cal FOM Index	WACOG Basis	WACOG Price	GPC Price
Jul-09	\$5.94	(\$0.40)	\$0.10	\$5.64	\$5.54	(\$0.26)	\$5.28	\$5.83
Aug-09	6.04	(0.40)	0.10	5.75	5.65	(0.40)	5.25	5.80
Sep-09	6.10	(0.40)	0.10	5.80	5.70	(0.29)	5.41	5.96
Oct-09	6.21	(0.96)	0.10	5.35	5.25	(0.07)	5.18	5.73
Nov-09	6.67	(1.10)	0.10	5.66	5.56	(0.81)	4.76	5.31
Dec-09	7.14	(0.63)	0.10	6.61	6.51	0.13	6.64	7.19
Jan-10	7.42	(0.47)	0.10	7.05	6.95	0.16	7.11	7.66
Feb-10	7.43	(0.47)	0.10	7.06	6.96	0.14	7.10	7.65
Mar-10	7.26	(0.47)	0.10	6.89	6.79	0.36	7.15	7.70
Apr-10	6.78	(0.48)	0.10	6.41	6.31	0.55	6.85	7.40
May-10	6.76	(0.48)	0.10	6.38	6.28	(0.09)	6.19	6.74
Jun-10	6.86	(0.48)	0.10	6.48	6.38	0.06	6.44	6.99
Average:				\$6.26	\$6.16	(\$0.04)	\$6.11	\$6.66

	Estimated Volume MMBtu	CAT Purchase MMBtu/Day	Contract Monthly Volume	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	MTS CAT Gas Cost	GPS+ Franchise Fee	CAT Savings
Jul	39,582	1,300	40,300	45,519	44,330	36,270	1,189	7.23	44,330	\$258,624	\$7,314	\$265,938	\$267,027	\$1,089
Aug	41,268	1,300	40,300	47,458	44,330	36,270	3,128	7.34	44,330	277,775	7,587	285,362	277,009	(8,354)
Sep	39,479	1,300	39,000	45,401	42,900	35,100	2,501	7.39	42,900	267,309	7,458	274,767	272,311	(2,457)
Oct	39,900	1,300	40,300	45,885	44,330	36,270	1,555	6.94	44,330	247,943	7,249	255,193	264,670	9,477
Nov	37,995	1,300	39,000	43,694	42,900	35,100	794	7.26	42,900	248,768	6,394	255,163	233,457	(21,706)
Dec	38,150	1,200	37,200	43,872	40,920	33,480	2,952	8.21	40,920	294,790	8,700	303,490	317,634	14,145
Jan	38,761	1,300	40,300	44,575	44,330	36,270	245	8.64	44,330	314,626	9,414	324,039	343,689	19,650
Feb	34,528	1,200	33,600	39,707	36,960	30,240	2,747	8.66	36,960	284,768	8,376	293,144	305,825	12,681
Mar	36,642	1,200	37,200	42,139	40,920	33,480	1,219	8.49	40,920	292,469	8,944	301,413	326,564	25,150
Apr	36,891	1,200	36,000	42,425	39,600	32,400	2,825	8.00	39,600	276,320	8,659	284,979	316,144	31,165
May	37,065	1,200	37,200	42,625	40,920	33,480	1,705	7.98	40,920	274,749	7,923	282,673	289,283	6,610
Jun	41,602	1,400	42,000	47,842	46,200	37,800	1,642	8.08	46,200	312,732	9,218	321,950	336,568	14,618
	461,864		462,400	531,143					508,640	\$3,350,872	\$97,238	\$3,448,111	\$3,550,180	\$102,069

## **Appendix B**

# **Commodity Swap Hedge Sensitivity Analysis**

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario: Stay the Same      Stay the Same      Stay the Same  
Natural Gas Prices:      So Cal Border Basis:      Hedged Annual Volume: Projected  
Budgeted WACOG Basis: 3 Year Avg.      Budgeted Seasonality:      3 Year Avg.  
Actual WACOG Basis: 3 Year Avg.      Actual Seasonality:      3 Year Avg.

Delivery Month	Hedged Prices				Budgeted Price				Actual Prices						
	Hedged NYMEX	Hedged Basis	Swap Mid-Off	Hedged SoCal	Fixed Swap	Budgeted CAT Adder	Budgeted CAT Price	Budgeted WACOG Adder	WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	Price	GPS Price
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	\$6.26	(\$0.26)	\$5.28	\$5.94	(\$0.40)	\$5.54	(\$0.26)	\$5.28	\$5.83
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	6.26	(0.40)	5.25	6.04	(0.40)	5.65	(0.40)	5.25	5.80
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	6.26	(0.29)	5.41	6.10	(0.40)	5.70	(0.29)	5.41	5.96
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	6.26	(0.07)	5.18	6.21	(0.96)	5.25	(0.07)	5.18	5.73
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	6.26	(0.81)	4.76	6.67	(1.10)	5.56	(0.81)	4.76	5.31
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	6.26	0.13	6.64	7.14	(0.63)	6.51	0.13	6.64	7.19
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	6.26	0.16	7.11	7.42	(0.47)	6.95	0.16	7.11	7.66
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	6.26	0.14	7.10	7.43	(0.47)	6.96	0.14	7.10	7.65
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	6.26	0.36	7.15	7.26	(0.47)	6.79	0.36	7.15	7.70
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	6.26	0.55	6.85	6.78	(0.48)	6.31	0.55	6.85	7.40
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	6.26	(0.09)	6.19	6.76	(0.48)	6.28	(0.09)	6.19	6.74
Jun-10	6.86	(0.48)	0.02	6.40	6.16	0.10	6.26	0.06	6.44	6.86	(0.48)	6.38	0.06	6.44	6.99
	Average						\$6.11		\$6.16	Average:				\$6.11	\$6.66

	Estimated Volume MMBtu	CAT Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,300	40,300	\$248,203	\$223,262	(\$24,941)	39,582	44,330	36,270	-	\$5.56	39,582	\$223,242	\$6,360	\$254,543	\$444
Aug	41,268	264,889	1,300	40,300	248,203	227,614	(20,589)	41,268	44,330	36,270	-	5.67	41,268	237,208	6,598	264,395	(495)
Sep	39,479	253,579	1,300	39,000	240,197	222,300	(17,897)	39,479	42,900	35,100	-	5.72	39,479	228,977	6,486	253,359	(220)
Oct	39,900	256,036	1,300	40,300	248,203	211,555	(36,648)	39,900	44,330	36,270	-	5.27	39,900	213,447	6,304	256,399	363
Nov	37,995	243,364	1,300	39,000	240,197	217,016	(23,181)	37,995	42,900	35,100	-	5.58	37,995	215,220	5,560	243,962	598
Dec	38,150	246,341	1,200	37,200	229,111	242,246	13,136	38,150	40,920	33,480	-	6.53	38,150	252,247	7,565	246,677	335
Jan	38,761	250,788	1,300	40,300	248,203	280,065	31,862	38,761	44,330	36,270	-	6.97	38,761	273,247	8,186	249,571	(1,217)
Feb	34,528	223,389	1,200	33,600	206,939	233,906	26,968	34,528	36,960	30,240	-	6.98	34,528	243,817	7,284	224,133	745
Mar	36,642	237,119	1,200	37,200	229,111	252,755	23,645	36,642	40,920	33,480	-	6.81	36,642	252,632	7,778	236,764	(354)
Apr	36,891	238,429	1,200	36,000	221,720	227,052	5,332	36,891	39,600	32,400	-	6.33	36,891	236,363	7,530	238,561	132
May	37,065	238,876	1,200	37,200	229,111	233,690	4,580	37,065	40,920	33,480	-	6.30	37,065	236,550	6,890	238,860	(17)
Jun	41,602	268,399	1,400	42,000	258,673	268,044	9,371	41,602	46,200	37,800	-	6.40	41,602	269,665	8,016	268,310	(89)
	461,864	\$2,975,307		462,400	\$2,847,869	\$2,839,506	(\$8,363)	461,864					461,864	\$2,882,616	\$84,555	\$2,975,534	\$227

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario:

Natural Gas Prices: **Fall**      So Cal Border Basis: **Stays the Same**  
 Budgeted WACOG Basis: **3 Year Avg.**      Budgeted Seasonality: **3 Year Avg.**  
 Actual WACOG Basis: **3 Year Avg.**      Actual Seasonality: **3 Year Avg.**

Hedged Annual Volume: **Projected**  
 Actual Annual Volume: **Projected**

Delivery Month	Hedged Prices				Budgeted Price				Actual Prices			
	Hedged NYMEX	Hedged Basis	Swap Mid-Offr	Hedged SoCal	Fixed Swap	Budgeted CAT Adder	Budgeted WACOG Adder	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	GPS Price
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	\$6.26	\$5.28	(\$0.26)	\$3.94	(\$0.40)	\$3.54
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	6.26	5.25	(0.40)	4.04	(0.40)	3.65
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	6.26	5.41	(0.29)	4.10	(0.40)	3.70
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	6.26	5.18	(0.07)	4.21	(0.96)	3.25
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	6.26	4.76	(0.81)	4.67	(1.10)	3.41
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	6.26	6.64	0.13	5.14	(0.63)	3.18
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	6.26	7.11	(0.47)	5.42	(0.47)	2.76
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	6.26	7.10	(0.47)	5.43	(0.47)	4.64
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	6.26	7.15	(0.47)	5.43	(0.47)	5.19
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	6.26	6.85	(0.48)	5.26	(0.48)	5.11
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	6.26	6.19	(0.48)	4.78	(0.48)	5.15
Jun-10	6.86	(0.48)	0.02	6.40	6.16	0.10	6.26	6.44	(0.48)	4.76	(0.48)	5.40
Average:										4.86	0.06	4.44
										Average:		
										\$6.11	\$4.16	\$4.66

	Estimated Volume MMBtu	CAT Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,300	40,300	\$248,203	\$142,662	(\$105,541)	39,582	44,330	36,270	-	\$3.56	39,582	\$144,078	\$4,178	\$253,797	(\$302)
Aug	41,268	264,889	1,300	40,300	248,203	147,014	(101,189)	41,268	44,330	36,270	-	3.67	41,268	154,672	4,323	260,184	(4,706)
Sep	39,479	253,579	1,300	39,000	240,197	144,300	(95,897)	39,479	42,900	35,100	-	3.72	39,479	150,019	4,309	250,225	(3,354)
Oct	39,900	256,036	1,300	40,300	248,203	130,955	(117,248)	39,900	44,330	36,270	-	3.27	39,900	133,646	4,104	254,999	(1,037)
Nov	37,995	243,364	1,300	39,000	240,197	139,016	(101,181)	37,995	42,900	35,100	-	3.58	37,995	139,231	3,466	243,878	514
Dec	38,150	246,341	1,200	37,200	229,111	167,846	(61,264)	38,150	40,920	33,480	-	4.53	38,150	175,948	5,462	242,674	(3,668)
Jan	38,761	250,788	1,300	40,300	248,203	199,465	(48,738)	38,761	44,330	36,270	-	4.97	38,761	195,725	6,049	250,512	(276)
Feb	34,528	223,389	1,200	33,600	206,939	166,706	(40,232)	34,528	36,960	30,240	-	4.98	34,528	174,762	5,380	220,374	(3,014)
Mar	36,642	237,119	1,200	37,200	229,111	178,355	(50,755)	36,642	40,920	33,480	-	4.81	36,642	179,347	5,758	235,859	(1,259)
Apr	36,891	238,429	1,200	36,000	221,720	155,052	(66,668)	36,891	39,600	32,400	-	4.33	36,891	162,580	5,496	234,744	(3,685)
May	37,065	238,876	1,200	37,200	229,111	159,290	(69,820)	37,065	40,920	33,480	-	4.30	37,065	162,419	4,847	237,086	(1,790)
Jun	41,602	268,399	1,400	42,000	258,673	184,044	(74,629)	41,602	46,200	37,800	-	4.40	41,602	186,460	5,723	266,812	(1,586)
	461,864	\$2,375,307		462,400	\$2,847,869	\$1,914,706	(\$933,163)	461,864					461,864	\$1,958,889	\$59,093	\$2,951,145	(\$24,162)

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario: Natural Gas Prices: Rise So Cal Border Basis: Stays the Same  
 Budgeted WACOG Basis: 3 Year Avg. Budgeted Seasonality: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg. Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: Projected  
 Actual Annual Volume: Projected

Delivery Month	Hedged Prices				Budgeted Price				Actual Prices							
	Hedged NYMEX	Hedged Basis	Swap Mid-Off	Hedged SoCal	Fixed Swap	Budgeted CAT Adder	Budgeted WACOG Adder	Budgeted WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	Price	GPS Price		
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	(\$0.26)	\$5.28	\$7.94	(\$0.40)	\$7.54	(\$0.26)	\$7.28	\$7.83		
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	(0.40)	5.25	8.04	(0.40)	7.65	(0.40)	7.25	7.80		
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	(0.29)	5.41	8.10	(0.40)	7.70	(0.29)	7.41	7.96		
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	(0.07)	5.18	8.21	(0.96)	7.25	(0.07)	7.18	7.73		
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	(0.81)	4.76	8.67	(1.10)	7.56	(0.81)	6.76	7.31		
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	0.13	6.64	9.14	(0.63)	8.51	0.13	8.64	9.19		
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	0.16	7.11	9.42	(0.47)	8.95	0.16	9.11	9.66		
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	0.14	7.10	9.43	(0.47)	8.96	0.14	9.10	9.65		
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	0.36	7.15	9.26	(0.47)	8.79	0.36	9.15	9.70		
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	0.55	6.85	8.78	(0.48)	8.31	0.55	8.85	9.40		
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	(0.09)	6.19	8.76	(0.48)	8.28	(0.09)	8.19	8.74		
Jun-10	6.86	(0.48)	0.02	6.40	6.16	0.10	0.06	6.44	8.86	(0.48)	8.38	0.06	8.44	8.99		
Average									Average:						\$8.11	\$8.66

	Estimated Volume MMBtu	CAT		Hedged Swap Volume	Hedged MMBtu/Day	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
		Budget Amount	Budget															
Jul	39,582	\$254,099	1,300	40,300	\$248,203	\$303,862	\$55,659	39,582	44,330	36,270	-	7.56	39,582	\$302,406	\$8,542	\$255,289	\$1,190	
Aug	41,268	264,889	1,300	40,300	248,203	308,214	60,011	41,268	44,330	36,270	-	7.67	41,268	319,744	8,873	268,606	3,716	
Sep	39,479	253,579	1,300	39,000	240,197	300,300	60,103	39,479	42,900	35,100	-	7.72	39,479	307,934	8,662	256,493	2,914	
Oct	39,900	256,036	1,300	40,300	248,203	292,155	43,952	39,900	44,330	36,270	-	7.72	39,900	293,248	8,503	257,800	1,764	
Nov	37,995	243,364	1,300	39,000	240,197	295,016	54,819	37,995	42,900	35,100	-	7.58	37,995	291,210	7,655	244,045	681	
Dec	38,150	246,341	1,200	37,200	229,111	316,646	87,536	38,150	40,920	33,480	-	8.53	38,150	328,547	9,668	250,680	4,338	
Jan	38,761	250,788	1,300	40,300	248,203	360,665	112,462	38,761	44,330	36,270	-	8.97	38,761	350,770	10,322	248,631	(2,157)	
Feb	34,528	223,389	1,200	33,600	206,939	301,106	94,168	34,528	36,960	30,240	-	8.98	34,528	312,873	9,187	227,892	4,503	
Mar	36,642	237,119	1,200	37,200	229,111	327,155	98,045	36,642	40,920	32,400	-	8.81	36,642	325,916	9,798	237,669	551	
Apr	36,891	238,429	1,200	36,000	221,720	299,052	77,332	36,891	39,600	32,400	-	8.33	36,891	310,146	9,563	242,377	3,949	
May	37,065	238,876	1,200	37,200	229,111	308,090	78,980	37,065	40,920	33,480	-	8.30	37,065	310,680	8,933	240,633	1,757	
Jun	41,602	268,399	1,400	42,000	258,673	352,044	93,371	41,602	46,200	37,800	-	8.40	41,602	352,869	10,310	269,807	1,409	
	461,864	\$2,975,307		462,400	\$2,847,869	\$3,764,306	\$916,437	461,864					461,864	\$3,806,344	\$110,016	\$2,999,923	\$24,616	

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario: Natural Gas Prices: Stay the Same So Cal Border Basis: Stays the Same  
 Budgeted WACOG Basis: 3 Year Avg. Budgeted Seasonality: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg. Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: Projected  
 Actual Annual Volume: 90% of Projected

Delivery Month	Hedged Prices				Budgeted Price				Actual Prices			
	Hedged NYMEX	Hedged Basis	Hedged Swap Mid-Off	Hedged SoCal	Fixed Swap	Budgeted CAT Adder	Budgeted CAT Price	Budgeted WACOG Adder	WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	\$6.26	(\$0.26)	\$5.28	\$5.94	(\$0.40)	\$5.54
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	6.26	(0.40)	5.25	6.04	(0.40)	5.65
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	6.26	(0.29)	5.41	6.10	(0.40)	5.70
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	6.26	(0.07)	5.18	6.21	(0.96)	5.25
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	6.26	(0.81)	4.76	6.67	(1.10)	5.56
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	6.26	0.13	6.64	7.14	(0.63)	6.51
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	6.26	0.16	7.11	7.42	(0.47)	6.95
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	6.26	0.14	7.10	7.43	(0.47)	6.96
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	6.26	0.36	7.15	7.26	(0.47)	6.79
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	6.26	0.55	6.85	6.78	(0.48)	6.31
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	6.26	(0.09)	6.19	6.76	(0.48)	6.28
Jun-10	6.86	(0.48)	0.02	6.40	6.16	0.10	6.26	0.06	6.44	6.86	(0.48)	6.38
	Average						\$6.18		\$6.11	Average:		
												\$6.16
												\$6.66

	Estimated Volume MMBtu	CAT Budget Amount	Hedged Swap MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,300	40,300	\$248,203	\$223,262	(\$24,941)	35,624	44,330	36,270	(646)	\$5.56	36,270	\$200,970	\$5,724	\$231,635	(\$22,464)
Aug	41,268	264,889	1,300	40,300	248,203	227,614	(20,589)	37,141	44,330	36,270	-	5.67	37,141	213,488	5,938	240,014	(24,875)
Sep	39,479	253,579	1,300	39,000	240,197	222,300	(17,897)	35,531	42,900	35,100	-	5.72	35,531	206,079	5,837	229,813	(23,766)
Oct	39,900	256,036	1,300	40,300	248,203	211,555	(36,648)	35,910	44,330	36,270	(360)	5.27	36,270	192,131	5,673	234,453	(21,583)
Nov	37,995	243,364	1,300	39,000	240,197	217,016	(23,181)	34,195	42,900	35,100	(905)	5.58	35,100	193,771	5,004	221,956	(21,408)
Dec	38,150	246,341	1,200	37,200	229,111	242,246	13,136	34,335	40,920	33,480	-	6.53	34,335	227,023	6,809	220,695	(25,646)
Jan	38,761	250,788	1,300	40,300	248,203	280,065	31,862	34,885	44,330	36,270	(1,385)	6.97	36,270	246,033	7,367	221,539	(29,249)
Feb	34,528	223,389	1,200	33,600	206,939	233,906	26,968	31,075	36,960	30,240	-	6.98	31,075	219,436	6,555	199,023	(24,366)
Mar	36,642	237,119	1,200	37,200	229,111	252,755	23,645	32,978	40,920	33,480	(502)	6.81	33,480	227,409	7,000	210,764	(26,355)
Apr	36,891	238,429	1,200	36,000	221,720	227,052	5,332	33,202	39,600	32,400	-	6.33	33,202	212,727	6,777	214,171	(24,257)
May	37,065	238,876	1,200	37,200	229,111	233,690	4,580	33,359	40,920	33,480	(121)	6.30	33,480	212,905	6,201	214,526	(24,351)
Jun	41,602	268,399	1,400	42,000	258,673	268,044	9,371	37,442	46,200	37,800	(358)	6.40	37,800	242,727	7,214	240,570	(27,828)
	461,864	\$2,975,307		462,400	\$2,847,869	\$2,839,506	(\$8,363)	415,677					419,954	\$2,594,697	\$76,099	\$2,679,159	(\$296,148)

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario: Natural Gas Prices: Fall: Stays the Same  
 Budgeted WACOG Basis: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg.  
 Hedged Annual Volume: Projected  
 Actual Annual Volume: 90% of Projected

Delivery Month	Hedged Prices				Budgeted Price				Actual Prices			
	Hedged NYMEX	Hedged Basis	Swap Mid-Offr	Hedged SoCal	Fixed Swap	Budgeted CAT Adder	Price	Budgeted WACOG Adder	Price	Close NYMEX	Basis Close	So Cal WACOG FOM Index
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	\$6.26	(\$0.26)	\$5.28	\$3.94	(\$0.40)	\$3.54
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	6.26	(0.40)	5.25	4.04	(0.40)	\$3.28
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	6.26	(0.29)	5.41	4.10	(0.40)	3.25
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	6.26	(0.07)	5.18	4.21	(0.96)	3.41
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	6.26	(0.81)	4.76	4.67	(1.10)	3.73
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	6.26	0.13	6.64	5.14	(0.63)	2.76
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	6.26	0.16	7.11	5.42	(0.47)	4.64
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	6.26	0.14	7.10	5.43	(0.47)	5.19
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	6.26	0.36	7.15	5.26	(0.47)	5.11
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	6.26	0.55	6.85	4.78	(0.48)	5.65
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	6.26	(0.09)	6.19	4.76	(0.48)	5.70
Jun-10	6.86	(0.48)	0.02	6.40	6.16	0.10	6.26	0.06	6.44	4.86	(0.48)	5.40
Average: \$6.18										\$4.11		
										\$4.66		

	Estimated Volume MMBtu	CAT Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,300	40,300	\$248,203	\$142,662	(\$105,541)	35,624	44,330	36,270	(646)	\$3.56	36,270	\$129,722	\$3,760	\$239,023	(\$15,076)
Aug	41,268	264,889	1,300	40,300	248,203	147,014	(101,189)	37,141	44,330	36,270	-	3.67	37,141	139,205	3,890	244,284	(20,605)
Sep	39,479	253,579	1,300	39,000	240,197	144,300	(95,897)	35,531	42,900	35,100	-	3.72	35,531	135,017	3,878	234,792	(18,787)
Oct	39,900	256,036	1,300	40,300	248,203	130,955	(117,248)	35,910	44,330	36,270	(360)	3.27	36,270	120,311	3,694	241,252	(14,763)
Nov	37,995	243,364	1,300	39,000	240,197	139,016	(101,181)	34,195	42,900	35,100	(905)	3.58	35,100	125,380	3,119	229,681	(13,683)
Dec	38,150	246,341	1,200	37,200	229,111	167,846	(61,264)	34,335	40,920	33,480	-	4.53	34,335	158,353	4,916	224,533	(21,809)
Jan	38,761	250,788	1,300	40,300	248,203	199,465	(48,738)	34,885	44,330	36,270	(1,385)	4.97	36,270	176,263	5,444	230,445	(20,342)
Feb	34,528	223,389	1,200	33,600	206,939	166,706	(40,232)	31,075	36,960	30,240	-	4.98	31,075	157,286	4,842	202,360	(21,028)
Mar	36,842	237,119	1,200	37,200	229,111	178,355	(50,755)	32,978	40,920	33,480	(502)	4.81	33,480	161,452	5,182	217,389	(19,730)
Apr	36,891	238,429	1,200	36,000	221,720	155,052	(66,668)	33,202	39,600	32,400	-	4.33	33,202	146,322	4,946	217,937	(20,492)
May	37,065	238,876	1,200	37,200	229,111	159,290	(69,820)	33,359	40,920	33,480	(121)	4.30	33,480	146,187	4,362	220,369	(18,507)
Jun	41,602	268,399	1,400	42,000	258,673	184,044	(74,629)	37,442	46,200	37,800	(358)	4.40	37,800	167,843	5,150	247,623	(20,776)
	461,864	\$2,375,307		462,400	\$2,847,869	\$1,914,706	(\$933,163)	415,677					419,954	\$1,763,342	\$53,184	\$2,749,689	(\$225,618)

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario: Natural Gas Prices: **Rise** So Cal Border Basis: **Stays the Same**  
 Budgeted WACOG Basis: 3 Year Avg. Budgeted Seasonality: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg. Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: Projected  
 Actual Annual Volume: 90% of Projected

Delivery Month	Hedged Prices				Budgeted Price				Actual Prices								
	Hedged NYMEX	Hedged Basis	Swap Mid-Offr	Hedged SoCal	Fixed Swap	Budgeted CAT Adder	Budgeted CAT Price	Budgeted WACOG Adder	Budgeted WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	Price	Price	GPS	
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	\$6.26	(\$0.26)	\$5.28	\$7.94	(\$0.40)	\$7.54	(\$0.26)	\$7.28	\$7.83		
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	6.26	(0.40)	5.25	8.04	(0.40)	7.65	(0.40)	7.25	7.80		
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	6.26	(0.29)	5.41	8.10	(0.40)	7.70	(0.29)	7.41	7.96		
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	6.26	(0.07)	5.18	8.21	(0.96)	7.25	(0.07)	7.18	7.73		
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	6.26	(0.81)	4.76	8.67	(1.10)	7.56	(0.81)	6.76	7.31		
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	6.26	0.13	6.64	9.14	(0.63)	8.51	0.13	8.64	9.19		
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	6.26	0.16	7.11	9.42	(0.47)	8.95	0.16	9.11	9.66		
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	6.26	0.14	7.10	9.43	(0.47)	8.96	0.14	9.10	9.65		
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	6.26	0.36	7.15	9.26	(0.47)	8.79	0.36	9.15	9.70		
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	6.26	0.55	6.85	8.78	(0.48)	8.31	0.55	8.85	9.40		
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	6.26	(0.09)	6.19	8.76	(0.48)	8.28	(0.09)	8.19	8.74		
Jun-10	6.86	(0.48)	0.02	6.40	6.16	0.10	6.26	0.06	6.44	8.86	(0.48)	8.38	0.06	8.44	8.99		
	Average						\$6.11		\$6.11	Average:				\$8.11	\$8.66		
	Estimated Volume MMBtu	CAT Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,300	40,300	\$248,203	\$303,862	\$55,659	35,624	44,330	36,270	(646)	\$7.56	36,270	\$272,217	\$7,688	\$224,246	(\$29,853)
Aug	41,268	264,889	1,300	40,300	248,203	308,214	60,011	37,141	44,330	36,270	-	7.67	37,141	287,770	7,985	235,744	(29,145)
Sep	39,479	253,579	1,300	39,000	240,197	300,300	60,103	35,531	42,900	35,100	-	7.72	35,531	277,141	7,796	224,833	(28,745)
Oct	39,900	256,036	1,300	40,300	248,203	292,155	43,952	35,910	44,330	36,270	(360)	7.27	36,270	263,952	7,653	227,653	(28,383)
Nov	37,995	243,364	1,300	39,000	240,197	295,016	54,819	34,195	42,900	35,100	(905)	7.58	35,100	262,161	6,889	214,231	(29,133)
Dec	38,150	246,341	1,200	37,200	229,111	316,646	87,536	34,335	40,920	33,480	-	8.53	34,335	295,693	8,701	216,858	(29,483)
Jan	38,761	250,788	1,300	40,300	248,203	360,665	112,462	34,885	44,330	36,270	(1,385)	8.97	36,270	315,804	9,290	212,632	(38,156)
Feb	34,528	223,389	1,200	33,600	206,939	301,106	94,168	31,075	36,960	30,240	-	8.98	31,075	281,585	8,269	195,686	(27,703)
Mar	36,642	237,119	1,200	37,200	229,111	327,155	98,045	32,978	40,920	33,480	(502)	8.81	33,480	293,365	8,818	204,138	(32,981)
Apr	36,891	238,429	1,200	36,000	221,720	299,052	77,332	33,202	39,600	32,400	-	8.33	33,202	279,131	8,607	210,406	(28,022)
May	37,065	238,876	1,200	37,200	229,111	308,090	78,980	33,359	40,920	33,480	(121)	8.30	33,480	279,622	8,040	208,682	(30,195)
Jun	41,602	268,399	1,400	42,000	258,673	352,044	93,371	37,442	46,200	37,800	(358)	8.40	37,800	317,610	9,279	233,518	(34,880)
	461,864	\$2,975,307		462,400	\$2,847,869	\$3,764,306	\$916,437	415,677					419,954	\$3,426,052	\$99,015	\$2,608,629	(\$366,678)

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario: Natural Gas Prices: Stay the Same So Cal Border Basis: Stays the Same  
 Budgeted WACOG Basis: 3 Year Avg. Budgeted Seasonality: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg. Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: 90% of Projected  
 Actual Annual Volume: Projected

Delivery Month	Hedged Prices				Budgeted Price		Actual Prices						
	Hedged NYMEX	Hedged Basis	Swap Mid-Off	Hedged SoCal	Fixed Swap	Budgeted CAT Adder	Budgeted WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	Price	GPS Price
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	(\$0.26)	\$5.94	(\$0.40)	\$5.54	(\$0.26)	\$5.28	\$5.83
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	6.26	6.04	(0.40)	5.65	(0.40)	5.25	5.80
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	6.26	6.10	(0.40)	5.70	(0.29)	5.41	5.96
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	6.26	6.21	(0.96)	5.25	(0.07)	5.18	5.73
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	6.26	6.67	(1.10)	5.56	(0.81)	4.76	5.31
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	6.26	7.14	(0.63)	6.51	0.13	6.64	7.19
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	6.26	7.42	(0.47)	6.95	0.16	7.11	7.66
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	6.26	7.43	(0.47)	6.96	0.14	7.10	7.65
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	6.26	7.26	(0.47)	6.79	0.36	7.15	7.70
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	6.26	6.78	(0.48)	6.31	0.55	6.85	7.40
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	6.26	6.76	(0.48)	6.28	(0.09)	6.19	6.74
Jun-10	6.86	(0.48)	0.02	6.40	6.16	0.10	6.26	6.86	(0.48)	6.38	0.06	6.44	6.99
Average:											\$6.16	\$6.11	\$6.66

	Estimated Volume MMBtu	CAT Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Flt Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,100	34,100	\$210,018	\$188,914	(\$21,104)	39,582	37,510	30,690	2,072	\$5.56	37,510	\$223,077	\$6,360	\$250,540	(\$3,558)
Aug	41,268	264,889	1,200	37,200	229,111	210,106	(19,005)	41,268	40,920	33,480	348	5.67	40,920	237,181	6,598	262,783	(2,106)
Sep	39,479	253,579	1,200	36,000	221,720	205,200	(16,520)	39,479	39,600	32,400	-	5.72	39,479	228,977	6,486	251,982	(1,596)
Oct	39,900	256,036	1,200	37,200	229,111	195,281	(33,829)	39,900	40,920	33,480	-	5.27	39,900	213,447	6,304	253,580	(2,456)
Nov	37,995	243,364	1,100	33,000	203,243	183,629	(19,615)	37,995	36,300	29,700	1,695	5.58	36,300	215,085	5,560	240,260	(3,104)
Dec	38,150	246,341	1,100	34,100	210,018	222,059	12,041	38,150	37,510	30,690	640	6.53	37,510	252,196	7,565	247,720	1,379
Jan	38,761	250,788	1,100	34,100	210,018	236,978	26,960	38,761	37,510	30,690	1,251	6.97	37,510	273,147	8,186	254,373	3,585
Feb	34,528	223,389	1,100	30,800	189,694	214,414	24,721	34,528	33,880	27,720	648	6.98	33,880	243,765	7,284	226,329	2,940
Mar	36,642	237,119	1,100	34,100	210,018	231,692	21,674	36,642	37,510	30,690	-	6.81	36,642	252,632	7,778	238,735	1,616
Apr	36,891	238,429	1,100	33,000	203,243	208,131	4,888	36,891	36,300	29,700	591	6.33	36,300	236,316	7,530	238,958	529
May	37,065	238,876	1,100	34,100	210,018	214,216	4,198	37,065	37,510	30,690	-	6.30	37,065	236,550	6,890	239,241	365
Jun	41,602	268,399	1,200	36,000	221,720	229,752	8,032	41,602	39,600	32,400	2,002	6.40	39,600	269,504	8,016	289,488	1,090
	461,864	\$2,975,307		413,700	\$2,547,931	\$2,540,373	(\$7,559)	461,864					452,617	\$2,881,877	\$84,555	\$2,973,990	(\$1,317)

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario: Natural Gas Prices: **Fall** So Cal Border Basis: **Stays the Same**  
 Budgeted WACOG Basis: **3 Year Avg.** Budgeted Seasonality: **3 Year Avg.**  
 Actual WACOG Basis: **3 Year Avg.** Actual Seasonality: **3 Year Avg.**

Hedged Annual Volume: 90% of Projected  
 Actual Annual Volume: Projected

Delivery Month	Hedged Prices				Budgeted Price				Actual Prices			
	Hedged NYMEX	Hedged Basis	Hedged Swap Mid-Offr	Hedged SoCal	Budgeted CAT Adder	Budgeted CAT Price	Budgeted WACOG Adder	Budgeted WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$0.10	\$6.26	(\$0.26)	\$5.28	\$3.94	(\$0.40)	\$3.54	(\$0.26)
Aug-09	6.04	(0.40)	0.02	5.67	0.10	6.26	(0.40)	5.25	4.04	(0.40)	3.65	(0.40)
Sep-09	6.10	(0.40)	0.02	5.72	0.10	6.26	(0.29)	5.41	4.10	(0.40)	3.70	(0.29)
Oct-09	6.21	(0.96)	0.02	5.27	0.10	6.26	(0.07)	5.18	4.21	(0.96)	3.25	(0.07)
Nov-09	6.67	(1.10)	0.02	5.58	0.10	6.26	(0.81)	4.76	4.67	(1.10)	3.56	(0.81)
Dec-09	7.14	(0.63)	0.02	6.53	0.10	6.26	0.13	6.64	5.14	(0.63)	4.51	0.13
Jan-10	7.42	(0.47)	0.02	6.97	0.10	6.26	0.16	7.11	5.42	(0.47)	4.95	0.16
Feb-10	7.43	(0.47)	0.02	6.98	0.10	6.26	0.14	7.10	5.43	(0.47)	4.96	0.14
Mar-10	7.26	(0.47)	0.02	6.81	0.10	6.26	0.36	7.15	5.26	(0.47)	4.79	0.36
Apr-10	6.78	(0.48)	0.02	6.33	0.10	6.26	0.55	6.85	4.78	(0.48)	4.31	0.55
May-10	6.76	(0.48)	0.02	6.30	0.10	6.26	(0.09)	6.19	4.76	(0.48)	4.28	(0.09)
Jun-10	6.86	(0.48)	0.02	6.40	0.10	6.26	0.06	6.44	4.86	(0.48)	4.38	0.06
	Average					\$6.26		\$6.11	Average:			
											\$4.16	
											\$4.11	
											\$4.66	

	Estimated Volume MMBtu	CAT Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,100	34,100	\$210,018	\$120,714	(\$89,304)	39,582	37,510	30,690	2,072	\$3.56	37,510	\$143,913	\$4,178	\$237,394	(\$16,705)
Aug	41,268	264,889	1,200	37,200	229,111	135,706	(93,405)	41,268	40,920	33,480	348	3.67	40,920	154,645	4,323	252,372	(12,517)
Sep	39,479	253,579	1,200	36,000	221,720	133,200	(88,520)	39,479	39,600	32,400	-	3.72	39,479	150,019	4,309	242,849	(10,730)
Oct	39,900	256,036	1,200	37,200	229,111	120,881	(108,229)	39,900	40,920	33,480	-	3.27	39,900	133,646	4,104	245,980	(10,056)
Nov	37,995	243,364	1,100	33,000	203,243	117,629	(85,615)	37,995	36,300	29,700	1,695	3.58	36,300	139,096	3,466	228,176	(15,188)
Dec	38,150	246,341	1,100	34,100	210,018	153,859	(56,159)	38,150	37,510	30,690	640	4.53	37,510	175,896	5,462	237,517	(8,824)
Jan	38,761	250,788	1,100	34,100	210,018	168,778	(41,240)	38,761	37,510	30,690	1,251	4.97	37,510	195,625	6,049	242,914	(7,874)
Feb	34,528	223,389	1,100	30,800	189,694	152,814	(36,879)	34,528	33,880	27,720	648	4.98	33,880	174,710	5,380	216,970	(6,419)
Mar	36,642	237,119	1,100	34,100	210,018	163,492	(46,526)	36,642	37,510	30,690	-	4.81	36,642	179,347	5,758	231,630	(5,489)
Apr	36,891	238,429	1,100	33,000	203,243	142,131	(61,112)	36,891	36,300	29,700	591	4.33	36,300	162,533	5,496	229,141	(9,287)
May	37,065	238,876	1,100	34,100	210,018	146,016	(64,002)	37,065	37,510	30,690	-	4.30	37,065	162,419	4,847	231,268	(7,609)
Jun	41,602	268,399	1,200	36,000	221,720	157,752	(63,968)	41,602	39,600	32,400	2,002	4.40	39,600	186,300	5,723	255,991	(12,408)
	461,864	\$2,975,307		413,700	\$2,547,931	\$1,712,973	(\$834,959)	461,864					452,617	\$1,958,149	\$59,093	\$2,852,201	(\$123,106)

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - With CAT Program**

Scenario:

Natural Gas Prices: Rise Stays the Same  
Budgeted WACOG Basis: 3 Year Avg. Budgeted Seasonality: 3 Year Avg.  
Actual WACOG Basis: 3 Year Avg. Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: 90% of Projected  
Actual Annual Volume: Projected

Delivery Month	Hedged Prices				Fixed Swap	Budgeted Price		Actual Prices						
	Hedged NYMEX	Hedged Basis	Swap Mid-Off	Hedged SoCal		Budgeted CAT Adder	Budgeted WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	Price	GPS Price	
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	\$0.10	(\$0.26)	\$5.28	\$7.94	(\$0.40)	\$7.54	(\$0.26)	\$7.28	\$7.83
Aug-09	6.04	(0.40)	0.02	5.67	6.16	0.10	(0.40)	5.25	8.04	(0.40)	7.65	(0.40)	7.25	7.80
Sep-09	6.10	(0.40)	0.02	5.72	6.16	0.10	(0.29)	5.41	8.10	(0.40)	7.70	(0.29)	7.41	7.96
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.10	(0.07)	5.18	8.21	(0.96)	7.25	(0.07)	7.18	7.73
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.10	(0.81)	4.76	8.67	(1.10)	7.56	(0.81)	6.76	7.31
Dec-09	7.14	(0.63)	0.02	6.53	6.16	0.10	0.13	6.64	9.14	(0.63)	8.51	0.13	8.64	9.19
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.10	0.16	7.11	9.42	(0.47)	8.95	0.16	9.11	9.66
Feb-10	7.43	(0.47)	0.02	6.98	6.16	0.10	0.14	7.10	9.43	(0.47)	8.96	0.14	9.10	9.65
Mar-10	7.26	(0.47)	0.02	6.81	6.16	0.10	0.36	7.15	9.26	(0.47)	8.79	0.36	9.15	9.70
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.10	0.55	6.85	8.78	(0.48)	8.31	0.55	8.85	9.40
May-10	6.76	(0.48)	0.02	6.30	6.16	0.10	(0.09)	6.19	8.76	(0.48)	8.28	(0.09)	8.19	8.74
Jun-10	6.86	(0.48)	0.02	6.44	6.16	0.10	0.06	6.44	8.86	(0.48)	8.38	0.06	8.44	8.99
Average:									\$6.11	Average:		\$8.16	\$8.11	\$8.66

	Estimated Volume MMBtu	CAT Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	Upper Range of Band	Lower Range of Band	Outside 10% Band	Daily Price	Volume Within Band	Gas Cost	SPUR Fees Additional	Total Gas With Hedge	Budget Deviation
Jul	39,582	\$254,099	1,100	34,100	\$210,018	\$257,114	\$47,096	39,582	37,510	30,690	2,072	\$7.56	37,510	\$302,241	\$8,542	\$263,687	\$9,588
Aug	41,268	264,889	1,200	37,200	229,111	284,506	55,395	41,268	40,920	33,480	348	7.67	40,920	319,717	8,873	273,194	8,305
Sep	39,479	253,579	1,200	36,000	221,720	277,200	55,480	39,479	39,600	32,400	-	7.72	39,479	307,934	8,662	261,116	7,538
Oct	39,900	256,036	1,200	37,200	229,111	269,681	40,571	39,900	40,920	33,480	-	7.27	39,900	293,248	8,503	261,181	5,145
Nov	37,995	243,364	1,100	33,000	203,243	249,629	46,385	37,995	36,300	29,700	1,695	7.58	36,300	291,074	7,655	252,344	8,979
Dec	38,150	246,341	1,100	34,100	210,018	290,259	80,241	38,150	37,510	30,690	640	8.53	37,510	328,496	9,668	257,923	11,582
Jan	38,761	250,788	1,100	34,100	210,018	305,178	95,160	38,761	37,510	30,690	1,251	8.97	37,510	350,670	10,322	265,832	15,044
Feb	34,528	223,389	1,100	30,800	189,694	276,014	86,321	34,528	33,880	27,720	648	8.98	33,880	312,821	9,187	235,688	12,299
Mar	36,642	237,119	1,100	34,100	210,018	299,892	89,874	36,642	37,510	30,690	-	8.81	36,642	325,916	9,798	245,840	8,721
Apr	36,891	238,429	1,100	33,000	203,243	274,131	70,888	36,891	36,300	29,700	591	8.33	36,300	310,099	9,563	248,774	10,346
May	37,065	239,876	1,100	34,100	210,018	282,416	72,398	37,065	37,510	30,690	-	8.30	37,065	310,680	8,933	247,215	8,339
Jun	41,602	268,399	1,200	36,000	221,720	301,752	80,032	41,602	39,600	32,400	2,002	8.40	39,600	352,709	10,310	282,986	14,587
	461,864	\$2,975,307		413,700	\$2,547,931	\$3,367,773	\$819,841	461,864					452,617	\$3,805,604	\$110,016	\$3,095,779	\$120,472

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - Bundled Customer**

**Scenario:**

Natural Gas Prices: Stay the Same      So Cal Border Basis: Stays the Same  
 Budgeted WACOG Basis: Last 12 Mos.      Budgeted Seasonality: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg.      Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: Projected  
 Actual Annual Volume: Projected

	Hedged Prices				Budgeted Price	Actual Prices								
Delivery Month	Hedged NYMEX	Hedged Basis	Swap Mid-Offr	Hedged SoCal	Fixed Swap	Budgeted Basis	WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	Price	GPS Price	
Jul-09	\$5.94	(\$0.40)	\$0.02	\$5.56	\$6.16	(\$0.77)	\$5.39	\$5.94	(\$0.40)	\$5.54	(\$0.26)	\$5.28	\$5.83	
Aug-09	6.04	(0.40)	0.02	5.67	6.16	(0.38)	5.78	6.04	(0.40)	5.65	(0.40)	5.25	5.80	
Sep-09	6.10	(0.40)	0.02	5.72	6.16	(0.94)	5.22	6.10	(0.40)	5.70	(0.29)	5.41	5.96	
Oct-09	6.21	(0.96)	0.02	5.27	6.16	0.47	6.63	6.21	(0.96)	5.25	(0.07)	5.18	5.73	
Nov-09	6.67	(1.10)	0.02	5.58	6.16	0.33	6.49	6.67	(1.10)	5.56	(0.81)	4.76	5.31	
Dec-09	7.14	(0.63)	0.02	6.53	6.16	(0.41)	5.75	7.14	(0.63)	6.51	0.13	6.64	7.19	
Jan-10	7.42	(0.47)	0.02	6.97	6.16	0.29	6.45	7.42	(0.47)	6.95	0.16	7.11	7.66	
Feb-10	7.43	(0.47)	0.02	6.98	6.16	(0.36)	5.80	7.43	(0.47)	6.96	0.14	7.10	7.65	
Mar-10	7.26	(0.47)	0.02	6.81	6.16	(0.42)	5.74	7.26	(0.47)	6.79	0.36	7.15	7.70	
Apr-10	6.78	(0.48)	0.02	6.33	6.16	0.25	6.41	6.78	(0.48)	6.31	0.55	6.85	7.40	
May-10	6.76	(0.48)	0.02	6.30	6.16	(0.10)	6.06	6.76	(0.48)	6.28	(0.09)	6.19	6.74	
Jun-10	6.86	(0.48)	0.02	6.40	6.16	(0.18)	5.98	6.86	(0.48)	6.38	0.06	6.44	6.99	
Average Less Swap Fee:					\$6.16	Average:	(\$0.18)	\$5.98						\$6.66
								\$6.16						\$6.11
														(\$0.04)

	Estimated Volume MMBtu	GPS Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to MTS from Hedge	Actual Volume MMBtu	MTS GPS Bill	Gas Price Including of Hedge	Over/ (Under) Budget
Jul	39,582	\$236,733	1,300	40,300	\$248,248	\$223,262	(\$24,986)	\$39,582	\$232,197	\$257,183	\$20,451
Aug	41,268	262,810	1,300	40,300	248,248	227,614	(20,634)	41,268	240,877	261,511	(1,299)
Sep	39,479	229,274	1,300	39,000	240,240	222,300	(17,940)	39,479	236,792	254,732	25,458
Oct	39,900	288,188	1,300	40,300	248,248	211,555	(36,693)	39,900	230,148	266,841	(21,347)
Nov	37,995	269,261	1,300	39,000	240,240	217,016	(23,225)	37,995	203,006	226,230	(43,030)
Dec	38,150	242,065	1,200	37,200	229,152	242,246	13,094	38,150	276,204	263,109	21,045
Jan	38,761	272,944	1,300	40,300	248,248	280,065	31,817	38,761	298,860	267,043	(5,901)
Feb	34,528	220,533	1,200	33,600	206,976	233,906	26,930	34,528	265,935	239,004	18,471
Mar	36,642	232,098	1,200	37,200	229,152	252,755	23,603	36,642	283,968	260,365	28,267
Apr	36,891	258,547	1,200	36,000	221,760	227,052	5,292	36,891	274,907	269,615	11,069
May	37,065	246,739	1,200	37,200	229,152	233,690	4,538	37,065	251,550	247,012	273
Jun	41,602	273,487	1,400	42,000	258,720	268,044	9,324	41,602	292,668	283,344	9,858
	461,864	\$3,032,678		462,400	\$2,848,384	\$2,839,506	(\$8,878)	\$461,864	\$3,087,113	\$3,095,991	\$63,313

## **Appendix C**

# **Alternative Product Analysis**

**San Diego Metropolitan Transportation System  
Physical Hedge**

**Scenario:**

Natural Gas Prices: Stay the Same  
Budgeted WACOG Basis: 3 Year Avg.  
Actual WACOG Basis: 3 Year Avg.

So Cal Border Basis: Stays the Same  
Budgeted Seasonality: 3 Year Avg.  
Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: Projected  
Actual Annual Volume: Projected

Delivery Month	Hedged Prices			Budgeted Prices			Presumed Actual Prices					
	Hedged NYMEX	Hedged Basis	Execution Cost	Hedged Price	WACOG Basis	WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	Execution Cost	Cashout Price	WACOG Basis Price
7/2009	5.94	(0.40)	0.25	5.79	(\$0.26)	5.53	5.94	(0.40)	5.54	(0.25)	5.29	(0.26) 5.28
8/2009	6.04	(0.40)	0.25	5.90	(\$0.40)	5.50	6.04	(0.40)	5.65	(0.25)	5.40	(0.40) 5.25
9/2009	6.10	(0.40)	0.25	5.95	(\$0.29)	5.66	6.10	(0.40)	5.70	(0.25)	5.45	(0.29) 5.41
10/2009	6.21	(0.96)	0.25	5.50	(\$0.07)	5.43	6.21	(0.96)	5.25	(0.25)	5.00	(0.07) 5.18
11/2009	6.67	(1.10)	0.25	5.81	(\$0.81)	5.01	6.67	(1.10)	5.56	(0.25)	5.31	(0.81) 4.76
12/2009	7.14	(0.63)	0.25	6.76	\$0.13	6.89	7.14	(0.63)	6.51	(0.25)	6.26	0.13 6.64
1/2010	7.42	(0.47)	0.25	7.20	\$0.16	7.36	7.42	(0.47)	6.95	(0.25)	6.70	0.16 7.11
2/2010	7.43	(0.47)	0.25	7.21	\$0.14	7.35	7.43	(0.47)	6.96	(0.25)	6.71	0.14 7.10
3/2010	7.26	(0.47)	0.25	7.04	\$0.36	7.40	7.26	(0.47)	6.79	(0.25)	6.54	0.36 7.15
4/2010	6.78	(0.48)	0.25	6.56	\$0.55	7.10	6.78	(0.48)	6.31	(0.25)	6.06	0.55 6.85
5/2010	6.76	(0.48)	0.25	6.53	(\$0.09)	6.44	6.76	(0.48)	6.28	(0.25)	6.03	(0.09) 6.19
6/2010	6.86	(0.48)	0.25	6.63	\$0.06	6.69	6.86	(0.48)	6.38	(0.25)	6.13	0.06 6.44

	Estimated Volume MMBtu	GPS Budget Amount	Hedged Volume		Hedge Cash Flows			Actual Volume MMBtu	MTS GPS Bill	Gas Cost Including Hedge	Over/ (Under) Budget
			MMBtu/ Day	MMBtu/ Month	Purchase Price	Sales Price	Gain/(Loss) from Hedge				
Jul	39,582	242,156	1,300	40,300	233,337	213,187	(20,150)	39,582	232,197	252,347	10,192
Aug	41,268	251,260	1,300	40,300	237,689	217,539	(20,150)	41,268	240,877	261,027	9,767
Sep	39,479	246,724	1,300	39,000	232,050	212,550	(19,500)	39,479	236,792	256,292	9,567
Oct	39,900	240,186	1,300	40,300	221,630	201,480	(20,150)	39,900	230,148	250,298	10,111
Nov	37,995	212,565	1,300	39,000	226,766	207,266	(19,500)	37,995	203,006	222,506	9,941
Dec	38,150	285,802	1,200	37,200	251,546	232,946	(18,600)	38,150	276,204	294,804	9,002
Jan	38,761	308,612	1,300	40,300	290,140	269,990	(20,150)	38,761	298,860	319,010	10,398
Feb	34,528	274,621	1,200	33,600	242,306	225,506	(16,800)	34,528	265,935	282,735	8,113
Mar	36,642	293,187	1,200	37,200	262,055	243,455	(18,600)	36,642	283,968	302,568	9,381
Apr	36,891	284,189	1,200	36,000	236,052	218,052	(18,000)	36,891	274,907	292,907	8,718
May	37,065	260,876	1,200	37,200	242,990	224,390	(18,600)	37,065	251,550	270,150	9,275
Jun	41,602	303,135	1,400	42,000	278,544	257,544	(21,000)	41,602	292,668	313,668	10,533
FY Total	461,864	3,203,314		462,400	2,955,106	2,723,906	(231,200)	461,864	3,087,113	3,318,313	114,999

Difference to NYMEX Hedge: 231,200

**San Diego Metropolitan Transportation System  
Futures Hedge\***

Scenario:  
 Natural Gas Prices: Stay the Same  
 Budgeted WACOG Basis: 3 Year Avg.  
 Actual WACOG Basis: 3 Year Avg.  
 So Cal Border Basis: Stays the Same  
 Budgeted Seasonality: 3 Year Avg.  
 Actual Seasonality: 3 Year Avg.  
 Hedged Annual Volume: Projected  
 Actual Annual Volume: Projected

Delivery Month	Hedged Prices			Budgeted Prices			Actual Prices				
	Hedged NYMEX	Hedged Basis	Hedged SoCal	WACOG Basis	WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	WACOG Price	
Jul-09	5.94	(0.40)	5.54	(\$0.26)	5.28	5.94	(0.40)	5.54	(\$0.26)	5.28	
Aug-09	6.04	(0.40)	5.65	(\$0.40)	5.25	6.04	(0.40)	5.65	(\$0.40)	5.25	
Sep-09	6.10	(0.40)	5.70	(\$0.29)	5.41	6.10	(0.40)	5.70	(\$0.29)	5.41	
Oct-09	6.21	(0.96)	5.25	(\$0.07)	5.18	6.21	(0.96)	5.25	(\$0.07)	5.18	
Nov-09	6.67	(1.10)	5.56	(\$0.81)	4.76	6.67	(1.10)	5.56	(\$0.81)	4.76	
Dec-09	7.14	(0.63)	6.51	\$0.13	6.64	7.14	(0.63)	6.51	\$0.13	6.64	
Jan-10	7.42	(0.47)	6.95	\$0.16	7.11	7.42	(0.47)	6.95	\$0.16	7.11	
Feb-10	7.43	(0.47)	6.96	\$0.14	7.10	7.43	(0.47)	6.96	\$0.14	7.10	
Mar-10	7.26	(0.47)	6.79	\$0.36	7.15	7.26	(0.47)	6.79	\$0.36	7.15	
Apr-10	6.78	(0.48)	6.31	\$0.55	6.85	6.78	(0.48)	6.31	\$0.55	6.85	
May-10	6.76	(0.48)	6.28	(\$0.09)	6.19	6.76	(0.48)	6.28	(\$0.09)	6.19	
Jun-10	6.86	(0.48)	6.38	\$0.06	6.44	6.86	(0.48)	6.38	\$0.06	6.44	

6.16

	Estimated Volume MMBtu	GPS Budget Amount	Hedged Volume MMBtu	10,000 NYMEX Contracts	Hedged NYMEX Volume	2,500 NYMEX Basis Swap	Hedged Basis Swap Volume	Hedge Cash Flows			Actual Volume MMBtu	MTS GPS Bill	Gas Cost Including Hedge
								Purchase Price	Sales Price	Gain/Loss From Hedge			
Jul	39,582	232,197	39,582	4	40,000	16	40,000	221,600	221,600	-	39,582	232,197	232,197
Aug	41,268	240,877	41,268	4	40,000	17	42,500	224,933	224,933	-	41,268	240,877	240,877
Sep	39,479	236,792	39,479	4	40,000	16	40,000	228,000	228,000	-	39,479	236,792	236,792
Oct	39,900	230,148	39,900	4	40,000	16	40,000	209,980	209,980	-	39,900	230,148	230,148
Nov	37,995	203,006	37,995	4	40,000	15	37,500	225,336	225,336	-	37,995	203,006	203,006
Dec	38,150	276,204	38,150	4	40,000	15	37,500	262,055	262,055	-	38,150	276,204	276,204
Jan	38,761	298,860	38,761	4	40,000	16	40,000	277,980	277,980	-	38,761	298,860	298,860
Feb	34,528	265,935	34,528	3	30,000	14	35,000	206,508	206,508	-	34,528	265,935	265,935
Mar	36,642	283,968	36,642	4	40,000	15	37,500	272,949	272,949	-	36,642	283,968	283,968
Apr	36,891	274,907	36,891	4	40,000	15	37,500	253,468	253,468	-	36,891	274,907	274,907
May	37,065	251,550	37,065	4	40,000	15	37,500	252,468	252,468	-	37,065	251,550	251,550
Jun	41,602	292,668	41,602	4	40,000	17	42,500	254,093	254,093	-	41,602	292,668	292,668
	461,864	3,087,113	461,864		470,000		467,500	2,889,368	2,889,368	-	461,864	3,087,113	3,087,113

\* Does not include costs for maintaining commodities trading account, margin, or administrative fees.

**San Diego Metropolitan Transportation System  
Commodity Swap Hedge - Bundled Customer**

**Scenario:**

Natural Gas Prices: Stay the Same

So Cal Border Basis: Stays the Same

Budgeted WACOG Basis: 3 Year Avg.

Budgeted Seasonality: 3 Year Avg.

Actual WACOG Basis: 3 Year Avg.

Actual Seasonality: 3 Year Avg.

Hedged Annual Volume: Projected

Actual Annual Volume: Projected

Delivery Month	Hedged Prices				Fixed Swap	Budgeted Price		Actual Prices					
	Hedged NYMEX	Hedged Basis	Hedged Swap	Hedged SoCal		Budgeted WACOG Basis	Budgeted WACOG Price	Close NYMEX	Basis Close	So Cal FOM Index	WACOG Basis	WACOG Price	GPS Price
Jul-09	5.94	(0.40)	0.02	5.56	6.16	(\$0.26)	5.90	5.94	(0.40)	5.54	(0.26)	5.28	5.83
Aug-09	6.04	(0.40)	0.02	5.67	6.16	(\$0.40)	5.76	6.04	(0.40)	5.65	(0.40)	5.25	5.80
Sep-09	6.10	(0.40)	0.02	5.72	6.16	(\$0.29)	5.87	6.10	(0.40)	5.70	(0.29)	5.41	5.96
Oct-09	6.21	(0.96)	0.02	5.27	6.16	(\$0.07)	6.09	6.21	(0.96)	5.25	(0.07)	5.18	5.73
Nov-09	6.67	(1.10)	0.02	5.58	6.16	(\$0.81)	5.35	6.67	(1.10)	5.56	(0.81)	4.76	5.31
Dec-09	7.14	(0.63)	0.02	6.53	6.16	\$0.13	6.29	7.14	(0.63)	6.51	0.13	6.64	7.19
Jan-10	7.42	(0.47)	0.02	6.97	6.16	\$0.16	6.32	7.42	(0.47)	6.95	0.16	7.11	7.66
Feb-10	7.43	(0.47)	0.02	6.98	6.16	\$0.14	6.30	7.43	(0.47)	6.96	0.14	7.10	7.65
Mar-10	7.26	(0.47)	0.02	6.81	6.16	\$0.36	6.52	7.26	(0.47)	6.79	0.36	7.15	7.70
Apr-10	6.78	(0.48)	0.02	6.33	6.16	\$0.55	6.71	6.78	(0.48)	6.31	0.55	6.85	7.40
May-10	6.76	(0.48)	0.02	6.30	6.16	(\$0.09)	6.07	6.76	(0.48)	6.28	(0.09)	6.19	6.74
Jun-10	6.86	(0.48)	0.02	6.40	6.16	\$0.06	6.22	6.86	(0.48)	6.38	0.06	6.44	6.99
Average Less Swap Fee:					6.16	6.12							

	Estimated Volume MMBtu	GPS Budget Amount	Hedged MMBtu/Day	Hedged Swap Volume	Fixed Swap Pmt	Fltg Swap Receipt	Net to Metro from Hedge	Actual Volume MMBtu	MTS GPS Bill	Gas Price Including Hedge	Budget Deviation
Jul	39,582	256,850	1,300	40,300	248,203	223,262	(24,941)	39,582	232,197	257,138	288
Aug	41,268	262,094	1,300	40,300	248,203	227,614	(20,589)	41,268	240,877	261,466	(629)
Sep	39,479	255,023	1,300	39,000	240,197	222,300	(17,897)	39,479	236,792	254,688	(335)
Oct	39,900	266,664	1,300	40,300	248,203	211,555	(36,648)	39,900	230,148	266,796	132
Nov	37,995	225,733	1,300	39,000	240,197	217,016	(23,181)	37,995	203,006	226,187	454
Dec	38,150	262,647	1,200	37,200	229,111	242,246	13,136	38,150	276,204	263,068	421
Jan	38,761	268,020	1,300	40,300	248,203	280,065	31,862	38,761	298,860	266,998	(1,022)
Feb	34,528	238,046	1,200	33,600	206,939	233,906	26,968	34,528	265,935	238,967	921
Mar	36,642	260,530	1,200	37,200	229,111	252,755	23,645	36,642	283,968	260,324	(206)
Apr	36,891	269,409	1,200	36,000	221,720	227,052	5,332	36,891	274,907	269,575	167
May	37,065	246,958	1,200	37,200	229,111	233,690	4,580	37,065	251,550	246,971	12
Jun	41,602	283,327	1,400	42,000	258,673	268,044	9,371	41,602	292,668	283,297	(30)
	461,864	3,095,300		462,400	2,847,869	2,839,506	(8,363)	461,864	3,087,113	3,095,475	175

Difference to NYMEX Hedge: 8,363





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Att. B, AI 33, 2/19/09

## Policies and Procedures

No. 59

SUBJECT:

Board Approval: 2/19/09

### Natural Gas Hedge Policy

#### PURPOSE

The purpose of this policy (the "Policy") is to establish guidelines for the execution and management of the Metropolitan Transit System's ("MTS") use of hedging instruments and related transactions in connection with the purchase of natural gas for MTS's compressed natural gas bus fleet.

Specific objectives of the Policy are as follows:

1. Achieve a high degree of budget certainty in the purchase of natural gas.
2. Maintain a high degree of fuel supply reliability.
3. Ensure no adverse operational impacts.
4. Ensure no adverse impacts on MTS's credit rating.
5. Ensure that all hedging instruments are acquired through competitive bidding with credit-worthy counterparties.

This policy confirms the commitment of MTS management to adhere to sound financial and risk management practices. The Policy shall govern the execution and management of all hedging instruments and activities carried out in connection with natural gas purchases for MTS's compressed natural gas bus fleet.

#### 59.1 AUTHORIZATIONS AND APPROVALS

The Chief Executive Officer and Chief Financial Officer are the designated administrators of the Policy ("Hedge Administrators") and are authorized to execute hedges in accordance with this Policy without further approval of the Board.

#### 59.2 CONDITIONS FOR THE USE OF HEDGING PRODUCTS

##### 59.2.1 General Usage

Financial commodity swaps may be used to lock in a fixed price for natural gas in accordance with the conditions and restrictions set forth below. Should MTS elect to purchase gas from a qualified gas services provider ("GSP") as part of the San Diego

Gas and Electric Company's Core Aggregation Transportation ("CAT") program, MTS may accomplish its gas price hedging objectives by converting the price of a GSP-provided gas supply from a variable market price to a fixed price so long as the competitive bidding and other provisions of this Policy are met.

#### 59.2.2 Maximum Transaction Volume

The maximum aggregate transaction volume for all financial commodity swaps entered into for any budget year shall be equal to the volume of natural gas forecast to be used in connection with the compressed natural gas bus fleet during that year. If, at any time prior to or during the fiscal year being hedged, the projected volumes change by more than 10% below or above the amount hedged, additional hedges may be entered into, or termination of existing hedges may be executed in order to account for the change in projected volume.

#### 59.2.3 Hedge Frequency

The number of hedge transactions for any fiscal year shall be no greater than four as determined by the Hedge Administrators except as may be required in response to a change in the volume of gas projected as provided in Section 59.1 above.

#### 59.2.4 Hedge Timing

Hedging instruments shall be entered into no sooner than 30 months in advance of the first business day of the fiscal year being hedged. All hedges for any fiscal year will be in place in advance of the annual budget submission to the Board of Directors for that fiscal year.

#### 59.2.5 Hedge Termination

The Hedge Administrators may terminate any and all hedges in whole or in part in response to changes in the projected volume of gas in any fiscal year as provided in Section 59.1 above or if required due to any action by the California Public Utilities Commission or the San Diego Gas and Electric Company, which impacts the effectiveness of the hedge. Under no circumstance will hedges be terminated for the sole purpose of generating a profit.

#### 59.2.6 Hedge Term

All hedging instruments will be limited in term to 24 months.

#### 59.2.7 Prohibited Commodity Swap Features

The MTS will not use commodity swaps that: (i) involve any purpose other than hedging natural gas prices as set forth in this Policy; (ii) lack adequate liquidity to terminate without incurring a significant bid/ask spread; (iii) provide insufficient price transparency to allow reasonable valuation; or (iv) are used as investments.

## 59.3 HEDGE INSTRUMENT FEATURES

### 59.3.1 Hedge Agreement

The International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement shall be used as the basis for the documentation of commodity swaps. The swap agreement between the MTS and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as MTS, in consultation with its legal counsel, and/or hedge advisor deems necessary or desirable.

If MTS takes part in SDG&E's CAT Program, the hedging objectives of this policy may be met by execution of an appropriate amendment to the Gas Purchase and Sale Agreement entered into with a qualified GSP.

### 59.3.2 Commodity Swap Counterparty Credit Criteria

Qualified commodity swap counterparties will be those having, at the time of execution, a general credit rating not lower than "A3" or "A-" by at least two of the nationally recognized rating agencies, unless such party provides a guaranty from a parent or other guarantor rated "A3" or "A-". The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's, and Fitch Ratings.

### 59.3.3 Collateral Requirements

Threshold collateral amounts shall generally be established in accordance with the guidelines set forth below.

Counterparty Credit Rating	Threshold
Aa3/AA- or better	Unlimited
A3/A- to A1/A+	\$25 million
Baa1/BBB+	\$15 million
Baa2/BBB	\$10 million
Baa3/BBB-	\$2.5 million

Collateral shall be deposited with a third-party custodian or as mutually agreed upon between MTS and the counterparty. A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty. Once collateral has been posted, the market value of the collateral shall be determined at least weekly.

### 59.3.4 Security and Source of Repayment

Commodity swaps will be payable from any lawfully available funds of MTS. Whenever possible, language will be included in the swap agreement specifying that with respect to farebox revenues, swap obligations of the MTS are payable on a basis subordinate to the payment of MTS taxable pension obligation bonds, certificates of participation, or any other obligation secured on a parity therewith.

## 59.4 SELECTING AND PROCURING COMMODITY SWAPS

### 59.4.1 Counterparty Selection

Commodity swap counterparties will be selected by the Hedge Administrators consistent with the credit and performance criteria set forth in this Policy.

### 59.4.2 Competitive Bidding

All hedge instruments will be procured through a competitive bidding process that will provide the lowest commodity price. The nature and timing of the bidding process will be determined by the Hedge Administrators.

## 59.5 MONITORING, REPORTING, AND DISCLOSURE

### 59.5.1 Quarterly Reporting

The hedge program will be monitored to ensure consistency with this Policy. Annual and quarterly reports will be provided to the MTS Board of Directors in written form which shall include, but not be limited to, the following:

- (a) A description of all outstanding commodity swaps, including terms, rates paid and received, and current termination value.
- (b) Current counterparty credit ratings.
- (c) Collateral required and posted by MTS and each commodity swap counterparty, if any.
- (d) Any material event involving outstanding swap agreements, including a default by a commodity swap counterparty, counterparty downgrade, or termination.
- (e) Updated projection of the volume of gas expected to be required for operational purposes and compared to the volume hedged.
- (f) Description of any changes to San Diego Gas and Electric's hedging practices, which may impact the hedge program.

### 59.5.2 Disclosure and Financial Reporting

Steps will be taken to ensure that there is full and complete disclosure of all commodity swaps to the Board. With respect to its financial statements, MTS adheres to the guidelines for the financial reporting of commodity swaps as set forth by the Government Accounting Standards Board.



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## Agenda

Item No. 45

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

SRTP 825

February 19, 2009

### SUBJECT:

MTS: SERVICE PERFORMANCE MONITORING REPORT FOR JULY THROUGH  
DECEMBER 2008

### RECOMMENDATION:

That the Board of Directors receive a report for information.

#### Budget Impact

None.

### DISCUSSION:

MTS Board Policy No. 42 establishes a process for evaluating existing transit services to achieve the objective of developing a customer-focused, competitive, integrated, and sustainable system. The policy states that services will be evaluated annually; however, this information is provided for the first six months of FY 09 in order to see more recent data. The analysis will show any trends for the current fiscal year and help to track performance throughout the year.

## Develop a Customer-Focused and Competitive System

The following measures of productivity and service quality are used to ensure that services are focused on providing competitive and attractive transportation that meets our customers' needs.

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- **Total Passengers**

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Route Categories	YTD FY 2008	YTD FY 2009	Chg. 08-09	% Chg. 08-09
Premium Express	130,239	155,319	25,080	19.3%
Express	1,040,030	1,296,312	256,282	24.6%
Light Rail	20,118,172	18,551,820	(1,566,352)	(7.8%)
Urban Frequent	18,379,986	20,011,687	1,631,701	8.9%
Urban Standard	5,927,995	6,148,547	220,552	3.7%
Circulator	584,176	579,631	(4,545)	(0.8%)
Rural	13,197	13,747	550	4.2%
Demand-Responsive	180,914	191,239	10,325	5.7%
Total MTS Passengers	46,374,709	46,948,302	573,593	1.24%

Bus ridership is up 8.2% for the first six months of FY 09 compared to the first six months of FY 08. Premium Express routes had a 19.3% increase, and Express routes had a 24.5% increase. The larger increases in the Express services is indicative of passenger preference for faster modes of travel while commuting to their jobs or while traveling to their appointments. During the first half of the year, overall bus ridership showed its only year-over-year decline in the month of November (approximately 131,000); however, there were three fewer weekdays in November 2008 than in November 2007. (See average Weekday Passengers below.)

According to estimates received from SANDAG, Light Rail ridership is down 7.8% from FY 08. This could be due in part to changes in the trolley fare structure that implemented a flat fare. However, San Diego Trolley, Inc. (SDTI) staff does not perceive a dramatic decline in demand, and has in fact added cars-to-train consists to address overcrowding at certain times. Due to recent changes in the trolley fares, including the flat one-way fare and fewer one-way cash sales, the method for estimating trolley ridership has become less reliable, and the ridership numbers reported from the formula have been questioned. Staff is working with SANDAG and its statistician to determine what impacts, if any, the fare changes have had on the existing estimation program and whether a more accurate estimation methodology is possible using existing infrastructure. Preliminary results indicate that there is a 7% margin of error with the current estimation program.

Despite the reported decline in trolley ridership, overall, ridership is up 1.24% over FY 08, with bus ridership up 8.2%.

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- **Average Weekday Passengers**

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Route Categories	YTD FY 2008	YTD FY 2009	Chg. 08-09	% Chg. 08-09
Premium Express	1,046	1,262	215	20.6%
Express	7,569	9,261	1,692	22.3%
Light Rail	120,837	111,668	(9,169)	(7.6%)
Urban Frequent	119,027	127,458	8,431	7.1%
Urban Standard	39,586	40,524	938	2.4%
Circulator	4,281	4,202	(79)	(1.8%)
Rural	148	154	6	4.4%
Demand-Responsive	1,347	1,392	44	3.3%

Average Weekday Passengers	293,841	295,921	2,080	0.71%
Bus Passengers Only	173,004	184,253	11,249	6.5%

The total average weekday passengers' statistic shows how many passengers ride MTS on a typical weekday. For the first six months of FY 09, average weekday ridership was up 2,080 riders per day or .71%. Looking at bus ridership alone shows an increase of 11,249 passengers on weekdays or a 6.5% increase for the bus mode.

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- Passengers per Revenue Hour

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Route Categories	YTD FY 2008	YTD FY 2009	Chg. 08-09	% Chg. 08-09
Premium Express	20.1	24.9	4.75	23.6%
Express	23.7	30.8	7.12	30.0%
Light Rail	224.9	209.2	(15.70)	(7.0%)
Urban Frequent	32.5	35.4	2.90	8.9%
Urban Standard	22.7	25.6	2.99	13.2%
Circulator	14.9	15.1	0.27	1.8%
Rural	5.72	6.29	0.57	10.0%
Demand-Responsive	2.1	2.0	(0.10)	(4.9%)
System Riders per Rev. Hour	42.4	43.5	1.18	2.7%

Passengers per revenue hour describe how the revenue hours (in-service hours and layover hours) added or removed related to ridership increases or decreases. Increasing riders per revenue hour shows the system is more efficient carrying more passengers with the same number of buses. For the first six months of FY 09, passengers per revenue hour were 43.5, which is a 1.18 riders-per-revenue-hour increase or 2.7%.

For fixed-route buses only, riders per revenue hour increased from 28.4 to 31.5, which is an 11.2% increase.

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- Passengers per In-Service Hour

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Route Categories	YTD FY 2008	YTD FY 2009	Chg. 08-09	% Chg. 08-09
Premium Express	21.29	27.43	6.13	28.8%
Express	30.87	39.92	9.05	29.3%
Light Rail	264.82	244.89	(19.93)	(7.5%)
Urban Frequent	42.96	44.83	1.87	4.4%
Urban Standard	31.68	35.37	3.70	11.7%
Circulator	26.27	27.11	0.84	3.2%
Rural	5.32	5.37	0.06	1.1%
Demand-Responsive				
System Riders per In-Svc. Hour	59.22	60.31	1.09	1.8%

Passenger per in-service hour is related to passengers per revenue hour but shows how many passengers are carried while the bus is in service and not on layover. System-wide riders per in-service hour increased by 1.09 riders per in-service hour or 1.8% for the first six months of FY 09.

For fixed-route buses only, riders per in-service hour increased from 38.1 to 41.1, which is a 7.8% increase.

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- On-Time Performance

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Route Categories	Service Changes					
	Jan-07	Jun-07	Sep-07	Jan-08	Jun-08	Sep-08
Premium Express	89.7%	63.6%	79.1%	66.0%	86.1%	90.5%
Express	83.6%	81.8%	80.8%	86.2%	85.6%	85.3%
Light Rail	96.8%	97.0%	95.8%	96.5%	94.5%	94.8%
Urban Frequent	80.7%	84.1%	83.8%	85.9%	80.7%	82.6%
Urban Standard	79.0%	82.6%	84.6%	88.6%	84.4%	86.4%
Circulator	88.0%	95.0%	88.4%	89.1%	89.4%	90.6%
Rural	N/A	N/A	N/A	N/A	N/A	N/A
Demand-Responsive	N/A	N/A	N/A	N/A	N/A	N/A
MTS System	82.2%	85.2%	85.7%	86.7%	85.6%	86.4%

*On-time performance is calculated as departing within 5 minutes of the scheduled time.*

On-time performance is measured by service change in order to realize the results of scheduling changes. Overall, on-time performance has been constantly around 85% to 86%. MTS's goal for on-time performance is 85% for urban frequent routes and 90% for all other routes.

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- Preventable Accidents per 100,000 Miles

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Operator	FY 2008	YTD FY09	Chg 08-09
MTS Bus	1.53	1.66	8.4%
MTS Contract Services	2.56	1.09	N/A
MTS Rail	0.03	0.00	(100.0%)

MTS bus accidents are slightly up for FY 09, while the trolley has had no preventable accidents this fiscal year-to-date. Contract services began reporting preventable accidents this year. The FY 08 number shown is for all accidents while the FY 09 number shown is preventable accidents only.

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- Complaints per 100,000 Passengers

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Operator	FY08	YTD FY09	Chg 08-09
MTS Bus	13.6	12.1	(11.3%)
MTS Contract Services FR	14.7	13.1	(11.0%)
MTS Rail	1.18	2.22	88.6%

Complaints per 100,000 passengers for MTS bus and contract services are down about 11% from the FY 08 rate. The trolley complaints rate has almost doubled over FY 08. This is partially due to a change in the record-keeping system, and SDTI is investigating ways to better record complaints versus other comments and suggestions.

## Develop a Sustainable System

The following measures are used to ensure that transit resources are deployed as efficiently as possible and do not exceed budgetary constraints.

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- In-Service Hours (weekly)

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Operator	September		Difference	
	2007	2008	Number	Percent
MTS Bus	13,779	13,369	(410)	(3%)
MTS Contract Service FR	14,473	13,951	(521)	(4%)

Due to budget-related service cuts, weekly in-service hours are slightly down from the September 2007 service period.

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- In-Service Miles (weekly)

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Operator	September		Difference	
	2007	2008	Number	Percent
MTS Bus	185,380	178,156	(7,224)	(4%)
MTS Contract Service FR	205,670	198,544	(7,126)	(3%)

Due to budget-related service cuts, weekly in-service miles are slightly down from the September 2007 service period.

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- Weekday Peak-Vehicle Requirement

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Operator	Sept 07	Sept 08	Chg 07-08
MTS Bus	199	195	(4)
MTS Contract Services FR	244	231	(13)
MTS Rail	96	96	0

Due to budget-related service cuts and scheduling efficiencies, there are 17 less peak vehicles required for providing weekday service. Many of these efficiencies come from interlining multiple routes using the same vehicle so that layover time is minimized and fewer vehicles are required for service. In addition, the Planning and Scheduling Department moves routes between garages when possible, allowing for better interlining possibilities, especially on weekends when services run less frequently.

For example, Route 936 was moved from the South Bay garage to the East County garage on weekdays, which allowed the two routes, which both provide service between Rancho San Diego/Spring Valley and SDSU via College Avenue, to be interlined. Without a reduction in service, MTS saved one bus and 12 revenue hours per weekday or over 3,000 revenue hours per year.

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- In-Service Speeds (mph)

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Operator	Sept 07	Sept 08	Chg 07-08
MTS Bus	13.6	13.4	(0.9%)
MTS Contract Services FR	14.2	14.2	0%
MTS Rail	18.34	18.54	1.1%

In-service speeds have risen slightly from last year due to adding more hours and miles of faster service, removing hours and miles of slower services, and also due to schedule changes.

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- In-Service/Total Miles

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Operator	Sept 07	Sept 08	Chg 07-08
MTS Bus	89.2%	89.0%	(0.2%)
MTS Contract Services FR	N/A	N/A	N/A
MTS Rail	N/A	N/A	N/A

In-service miles per total miles is only calculated for MTS bus operations as the contractor is responsible for bus and driver assignments (run-cutting) for contract routes. MTS bus ratios have been generally consistent over time with only a minor decrease in the ratio. MTS rail does not incur out-of-service mileage.

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- In-Service/Total Hours

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Operator	Sept 07	Sept 08	Chg 07-08
MTS Bus	77.8%	77.9%	(0.1%)
MTS Contract Services FR	N/A	N/A	N/A
MTS Rail	N/A	N/A	N/A

As with the mileage statistic, in-service hours per total hours can only be calculated for MTS bus operations. Efficiency of scheduling has shown that the in-service to total-vehicle-hours ratio has remained practically steady over the two service periods reported for MTS bus operations.



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Chief Executive Officer

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## Agenda

## Item No. 46

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

SRTP 835

February 19, 2009

### SUBJECT:

MTS: NAVY METRO TRANSPORTATION DEMAND MANAGEMENT INITIATIVE

### RECOMMENDATION:

That the Board of Directors receive a report on the Navy Metro Transportation Demand Management Initiative for information.

#### Budget Impact

None.

### DISCUSSION:

As part of its ongoing effort to meet public demand for transit to employment centers, MTS seeks ways to better serve military facilities. As an example, MTS began working directly with Navy staff at Naval Air Station North Island in 2007 to identify and develop feasible service alternatives that could directly serve locations on base rather than stopping at the front gate. Staff devised shuttle service and commuter express options that were ultimately determined infeasible due to the agency's ongoing fiscal constraints.

More recently, MTS and the San Diego Association of Governments (SANDAG) have been working with the Navy to develop feasible Transportation Demand Management (TDM) service alternatives that would be funded in part or completely through the Navy's Transportation Incentive Program (TIP).

The TIP program was established for Navy employees to help reduce their daily contribution to traffic congestion and air pollution and to expand their commuting alternatives. Navy employees are currently eligible for a reimbursement up to \$115 per month through the TIP. This amount is expected to increase in April 2009 to \$120 per month per eligible employee.

TIP funds can currently be used for MTS monthly pass purchases and for the following recognized modes of mass transit:

- Commuter bus
- Commuter train
- Light rail
- Vanpool
- Ferry services

SANDAG has taken the lead in partnering with the Navy through the San Diego Regional Commuting Assistance Program also known as RideLink. RideLink currently administers San Diego County's Vanpool Program, which is highly utilized by Navy employees. One of the largest employers in the San Diego region, the Navy has used this partnership to further provide a detailed analysis of commuter-travel activity of naval personnel between all major naval housing areas and the naval base/facilities in the San Diego metropolitan area.

Initial findings of the data-collection effort and analyses have identified three major housing areas with a higher concentration of Navy commuters destined to naval base/employment facilities. These locations are as follows:

Naval Housing Locations:

- Murphy Canyon/Tierrasanta
- Otay Mesa/Nestor
- Eastern Chula Vista (Otay Ranch/Eastlake)

Naval Employment Locations:

- Navy Broadway Complex
- Naval Air Station North Island and Naval Amphibious Base Coronado
- Naval Base San Diego (at 32nd Street)
- Naval Base Point Loma and Point Loma SPAWAR

Following the origin and destination analysis by RideLink, a travel-time study was prepared by SANDAG from the housing areas to each of the facilities. As a result, this study has shown that the average travel times from the three housing areas to each of the bases averaged 60 minutes for a one-way transit trip and 25 minutes for a one-way driving trip. In some cases, such as the commute from Otay Mesa to Point Loma where several transfers would be required if taking local service, the transit trip could end up in upwards of 1 hour 30 minutes while the average drive trip was estimated at 45 minutes.

The development has begun of short-, mid-, and long-range TDM options for each of the origins and destinations. The Murphy Canyon/Tierrasanta housing area of the Naval Base San Diego has been identified as having the highest commute levels, and the corridor that supports the commute is being recommended by SANDAG and the Navy for a possible pilot project. Along with the traditional TDM offerings, such as vanpooling and carpooling, the following three options also will be further studied for feasibility and interest:

1. Point-to-point bus pool with a paid driver.
2. Point-to-point bus pool with a volunteer driver.
3. Flexible vanpool services where riders select various departure times based on multiple vans and are eligible for SANDAG Guaranteed Ride Home Program.

#### Next Steps

The pilot-area study will continue with data refinement for the Murphy Canyon/ Tierrasanta housing area of the Naval Base San Diego or the Naval Air Station North Island corridor. A survey of commuters will be conducted in cooperation with the Navy through the SANDAG Service Bureau, and the results will be folded into an updated implementation plan. Discussions with the Navy will continue to determine if there are viable transit options, which include the use of TIP-funded service proposals.

SANDAG staff, in conjunction with MTS staff, will be developing possible alternatives for each naval commute corridor along with first- and last-mile alternatives, park-and-ride solutions, and funding options. SANDAG staff is scheduled to return in spring 2009 to update the SANDAG Board of Directors on the pilot-area study.



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## Agenda

Item No. 47

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

OPS 970.2

February 19, 2009

SUBJECT:

SDTI: CHARGERS FOOTBALL 2008 YEAR-END SUMMARY

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

The 2008 Chargers football season represented the 11th complete year that San Diego Trolley (SDTI) has provided special service to Chargers games at Qualcomm Stadium. Service was also provided to the final three games of the 1997 season after the opening of the Mission Valley West extension in November 1997.

Season Highlights

The 2008 season was significant in several respects and, overall, staff believes service for the 2008 Chargers season was very successful. 2008 marked the fourth season for Green Line operations to Qualcomm Stadium providing direct service to the games from East County locations.

### Attendance and Ridership Recap

The following represents 2008 season figures in comparison with the 2007 season:

	<u>2007</u>	<u>2008</u>
	(11 games)	(11 games)
Overall Attendance:	703,331	727,911 (up 3.5%)
Average Attendance	63,939	66,174
Overall Ridership	173,240	174,275 (up 0.5%)
Average Ridership	15,758	15,843
Average Gate %	24.6%	23.9%
Overall Manual Sales	\$442,902	\$501,915 (up 13.3%)
Average Manual Sales	\$40,264	\$45,629
Total Boardings	346,480	348,550

Some of the noteworthy highlights for the exhibition, regular season, and play-off games include the following:

- Three weeknight games were played.
- Only three of the ten games played began at the traditional time of 1:00 p.m. on Sunday afternoon.
- The team hosted a play-off home game for the third consecutive year.
- For the first time, two games exceeded 18,000 in ridership, including a Monday Night Football game against the New York Jets.
- The NFL exercised its flex schedule for the final game against Denver changing the kick-off from 1:00 p.m. to 5:00 p.m.
- 2008 ridership statistics remained consistent with the ridership records set during the 2006 season and maintained through 2007.

### September 2008 Fare Change

The change to the flat-fare structure was in effect for the final nine games of the 2008 season. Sales receipts indicate that the amount collected at the ticket booths increased an average of \$0.25 per trip after the change was implemented. This change to the fare structure resulted in an estimated increase of more than \$73,000 in ticket booth sales over the final nine games of the season.

## Cost Recovery

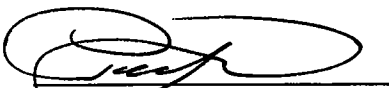
To determine the current status of operating efficiency, a cost-recovery exercise was conducted. An average game was chosen to compare the marginal costs of operating event service against the revenue generated by event ridership. All operating costs associated with the event service were considered, including car miles, staffing levels, and contract services. Revenue sources include manual tickets sales, estimated revenue from ticket vending machines (TVMs), and AMTRAK fare receipts. The TVM figures were established based upon sales averages by day of the week and comparing sales on nonevent dates with the dates in the sample. The game selected was played on Sunday, November 9, 2008, against the Kansas City Chiefs.

### Chargers Mid-Season Sample

	<u>November 9, 2008</u>	<u>2008 Season Average</u>
• Attendance	67,510	66,174
• Ridership	14,666	15,843
• Gate %	21.7%	23.9%
• Gross Revenue (estimate)	\$55,399	
• Operating Costs	\$29,247	
• Net Revenue (estimate)	\$26,152	
• Revenue per Rider (estimate)	\$3.77	

### OPERATING COST/REVENUE COMPARISON (1 Game)

Category	Revenue	Expenses
Ticket sales (Booth)	\$43,870.00	
Ticket sales (TVM)	\$10,634.00	
AMTRAK	\$895.00	
Security (TSS)		(\$9,770.00)
Security (Heritage)		(\$3,244.00)
Transportation Department		(\$5,571.00)
Car Miles (Traction Power)		(\$5,487.00)
Revenue Department		(\$1,771.00)
Facilities Department		(\$309.00)
LRV Department		(\$3,095.00)
Total Expenses:		(\$29,247.00)
Total Revenues:	\$55,399.00	
Net-Operating Revenue (estimate):	\$26,152.00	



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Attachment: A. Attendance/Ridership Summary

**SAN DIEGO TROLLEY, INC.**

**CHARGERS 2008 SEASON**

DAY		DATE	TEAM	GAME ATT (GATE)	CUMULATIVE ATTENDANCE 2008	CUMULATIVE ATTENDANCE 2007	% CHANGE CUMULATIVE ATTENDANCE 07 - 08	NUMBER RIDERS TO GAME	% OF GAME ATT	CUMULATIVE TOTAL RIDERS 2008	CUMULATIVE TOTAL RIDERS 2007	% CHANGE CUMULATIVE 07 - 08	RIDERS FROM GAME	TOTAL TURNSTILE COUNTS	COMMENTS
SAT	1	8/9	DALLAS	61,946	61,946	57,500	7.7%	14,614	23.6%	14,614	13,276	10.1%	14,301	28,915	7:00PM Pre-Season
MON	2	8/25	SEATTLE	52,768	114,714	113,672	0.9%	12,844	24.3%	27,458	26,370	4.1%	12,850	25,694	5:00PM Pre-Season MNF
SUN	3	9/7	CAROLINA	67,115	181,829	181,509	0.2%	15,529	23.1%	42,987	43,713	-1.7%	12,222	27,751	1:15PM Home Opener
MON	4	9/22	NY JETS	68,922	250,751	246,684	1.6%	18,764	27.2%	61,751	59,573	3.7%	16,477	35,241	5:30PM MNF
SUN	5	10/12	NEW ENGLAND	68,704	319,455	314,207	1.7%	16,729	24.3%	78,480	75,997	3.3%	15,144	31,873	5:15PM
SUN	6	11/9	KANSAS CITY	67,510	386,965	374,646	3.3%	14,666	21.7%	93,146	89,471	4.1%	13,948	28,614	1:15PM
SUN	7	11/23	INDIANAPOLIS	68,428	455,393	442,372	2.9%	16,269	23.8%	109,415	107,527	1.8%	16,261	32,530	5:15PM
SUN	8	11/30	ATLANTA	67,200	522,593	505,709	3.3%	13,007	19.4%	122,422	122,587	-0.1%	12,138	25,145	1:05PM
THU	9	12/4	OAKLAND	68,097	590,690	572,214	3.2%	15,987	23.5%	138,409	138,513	-0.1%	13,749	29,736	5:15PM THURS. NIGHT
SUN	10	12/28	DENVER	69,139	659,829	637,691	3.5%	18,268	26.4%	156,677	155,656	0.7%	15,445	33,713	5:15PM Flex Time Change
SAT	11	1/3	INDIANAPOLIS	68,082	727,911	703,331	3.5%	17,598	25.8%	174,275	173,340	0.5%	16,935	34,533	5:15PM PLAYOFFS
			GRAND TOTAL	727,911				174,275	23.9%		173,340		159,470	333,745	
2007 Totals				703,331				173,340	24.6%				164,096	337,436	
07-08 Difference				24,580	3.5%			935	0.5%				(4,626)	(3,691)	
2008 Averages				66,174				15,843	23.9%				14,497	30,340	
2007 Averages				63,939				15,768	24.6%				14,918	33,744	
07-08 Difference				2,235	3.5%			85	0.5%				(421)	(3,403)	



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## Agenda

Item No. 48

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

FIN 310.2

February 19, 2009

**SUBJECT:**

MTS: YEAR-TO-DATE OPERATIONS BUDGET STATUS REPORT THROUGH  
NOVEMBER 2008

**RECOMMENDATION:**

That the Board of Directors receive a year-to-date operations budget status report for MTS through November 2008.

Budget Impact

None at this time.

**DISCUSSION:**

This report summarizes MTS's year-to-date operating results through November 2008 compared to the Board-approved budget. Attachment A-1 combines the operations, administration, and other activities results through November 2008. Attachment A-2 details the year-to-date November 2008 combined operations results, and Attachments A-3 to A-8 present budget comparisons for each MTS operation. Attachment A-9 details budget comparisons for MTS Administration, and A-10 provides year-to-date November 2008 results for MTS's other activities (Taxicab/San Diego and Arizona Eastern Railway Company).

### MTS NET-OPERATING SUBSIDY RESULTS

As indicated within Attachment A-1, the year-to-date November 2008 MTS net-operating subsidy favorable variance totaled \$4,984,000 (9.1%). Operations produced a \$5,370,000 (9.7%) favorable variance, and the administrative/other activities areas were unfavorable by \$386,000.

## MTS COMBINED RESULTS

### Operating Revenues

Year-to-date combined operating revenues through November 2008 were \$40,411,000, compared to the year-to-date budget of \$36,472,000, representing a \$3,939,000 favorable variance. This is due to higher passenger revenues (\$4,562K), primarily within contracted fixed-route services (\$1,457,000) and transit services (\$1,352,000). Consolidated other operating revenues were unfavorable by \$624,000, due primarily to unfavorable variances in interest income and advertising revenue.

### Expenses

Year-to-date combined expenses through November 2008 were \$90,242,000, compared to the year-to-date budget of \$91,287,000, resulting in a \$1,045,000 (1.1%) favorable variance.

Personnel Costs. Year-to-date personnel-related costs totaled \$41,604,000, compared to a year-to-date budgetary figure of \$42,504,000, producing a favorable variance of \$900,000 (2.1%). This is primarily due to favorable variances within operator wages and other fringe benefits within transit services.

Outside Services and Purchased Transportation. Total outside services year-to-date expenses totaled \$29,856,000, compared to a budget of \$30,688,000, resulting in a year-to-date favorable variance of \$832,000 (2.7%). This is primarily due to purchased transportation within contracted fixed-route services.

Materials and Supplies. Total year-to-date materials and supplies expenses totaled \$3,341,000, compared to a budgetary figure of \$3,138,000, resulting in an unfavorable expense variance of \$203,000 (-6.5%). This is primarily due to materials and supplies costs within rail operations and transit services.

Energy. Total year-to-date energy costs were \$13,241,000, compared to the budget of \$12,856,000, resulting in a year-to-date unfavorable variance of \$385,000 (-3.0%). This unfavorable variance is primarily due to compressed natural gas (-\$285,000) and diesel (-\$73,000). Year-to-date compressed natural gas prices averaged \$1.576 per therm, compared to the budgetary rate of \$1.470 per therm. Year-to-date diesel prices averaged \$3.510 per gallon compared to a budgetary rate of \$3.290 per gallon.

Although energy was unfavorable through November year-to-date, the month had a favorable variance of \$357,000, and staff foresees a positive favorable variance for the remainder of the fiscal year.

Risk Management. Total year-to-date expenses for risk management were \$1,602,000, compared to the year-to-date budget \$1,498,000, resulting in an unfavorable variance totaling \$104,000 (-7.0%).

General and Administrative. Year-to-date general and administrative costs, including vehicle and facilities leases, were \$6,000 (1.0%) favorable to budget, totaling \$598,000 through November 2008, compared to a year-to-date budget of \$604,000.

## YEAR-TO-DATE SUMMARY

The November 2008 year-to-date net-operating subsidy totaled a favorable variance of \$4,984,000 (9.1%) and was produced by several factors. These factors include favorable variances in passenger revenue, personnel costs, and outside services partially offset by other revenue.



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Chief Executive Officer

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Attachment: A. Comparison to Budget

MTS  
CONSOLIDATED  
COMPARISON TO BUDGET - FISCAL YEAR 2009  
NOVEMBER 30, 2008  
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	%
Passenger Revenue	\$ 37,522	\$ 32,960	\$ 4,562	13.8%
Other Revenue	2,889	3,513	(624)	-17.8%
<b>Total Operating Revenue</b>	<b>\$ 40,411</b>	<b>\$ 36,472</b>	<b>\$ 3,939</b>	<b>10.8%</b>
Personnel costs	\$ 41,604	\$ 42,504	\$ 900	2.1%
Outside services	29,856	30,688	832	2.7%
Transit operations funding	-	-	-	-
Materials and supplies	3,341	3,138	(203)	-6.5%
Energy	13,241	12,856	(385)	-3.0%
Risk management	1,602	1,498	(104)	-7.0%
General & administrative	447	372	(75)	-20.3%
Vehicle/facility leases	151	233	81	35.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	0	(0)	(0)	701.4%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 90,242</b>	<b>\$ 91,287</b>	<b>\$ 1,045</b>	<b>1.1%</b>
<b>Operating income (loss)</b>	<b>\$ (49,831)</b>	<b>\$ (54,815)</b>	<b>\$ 4,984</b>	<b>9.1%</b>
<b>Total public support and nonoperating revenues</b>	<b>(228)</b>	<b>179</b>	<b>(407)</b>	<b>-227.3%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (50,059)</b>	<b>\$ (54,636)</b>	<b>\$ 4,576</b>	<b>-8.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**CONSOLIDATED OPERATIONS**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	%
Passenger Revenue	\$ 37,522	\$ 32,960	\$ 4,562	13.8%
Other Revenue	242	259	(17)	-6.7%
<b>Total Operating Revenue</b>	<b>\$ 37,764</b>	<b>\$ 33,219</b>	<b>\$ 4,545</b>	<b>13.7%</b>
Personnel costs	\$ 37,342	\$ 37,973	\$ 631	1.7%
Outside services	28,419	29,245	826	2.8%
Transit operations funding	-	-	-	-
Materials and supplies	3,333	3,133	(199)	-6.4%
Energy	13,092	12,704	(388)	-3.1%
Risk management	1,401	1,321	(80)	-6.0%
General & administrative	190	153	(37)	-24.0%
Vehicle/facility leases	150	223	73	32.7%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	3,862	3,862	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 87,788</b>	<b>\$ 88,614</b>	<b>\$ 825</b>	<b>0.9%</b>
<b>Operating income (loss)</b>	<b>\$ (50,025)</b>	<b>\$ (55,395)</b>	<b>\$ 5,370</b>	<b>9.7%</b>
<b>Total public support and nonoperating revenues</b>	<b>651</b>	<b>1,058</b>	<b>(407)</b>	<b>-38.5%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (49,374)</b>	<b>\$ (54,337)</b>	<b>\$ 4,963</b>	<b>-9.1%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
**(in \$000's)**

	<b>YEAR TO DATE</b>			
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	<b>%</b>
Passenger Revenue	\$ 11,240	\$ 9,887	\$ 1,352	13.7%
Other Revenue	48	4	44	1050.6%
<b>Total Operating Revenue</b>	<b>\$ 11,288</b>	<b>\$ 9,892</b>	<b>\$ 1,396</b>	<b>14.1%</b>
Personnel costs	\$ 23,594	\$ 24,324	\$ 730	3.0%
Outside services	726	846	120	14.2%
Transit operations funding	-	-	-	-
Materials and supplies	1,985	1,896	(89)	-4.7%
Energy	4,324	3,928	(396)	-10.1%
Risk management	624	601	(23)	-3.8%
General & administrative	67	72	5	7.2%
Vehicle/facility leases	40	77	37	48.3%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	1,951	1,951	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 33,310</b>	<b>\$ 33,696</b>	<b>\$ 385</b>	<b>1.1%</b>
<b>Operating income (loss)</b>	<b>\$ (22,023)</b>	<b>\$ (23,804)</b>	<b>\$ 1,782</b>	<b>7.5%</b>
<b>Total public support and nonoperating revenues</b>	<b>(1,836)</b>	<b>(1,429)</b>	<b>(407)</b>	<b>28.5%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (23,859)</b>	<b>\$ (25,233)</b>	<b>\$ 1,374</b>	<b>-5.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	%
Passenger Revenue	\$ 14,556	\$ 13,329	\$ 1,227	9.2%
Other Revenue	167	255	(88)	-34.5%
<b>Total Operating Revenue</b>	<b>\$ 14,723</b>	<b>\$ 13,584</b>	<b>\$ 1,139</b>	<b>8.4%</b>
Personnel costs	\$ 13,200	\$ 13,057	\$ (143)	-1.1%
Outside services	3,966	3,881	(85)	-2.2%
Transit operations funding	-	-	-	-
Materials and supplies	1,346	1,231	(115)	-9.3%
Energy	3,878	3,827	(51)	-1.3%
Risk management	777	721	(57)	-7.9%
General & administrative	95	73	(22)	-29.7%
Vehicle/facility leases	44	85	42	48.9%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	1,512	1,512	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 24,819</b>	<b>\$ 24,388</b>	<b>\$ (431)</b>	<b>-1.8%</b>
<b>Operating income (loss)</b>	<b>\$ (10,096)</b>	<b>\$ (10,804)</b>	<b>\$ 708</b>	<b>6.6%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (10,096)</b>	<b>\$ (10,804)</b>	<b>\$ 708</b>	<b>-6.6%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**MULTIMODAL OPERATIONS (FIXED ROUTE)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 9,187	\$ 7,730	\$ 1,457	18.8%
Other Revenue	27	-	27	-
<b>Total Operating Revenue</b>	<b>\$ 9,214</b>	<b>\$ 7,730</b>	<b>\$ 1,484</b>	<b>19.2%</b>
Personnel costs	\$ 177	\$ 148	\$ (28)	-19.2%
Outside services	16,555	17,374	819	4.7%
Transit operations funding	-	-	-	-
Materials and supplies	0	-	(0)	-
Energy	3,603	3,461	(142)	-4.1%
Risk management	-	-	-	-
General & administrative	28	3	(25)	-856.8%
Vehicle/facility leases	67	60	(7)	-10.8%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	326	326	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 20,755</b>	<b>\$ 21,372</b>	<b>\$ 617</b>	<b>2.9%</b>
<b>Operating income (loss)</b>	<b>\$ (11,542)</b>	<b>\$ (13,642)</b>	<b>\$ 2,101</b>	<b>15.4%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (11,542)</b>	<b>\$ (13,642)</b>	<b>\$ 2,101</b>	<b>-15.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**MULTIMODAL OPERATIONS (PARATRANSIT)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 755	\$ 702	\$ 53	7.5%
Other Revenue	-	-	-	-
<b>Total Operating Revenue</b>	<b>\$ 755</b>	<b>\$ 702</b>	<b>\$ 53</b>	<b>7.5%</b>
Personnel costs	\$ 44	\$ 81	\$ 37	45.4%
Outside services	4,460	4,452	(8)	-0.2%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	952	1,068	117	10.9%
Risk management	-	-	-	-
General & administrative	0	2	2	97.6%
Vehicle/facility leases	-	1	1	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	13	13	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,469</b>	<b>\$ 5,617</b>	<b>\$ 148</b>	<b>2.6%</b>
<b>Operating income (loss)</b>	<b>\$ (4,714)</b>	<b>\$ (4,914)</b>	<b>\$ 201</b>	<b>4.1%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (4,714)</b>	<b>\$ (4,914)</b>	<b>\$ 201</b>	<b>-4.1%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**CONSOLIDATED CHULA VISTA TRANSIT OPERATIONS**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
**(in \$000's)**

	<b>YEAR TO DATE</b>			
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	<b>% VARIANCE</b>
Passenger Revenue	\$ 1,784	\$ 1,311	\$ 473	36.1%
Other Revenue	-	-	-	-
<b>Total Operating Revenue</b>	<b>\$ 1,784</b>	<b>\$ 1,311</b>	<b>\$ 473</b>	<b>36.1%</b>
Personnel costs	\$ 138	\$ 174	\$ 36	20.9%
Outside services	2,495	2,475	(21)	-0.8%
Transit operations funding	-	-	-	-
Materials and supplies	1	6	5	78.9%
Energy	335	419	83	19.9%
Risk management	-	-	-	-
General & administrative	0	3	3	97.1%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	60	60	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 3,030</b>	<b>\$ 3,136</b>	<b>\$ 106</b>	<b>3.4%</b>
<b>Operating income (loss)</b>	<b>\$ (1,246)</b>	<b>\$ (1,825)</b>	<b>\$ 579</b>	<b>31.7%</b>
<b>Total public support and nonoperating revenues</b>	<b>2,414</b>	<b>2,414</b>	<b>-</b>	<b>0.0%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ 1,168</b>	<b>\$ 589</b>	<b>\$ 579</b>	<b>98.3%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**CORONADO FERRY**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
<b>Total Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
Personnel costs	\$ -	\$ -	\$ -	-
Outside services	61	61	-	0.0%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	-	-	-	-
Risk management	-	-	-	-
General & administrative	-	-	-	-
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	-	-	-	-
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 61</b>	<b>\$ 61</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Operating income (loss)</b>	<b>\$ (61)</b>	<b>\$ (61)</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total public support and nonoperating revenues</b>	<b>73</b>	<b>73</b>	<b>-</b>	<b>0.0%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ 12</b>	<b>\$ 12</b>	<b>\$ -</b>	<b>0.0%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**ADMINISTRATION**  
**CONSOLIDATED**  
**COMPARISON TO BUDGET - FISCAL YEAR 2009**  
**NOVEMBER 30, 2008**  
**(in \$000's)**

	<b>YEAR TO DATE</b>			
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	<b>%</b>
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	2,502	3,110	(608)	-19.6%
<b>Total Operating Revenue</b>	<b>\$ 2,502</b>	<b>\$ 3,110</b>	<b>\$ (608)</b>	<b>-19.6%</b>
Personnel costs	\$ 4,058	\$ 4,322	\$ 264	6.1%
Outside services	1,405	1,376	(29)	-2.1%
Transit operations funding	-	-	-	-
Materials and supplies	6	2	(4)	-200.3%
Energy	145	144	(1)	-0.8%
Risk management	185	162	(24)	-14.6%
General & administrative	211	174	(37)	-21.1%
Vehicle/facility leases	1	9	8	90.2%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(3,880)	(3,880)	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 2,132</b>	<b>\$ 2,309</b>	<b>\$ 177</b>	<b>7.7%</b>
<b>Operating income (loss)</b>	<b>\$ 370</b>	<b>\$ 801</b>	<b>\$ (431)</b>	<b>53.8%</b>
<b>Total public support and nonoperating revenues</b>	<b>(879)</b>	<b>(879)</b>	<b>-</b>	<b>0.0%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (509)</b>	<b>\$ (78)</b>	<b>\$ (431)</b>	<b>554.3%</b>

# SAN DIEGO METROPOLITAN TRANSIT SYSTEM

## OTHER ACTIVITIES

### CONSOLIDATED

#### COMPARISON TO BUDGET - FISCAL YEAR 2009

NIOVEMBER 30, 2008

(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	145	143	2	1.2%
<b>Total Operating Revenue</b>	<b>\$ 145</b>	<b>\$ 143</b>	<b>\$ 2</b>	<b>1.2%</b>
Personnel costs	\$ 204	\$ 209	\$ 5	2.4%
Outside services	32	68	36	52.8%
Transit operations funding	-	-	-	-
Materials and supplies	2	2	0	11.1%
Energy	4	8	4	54.9%
Risk management	15	14	(1)	-5.1%
General & administrative	46	44	(2)	-4.4%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	19	19	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 321</b>	<b>\$ 364</b>	<b>\$ 43</b>	<b>11.7%</b>
<b>Operating income (loss)</b>	<b>\$ (176)</b>	<b>\$ (221)</b>	<b>\$ 44</b>	<b>20.1%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (176)</b>	<b>\$ (221)</b>	<b>\$ 44</b>	<b>-20.1%</b>



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## Agenda

Item No. 49

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

FIN 305

February 19, 2009

### SUBJECT:

MTS: INVESTMENT REPORT – DECEMBER 2008

### RECOMMENDATION:

That the Board of Directors receive a report for information.

#### Budget Impact

None.

### DISCUSSION:

Attachment A is a report of MTS investments as of December 2008. The first column provides details about investments restricted for capital support and debt service—the majority of which are related to the 1995 lease and leaseback transactions.

The second column provides details about unrestricted investments of working capital for MTS operations employee payroll and vendors' goods and services. This column also includes the investment in San Diego Transit Corporation (SDTC) pension obligation bonds (POBs) that were repurchased and represents an asset that is not currently available to fund operations.

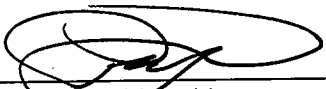
Cash balances have again declined during the past month largely due to payments made bus purchases.

Interest earnings in the Bank of America concentration account remain at 0.01%. The average monthly yield in the Local Agency Investment Funds (LAIF) investment has decreased from 2.779% to 2.54% between August and December 2008. Most of the

LAIF investment has been transferred to the cash account at Bank of America to ensure liquidity of assets.

The funds restricted for debt service are structured investments with fixed returns that do not vary with marked fluctuations if held to maturity. These investments are held in trust and will not be liquidated in advance of the scheduled maturities.

Other restricted funds are designated for various capital improvement projects.



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Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, [tom.lynch@sdmts.com](mailto:tom.lynch@sdmts.com)

FEB19-09.49.INVESTMT RPT DEC08.LMUSENGO.doc

Attachment: A. Investment Report as of December 2008

**San Diego Metropolitan Transit System  
Investment Report  
December 31, 2008**

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<b>Average rate of return</b>
Cash and Cash Equivalents				
Bank of America - concentration sweep account	\$ 12,961,216	\$ 19,262,257	\$ 32,223,473	0.01%
Total Cash and Cash Equivalents	<u>12,961,216</u>	<u>19,262,257</u>	<u>32,223,473</u>	
Cash - Restricted for Capital Support				
US Bank - retention trust account	3,086,334	-	3,086,334	N/A *
US Bank - retention trust account	2,515,455	-	2,515,455	N/A *
Bank of America - Proposition 1B TSGP grant funds	<u>2,700,223</u>	<u>-</u>	<u>2,700,223</u>	N/A *
Total Cash - Restricted for Capital Support	<u>8,302,011</u>	<u>-</u>	<u>8,302,011</u>	
Investments - Working Capital				
Local Agency Investment Fund (LAIF)	-	5,488,206	5,488,206	2.54%
Bank of New York Money Market POB interest	<u>-</u>	<u>561</u>	<u>561</u>	
Total Investments - Working Capital	<u>-</u>	<u>5,488,767</u>	<u>5,488,767</u>	
Investments - Restricted for Debt Service				
US Bank - Treasury Strips - market value (Par value \$39,474,000)	33,626,951	-	33,626,951	
Rabobank - Payment Undertaking Agreement	<u>86,247,213</u>	<u>-</u>	<u>86,247,213</u>	7.69%
Total Investments Restricted for Debt Service	<u>119,874,164</u>	<u>-</u>	<u>119,874,164</u>	
Investment in SDTC Pension Obligation Bonds				
Bank of America custodial account	<u>-</u>	<u>35,818,565</u>	<u>35,818,565</u>	
Total Investment in SDTC Pension Obligation Bonds	<u>-</u>	<u>35,818,565</u>	<u>35,818,565</u>	
Total cash and investments	<u><u>\$ 141,137,392</u></u>	<u><u>\$ 60,569,589</u></u>	<u><u>\$ 201,706,981</u></u>	

N/A\* - Per trust agreements, interest earned on retention accounts is allocated to trust beneficiary (contractor)



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## Agenda

Item No. 62

Chief Executive Officer's Report

ADM 121.7 (PC 50101)

February 19, 2009

In accordance with Board Policy No. 52, Procurement of Goods and Services, attached are listings of contracts, purchase orders, and work orders that have been approved within the CEO's authority (up to and including \$100,000) for the period January 6, 2009, through February 9, 2009.

[gail.williams/agenda item 62](#)



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,

# CONTRACTS - EXPENSE

Doc #	Organization	Subject	Amount	Day
B0469.2-07	ARC OF SAN DIEGO	MONTH TO MONTH EXTENSION FOR BUS CLEANING	\$48,000.00	1/8/2009
G1108.4-07	LAW OFFICES OF DAVID SKYER	LEGAL SERVICES - GENERAL AND TORT LIABILITY	\$45,000.00	1/8/2009
L0033.2-90	CCRT PROPERTIES	FIRST AMENDMENT TO AMEND PARKING AGREE.	\$57,600.00	1/8/2009
L4587.0-09	CCDC	BAYSIDE JOINT ENCROACHMENT LICENSE	\$0.00	1/12/2009
B0512.0-09	BRENCO OPERATING	PURCHASE OF SPARK PLUGS FOR BUSES	\$90,000.00	1/15/2009
G1135.1-08	IBI GROUP	PLANNING SVCS EVALUATING WEEKEND SVCS	\$100,000.00	1/20/2009
G1200.1-09	BAKER & MILLER, PLLC	LEGAL SERVICES - RAILROAD LAW	\$15,000.00	1/20/2009
L0879.0-09	JACOBS CENTER C/O LISETTE ISKS	RESCHEDULE DATES FOR PERFORMANCES	\$0.00	1/20/2009
S200-09-389	DAVID EVANS & ASSOC INC	ROE PERMIT-LAND SURVEY SANDAG CIP #11281	\$0.00	1/22/2009
G1064.1-07	WILLIAM F NORRIS ASSOCIATES	SERVICE CONTRACT AMENDMENT #1	\$25,000.00	1/26/2009
G1212.1-09	COW PARADE, SAN DIEGO LLC	JOINT SPONSORSHIP MTS/COCA COLA JAN-MAR	\$7,500.00	1/26/2009
G1236.0-09	CHK AMERICA, INC.	PROVIDE PILOT SIGNAGE FOR OTTC	\$26,100.00	1/29/2009
S200-09-387	ENVIROAPPLICATIONS, INC	SOIL BORINGS & MONITORING WELLS	\$0.00	1/29/2009
G1108.5-07	LAW OFFICES OF DAVID C SKYER	LEGAL SERVICES - GENERAL & TORT LIABILT	\$70,000.00	2/2/2009
G1237.0-09	WORDSWORTH	PROVIDE STRATEGIC INTERNAL COMM PLAN	\$20,000.00	2/2/2009
L7036.0-09	SAN DIEGO GAS & ELECTRIC	CONSENT TO USE AGREEMENT SABRE SPRINGS	\$0.00	2/2/2009
T0475.0-09	SANDAG	MOU FOR TAXICAB PASS SURVEY IN SAN DIEGO	\$75,701.00	2/2/2009
G1067.3-07	MCDUGAL LOVE ECKIS SMITHE BOE	LEGAL SERVICES GENERAL & TORT LIABILITY	\$55,000.00	2/5/2009
G1087.4-07	LIEBMAN,QUIGLEY,SHEPPARD & SOU	LEGAL SERVICES GENERAL & TORT LIABILITY	\$50,000.00	2/5/2009
G1138.1-08	DIETZ, GILMORE & ASSOCIATES	LEGAL SERVICES WORKERS COMPENSATION	\$25,000.00	2/5/2009
G1169.1-08	WORDEN WILLIAMS, APC	LEGAL SERVICES RAILROAD LAW	\$15,000.00	2/5/2009
G1230.0-09	CITY OF SAN DIEGO OHS	MOU FOR MUTUAL AID AGREEMENT FOR DISASTE	\$0.00	2/5/2009
L0839.1-08	VECOM USA	VETAG Z INTERROGATOR TWC EQUIPMENT	\$34,123.58	2/5/2009

# PURCHASE ORDERS

DATE	Organization	Subject	AMOUNT
1/8/2009	SAN DIEGO READER	FULL PAGE AD, COLOR, INSIDE BACK CO	\$1,800.00
1/8/2009	RUSH PRESS	2009 RIDER'S GUIDE QTY 50,000	\$3,362.24
1/8/2009	CITY HEIGHTS DEV CENTER	2008-09 BUS DIRECTORY SPONSORSHIP	\$5,000.00
1/12/2009	ASSOCIATED POSTERS INC	BUS SHELTER "NOW SLEEK"	\$741.00
1/20/2009	COMMONWEALTH LAND TITLE	PRELIMINARY TITLE REPORT ECBMF EXPA	\$1,200.00

# PURCHASE ORDERS

DATE	Organization	Subject	AMOUNT
1/20/2009	STROMBERG INC	ANNUAL SUPPORT MAINTENANCE	\$9,042.43
1/20/2009	SCS FLOORING	CARPET TRANS AND EXEC, CONF, HALL	\$7,617.50
1/20/2009	ACCO ENGINEERED SYSTEMS	REPLACE ONE AC COMPRESSOR SDTI	\$5,062.00
1/26/2009	SAN DIEGO POSTAL AND SHIPPING	YRLY MAINT AGREE POSTAGE/SCALE	\$835.00
1/26/2009	PHONE SUPPLEMENTS	PLANTRONICS WIRELESS HEADSET	\$499.45
1/29/2009	NEAL ELECTRIC	PROVIDE AND INSTALL 4 NEW RECEPTACL	\$976.00
1/29/2009	WEST COAST CABLING	RELOCATE NETWORK CABLES KMD	\$1,990.00
1/29/2009	NEAL ELECTRIC	INSTALL 4 NEW RECEPTACLES DED CIRCU	\$864.00
1/29/2009	WEST COAST CABLING	RELOCATE NETWORK CABLES IAD	\$2,186.00
1/29/2009	MULTICARD SYSTEMS	COLOR RIBBON KIT CR80 BLANK CARDS	\$2,348.95
1/29/2009	VISIBLE INK	SNIPES FOR COCA-COLA MACHINES 09	\$1,508.50
2/5/2009	BOCA SYSTEMS	MTS/PADRES 4/C THERMAL PRE-PRINTED	\$1,439.95
2/5/2009	SAN DIEGO CITYBEAT	1/4 PAGE, COLOR ADS	\$700.00
2/5/2009	REPROHAUS	BUS BENCH PANELS LATINO FILM FESTIV	\$1,753.63
2/5/2009	TRICK SHOT	CLEAN TRANSIT STORE WINDOW	\$1,250.00
2/5/2009	VISIBLE INK	KIOSK INSERTS, BSU INSERTS	\$1,170.17
2/5/2009	THE GATES GROUP	BASE PREPRINTED STOCK FOR FACTS SHT	\$1,002.39
2/5/2009	SD METROPOLITAN MAGAZINE	1/4 PAGE, COLOR AD	\$1,000.00
2/9/2009	DIMENSIONAL SILKSCREEN	CORONADO BUS STOP SIGN TOPPERS	\$2,995.45

# WORK ORDERS

Doc #	Organization	Subject	Amount	Day
G1127.0-08.14.02	BUREAU VERITAS	GEC SERVICES RECORD OF SURVEY MVE	\$0.00	1/8/2009
G1131.0-08.02.01	PGH WONG ENG	DBE, P.WAGES AND LABOR COMP SVCS	\$30,000.00	1/26/2009
L6343.0-01.49	WASHINGTON GROUP	CONST MGMT SVCS MVE LIGHT RAIL TRAN	\$0.00	1/26/2009
G1127.0-08.23	BUREAU VERITAS/BERRYMAN/HENIGAR	GENERAL ENG SVCS ON-BOARD LRV	\$79,429.00	2/9/2009

**CONTRACTS (REVENUE)**

Doc #	Organization	Subject	Amount	Day
S200-09-388	HP COMMUNICATIONS	ROE PERMIT OH CABLE-COX FIBER OPTIC	(\$1,400.00)	1/12/2009
M6674.0-09	HENKELS & MCCOY	LEASE AGREEMENT MONTHLY BALTIMORE SITE	(\$2,400.00)	1/20/2009
L6619.0-08	CORRPRO CO. INC.	JROE PERMIT NCTD NAVY FUEL LINE INSPECT	(\$1,200.00)	1/26/2009
M6673.0-09	HAZARD CONSTRUCTION CO	ROE PERMIT CITY SD AC OVERLAY IMPROVEMEN	(\$1,550.00)	1/26/2009
G1241.0-09	THE SOFIA HOTEL	ECD PASS 3-MONTH PILOT PROGRAM	(\$4,590.00)	1/29/2009
L5695.1-09	SDG&E	JROE PERMIT TIME EXT AMEND 1	(\$500.00)	1/29/2009
M6672.0-09	NEXT G NETWORKS OF CALIFORNIA	AERIAL LIC @ KEENEY ST AND ALVARADO RD	(\$1,500.00)	1/29/2009
L0880.0-09	SAN DIEGO ELECTRIC RAILWAY CO.	TRADEMARK USE AGREEMENT FOR TROLLEY VIDE	(\$10,000.00)	2/2/2009
S200-09-390	SDGE	ROE PERMIT SDTI NEWTON YARD BH CABLE REM	(\$1,000.00)	2/5/2009