



11-13-06 15:32 IN

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

******SPECIAL MEETING******

Agenda

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

November 16, 2006

9:00 a.m.

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

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/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

ACTION RECOMMENDED

1. Roll Call
2. 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.

DISCUSSION ITEMS

30. MTS: Transferring Operational Responsibility for National City Transit Service Approve
Action would: (1) receive a report from staff; (2) approve the transfer of operational responsibility for National City transit services to MTS and discontinue payment to National City for those services; and (3) appoint a transition team to work with National City to assist with the transfer of the transit services and resolution of any contractual termination costs.



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.

CLOSED SESSION

40. a. MTS: CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
Pursuant to California Government Code Section 54956.9(a):
Wooten v. San Diego Trolley, Inc., Et Al. (Superior Court Case No. GIC 853080)

b. MTS: CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
Pursuant to of California Government Code
Section 54956.9(a) Stella Reed v. MTS, Et Al. (Claim No. Unassigned)

62. Board Member Communications

63. Additional Public Comments Not on the Agenda

Possible Action

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.

64. Next Meeting Date: December 14, 2006

65. Adjournment

SPECIAL BD MTG 11-16-05

Submitted
Remove On
Return to
OR (Pick
Retain in

Submitted by D. Bridge

Remove On: 11/16/06

Return to Submitter: G. Williams

OR (Pick One)

Retain in Posting File: _____

**METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL**

MEETING OF (DATE): 11/16/06

CALL TO ORDER (TIME): 9:02 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 11:22 a.m.

RECONVENE: 11:32 a.m.

ORDINANCES ADOPTED: _____

ADJOURN: 11:33 a.m.

BOARD MEMBER (Alternate)				PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/>	(Vacant)	<input type="checkbox"/>		11:20 a.m. during AI 40
CLABBY	<input checked="" type="checkbox"/>	(Selby)	<input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/>	(Cafagna)	<input type="checkbox"/>		
EWIN	<input type="checkbox"/>	(Allan)	<input checked="" type="checkbox"/>		
FAULCONER	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
HANSON-COX	<input type="checkbox"/>	(Lewis)	<input checked="" type="checkbox"/>		
MAIENSCHIN	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
MATHIS	<input checked="" type="checkbox"/>	(Vacant)	<input type="checkbox"/>		
MCLEAN	<input checked="" type="checkbox"/>	(Janney) (Rose)	<input type="checkbox"/> <input type="checkbox"/>		
MONROE	<input checked="" type="checkbox"/>	(Tierney)	<input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/>	(McCann)	<input type="checkbox"/>		
ROBERTS	<input type="checkbox"/>	(Cox)	<input checked="" type="checkbox"/>	9:05 a.m. during AI 2	
RYAN	<input type="checkbox"/>	(B. Jones)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
YOUNG	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
ZARATE	<input type="checkbox"/>	(Parra)	<input checked="" type="checkbox"/>		11:20 a.m. during AI 40

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL



AGENDA ITEM NO.

2

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

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

1. INSTRUCTIONS

This Request to Speak form must be filled out and submitted in advance of the discussion of your item to the Clerk of the Board (please attach your written statement to this form). Communications on hearings and agenda items are generally limited to three (3) minutes per person unless the Board authorizes additional time. However, the Chairperson may limit comment to one or two minutes each if there are multiple requests to speak on a particular item. General public comments on items not on the agenda are limited to three (3) minutes. Please be brief and to the point. No yielding of time is allowed. Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.

Date 11-16-2006Name (PLEASE PRINT) DON STILLWELLAddress 6308 RANCHO MISSION RD #173SAN DIEGO, CA 92108Telephone (619) 282-7760

Organization Represented (if any) _____

Subject of your remarks: BUS CONNECTIONS

Agenda Item Number on which you request to speak _____

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

☐**2. TESTIMONY AT NOTICED PUBLIC HEARINGS**

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

3. DISCUSSION OF AGENDA ITEMS

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

4. GENERAL PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA

Public comment on matters not on the agenda will be limited to five (5) speakers with three (3) minutes each, under the Public Comment Agenda Item. Additional speakers will be heard at the end of the Board's Agenda.

****REMEMBER: Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.****





1255 Imperial Avenue, Suite 1000
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Agenda

Item No. 30

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

FIN 340.2 (PC 50601)

November 16, 2006

SUBJECT:

MTS: TRANSFERRING OPERATIONAL RESPONSIBILITY FOR NATIONAL CITY TRANSIT SERVICE

RECOMMENDATION:

That the Board of Directors:

1. receive a report from staff;
2. approve the transfer of operational responsibility for National City Transit services to MTS and discontinue payment to National City for those services on January 28, 2007; and
3. appoint a transition team to work with National City to assist with the transfer of transit services and resolution of any contractual termination costs.

Budget Impact

Potential \$565,200 reduction in FY 2007 budgeted costs would pay for investment in additional National City bus service proposed by the Comprehensive Operational Analysis (COA).

EXECUTIVE SUMMARY:

National City Transit's budget is paid for by MTS each year. Upon examination of transit operations in National City, MTS staff has concluded that from a business perspective, the continued operation of a separate 14-bus system in National City is an inefficient use



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.

of taxpayer funds. Significant efficiencies and cost savings can be achieved if MTS assumes operations currently managed by McDonald Transit Associates on behalf of National City. The benefits to be achieved by transfer of operational responsibility include:

- An annual operating cost savings of at least \$565,200, to include savings from the elimination of separate management fees and rental payments totaling \$424,746.
- The ability to afford a 41% increase in service to National City as recommended by the COA.
- Continued employment and guaranteed rates of pay at or above current levels for all National City Transit employees.
- Elimination of the need to build a separate, costly compressed natural gas (CNG) infrastructure at 522 West 8th Street in order to accommodate CNG for a 14-bus operation.
- The ability to more quickly introduce CNG technology into National City.
- The ability to integrate routes serving National City with the broader transit network.
- The freeing up of the property at 522 West 8th Street for a better use by National City, including the potential investment by MTS in the construction of a major transit center and rail station.

DISCUSSION:

National City Transit operates 9 MTS buses (and maintains 5 spares) on 3 bus routes (Nos. 601, 602, and 603) in the City of National City (City). The City, through a number of actions, has contracted with Texas-based McDonald Transit Associates, Inc. (McDonald) to provide transit services under the National City Transit umbrella since 1979. In 1997, the City added California-based Bayshore Transit Management, Inc. (Bayshore) to the contract. Bayshore was incorporated locally by McDonald to act as the employer of the City-based transit employees while McDonald continues to employ the resident general manager.

The 1997 "Contract to Establish and Operate Transit Service" established the guidelines for the operating agreement that is in force today. Under this contract between the City and McDonald, the cost of operating the system and compensation paid to McDonald are controlled through a City-approved budget. According to the contract, the service was to be funded entirely through state Transportation Development Act (TDA) funding and fare revenue. The City had been the direct recipient of TDA funds when this contract was approved; MTS is now the direct recipient. Therefore, the budget for National City Transit is approved and funded by the MTS Board of Directors each fiscal year.

The initial term of the contract between McDonald and the City was five years. Incorporated into the contract was the authorization granted to McDonald to unilaterally exercise options to extend the contract for successive five-year terms. McDonald submitted a letter of Election to Extend in 2002 effectively continuing the contract for five more years. The contract is terminable upon 30 days' notice if funding is eliminated or reduced and for convenience upon one year's notice. It was emphasized during conversations held with City officials that action regarding the transfer of responsibility had to be accomplished expeditiously because of the approaching expiration of the existing contract with McDonald. Notification of McDonald that funding will be discontinued is an essential element to avoid an unwarranted contract extension, which could lead to greater liquidation costs for the City.

In 1997, the City and McDonald also entered into the "Maintenance and Operating Agreement," which set out the respective rights and responsibilities of the parties in the use of the newly acquired, City-owned facility at 522 West 8th Street. The 2.4-acre property was purchased by the City in 1995 as a maintenance facility for the 14-bus fleet. National City Transit submitted a \$1 million TDA claim for the purchase in July 1995 and two more claims in 1996 and 1997 for modification of the existing facilities for use in bus operations. The City's contractor, McDonald, agreed to pay the City \$84,000 in its first year for the use of the facility with escalators based on the greater of 5% or the Consumer Price Index. While the property was paid for with TDA revenue, TDA revenue also currently pays the rent. As with all other aspects of the National City Transit budget, the rent payment is paid for by MTS.

National City is a strong transit market, and the COA has identified various service enhancements that could increase the success of transit in the City. The level of bus service is expected to improve by 41% if changes approved by the Board are implemented in January (Attachment A). As envisioned in the COA, all service in the City is to connect to routes outside of the City to achieve a more integrated service network for MTS riders and those routes are currently serviced by service providers under contract to MTS. The COA changes could be implemented and all service in the City provided under existing contracted services with other private operators.

In evaluating transit operations in the National City Transit service area, MTS determined that significant efficiencies and cost-savings could be achieved by operating this service under MTS as part of MTS's existing Contract Services. Table 1 provides a comparison of the 2006 cost to operate the existing bus routes under McDonald and the estimated cost savings that could be achieved by consolidating operations through MTS Contract Services. The Fiscal Year 2006 budget for National City Transit was \$3,021,000. If operations were consolidated with MTS's current contract services, it is estimated that operating expenses could be cut to \$2,455,800. An analysis of the two scenarios for operation of the system as it exists today demonstrates that an annual savings of \$565,200 could be achieved through consolidation.

There are three factors that drive up the price of National City Transit services:

1. The City's contract with McDonald requires the City to pay a management fee to McDonald, a fee that is passed to MTS through its budget. \$157,916 was included in the Fiscal Year 2007 budget for National City Transit.
2. National City Transit, and therefore MTS, pays a rental fee for the 8th Street property--\$136,830 in Fiscal Year 2007. Because of the small number of buses

operated by National City Transit, MTS can readily maintain them in existing MTS facilities thereby eliminating the need to continue operating the National City Facility. This would free up the property for a higher and better use to benefit the City, including potential investment by MTS to convert it to a major transit center. In addition, the future need to phase out the current diesel-powered buses by converting to CNG requires access to CNG facilities. A CNG installation in the National City facility for such a small number of buses is not cost effective.

3. The City of National City began charging MTS an overhead charge in Fiscal Year 2006. In Fiscal Year 2007, that charge is \$130,000 and is expected to rise to \$150,000 next year. At the same time, the Federal Transit Administration recently recommended that MTS increase its own oversight of National City Transit operations, which could increase MTS-related overhead costs.

These three line items in the National City Transit Fiscal Year 2007 budget total \$424,746 (Table 2).

Table 1
San Diego Metropolitan Transit System versus National City Transit
(Based on FY 2006 levels of service)

	McDonald Transit Cost for Service	MTS/Contract Services	Cost Savings with MTS
Operating Expenses			
Personnel/Outside Services/Materials & Supplies	2,131,000 ¹	80,000	
Contracted Transportation	0	2,020,800 ²	
Energy	339,000	339,000	
Risk Management/ General and Administrative/Rent	551,000	16,000	
Total Operating Expenses	3,021,000	2,455,800	565,200

¹ From National City Transit FY 2007 Operating Budget

² Cost to perform service under MTS contract with Veolia based on 480,000 revenue miles at \$4.21/mile.

Table 2
FY 2007 Overhead Associated with National City Transit Operations

Overhead Categories	Cost
McDonald Management Fee	\$157,916
City Property Rent	\$136,830
City Overhead Charge	\$130,000
Total Cost to MTS	\$424,746

History of Discussions with National City Regarding the Future of National City Transit

In the spring of 2005, the COA project team suggested that transfer of National City Transit routes to MTS Contract Services could result in substantial cost savings for the agency. For the first time, National City Transit also submitted \$120,000 in City administrative overhead charges as part of its Fiscal Year 2006 budget. In April 2005, the MTS Budget Committee asked the CEO to examine National City Transit costs and operations. Informal discussions with the City's MTS Board member were held in late spring of 2005 to discuss inefficiencies in the McDonald arrangement and the potential cost savings that could be achieved if MTS operated the services. An understanding was expressed by both sides that the savings could result in substantial reinvestment in bus service in the City.

Dialogue between the City and MTS continued through 2005 and culminated in the preparation of a detailed analysis (Attachment B), which was formally submitted to the City under cover of a letter to the City's former MTS Board member in early March 2006. In April 2006, a meeting to discuss the potential transfer of operations to MTS Contract Services was held between MTS staff, the MTS Chairman, and representatives from City staff and Council. At that meeting, the reinvestment of the cost savings was again discussed. A full detailing of communications and events in 2005 and 2006 is attached (Attachment C).

In early July 2006, MTS and City representatives met again to discuss the consolidation of National City Transit with MTS operations. The City representatives indicated that they needed to show the City Council that the City was benefiting from the change. They dismissed the increased service proposed by the COA as inadequate incentive for the consolidation since they saw this as something that the City was already going to receive because of the COA. The City Council representatives proposed that MTS purchase the property at 522 West 8th Street to allow movement of the transit center to that location. The rationale expressed was that the money that the City would receive for the property, along with the enhanced transit center on the new site, would be incentive for the City Council to approve the consolidation of National City Transit and the cancellation of the contractual relationship with McDonald. All parties agreed to analyze the feasibility of MTS's purchase of the property. The City's representatives asked MTS to return with an offer while, at the same time, the City would seek an appraisal for the property. MTS representatives indicated that they would have to return to the Executive Committee and Board prior to making any response to the City's request.

MTS staff researched the value of the property at 522 West 8th Street, the history of the original purchase by the City, and the potential benefits to transit service that could be derived from acquisition. As discussed in the July 2006 meeting with the City representatives, MTS staff met with the Executive Committee and Board in August. The Chairman and CEO met with City representatives on August 22, 2006, and reiterated the Board's direction in a letter dated September 7 (Attachment D). MTS emphasized its commitment to service to the City, its desire to implement the service improvements recommended by the COA, and its hope that representatives of the City would assist in completing an orderly transfer so as not to disrupt service for residents in the community. In addition, it was made clear that the Board considered the purchase and improvement of 522 West 8th Street as a separate issue from the transfer of operations of bus service in the City; however, MTS expressed its willingness to discuss potential development of the site for a new rail station and transit center. During these

discussions, and in separate meetings held at the request of union officials, assurances were made that as a result of the transfer, National City Transit employees would have comparable employment with MTS or its contractor.

Conclusion

While National City Transit may be justly proud of the efficiency of its operation in terms of its impressive farebox recovery ratio, there are unnecessary expenses in its operating budget that cannot be ignored. Transfer of operations to MTS Contract Services would permit MTS to deliver more service to the community at a lower cost to the taxpaying public. The expeditious transfer of operational responsibility to MTS would advance the Board's overall goal of creating a sustainable transit system for the region.



Paul C. Jablonski
Chief Executive Officer

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

NOV16-06.30.NCT.SCOONEY

- Attachments:
- A. National City Transit Service Area Summary
 - B. Whitepaper: *"Proposed Consolidation of National City Transit with MTS Contract Services"* prepared February 2006
 - C. Chronology of Events Concerning National City Transit
 - D. Letter to National City Mayor Nick Inzunza

SERVICE AREA SUMMARY

SERVICE AREA

NATIONAL CITY

JURISDICTIONS/AREAS SERVED

- City of National City

ROUTES SERVING AREA

- 13 (Kaiser Hospital/Mission Valley – 24th St. Trolley Station via Grantville Trolley, Fairmont Ave., Euclid Trolley & 18th St.)
- 929 (Downtown – San Ysidro via Main, Highland and 3rd Aves)
- 932 (8th St Trolley – San Ysidro via Broadway & Beyer Blvd.)
- 955 (8th St Trolley – SDSU via 54th St.)
- 961 (24th St. Trolley – 62nd/Encanto Trolley Station via Plaza Bonita, Woodman, & E. 30th St.)
- 962 (8th St. Trolley – Spring Valley via Plaza Blvd, Alleghany St., Paradise Valley Road)
- 963 (8th St Trolley – Plaza Bonita via Plaza Blvd, Euclid Ave.)
- 967 (24th St Trolley – Munda Rd/Oriskany Rd via D Ave, 4th St.)
- 968 (24th St Trolley – Division St/Ava St via D Ave, Division St.)

SUMMARY OF CHANGES

- Increases span of service in National City at nights and on weekends
 - Weekdays: **13** (5:14a-11:48p), **961** (5:19a-9:10p), **962** (5:23a-10:24p), **963** (5:23a-9:54p), **967** (5:36a-8:53p), **968** (5:10a-8:25p)
 - Weekends: **13** (5:46a-11:18p), **961** (7:07a-7:09p), **962** (6:20a-7:05p), **963** (No Service), **967** (7:14a-7:00p), **968** (7:43a-7:25p)
- Provides high-frequency service along major corridors with direct connections to/from major regional transfer hubs to/from National City – direct service to Mission Valley, SDSU, Downtown SD, and San Ysidro Port of Entry.
- Provides high-frequency, streamlined service on major north/south/east/west corridors connecting Blue, Orange, and Green Line trolleys, 24th St Trolley, 8th St Trolley, Euclid Trolley, Plaza Bonita, 62nd/Encanto Trolley, and Spring Valley. (Routes 013, 929, 932, 955, 961a – all 15-minute frequencies.)
- Extends regional east/west service to Spring Valley Shopping Center. New local service to 8th Street Trolley Station. All proposed routes provide bidirectional service vs. current one-directional looping services.
- Minor service coverage lost with minimal ridership impacts
 - J St and L St (602)
 - Euclid Ave between 20th and 24th (603)
 - 16th Street (962)

Whitepaper

PROPOSED CONSOLIDATION OF NATIONAL CITY TRANSIT WITH THE METROPOLITAN TRANSIT SYSTEM CONTRACT SERVICES

February, 2006

Summary

In its effort to create a sustainable transit system for the region, the Metropolitan Transit System (MTS) is evaluating all possible ways to make the system run more efficiently. We examined the operations of transit in National City as part of this system-wide analysis. The conclusion is that the City of National City and MTS will achieve significant efficiencies and cost savings if MTS assumes operations currently managed by McDonald Transit Associates/Bayshore Transit Management (National City Transit). MTS would realize an annual savings of \$446,000- \$489,000. This cost savings will free up capital which would allow MTS to provide enhanced service to the City's transit customers. MTS should work with the City of National City immediately to initiate the consolidation.

Background

National City Transit operates 14 buses on three bus routes (#601, 602 and 603) in the City of National City. The City, through a number of actions, has contracted with Texas-based McDonald Transit Associates, Inc. (McDT) to provide transit services under the National City Transit umbrella since 1979. In 1997, the City added California-based Bayshore Transit Management, Inc. (BTM) to the contract. BTM was incorporated locally by McDT to act as the employer of National City-based transit employees, while McDT continues to employ the Resident Manager.

The 1997 "Contract to Establish and Operate Transit Service" established the guidelines for the operating agreement that is in force today. Under this contract, the cost of operating the system, and compensation paid to McDT for operating the system, were controlled through a City-approved budget. The service was to be funded entirely through state Transportation Development Act (TDA) funding and fare revenue. As part of the agreement, McDT furnishes fidelity and surety bonds for its employees, and BTM indemnifies and provides insurance coverage for liability to the City arising from the performance of the contract by McDT or BTM. In that contract, the City agreed to

furnish, either in kind or through cost reimbursement, all offices, office furniture, equipment, materials, supplies, revenue vehicles, supervisory vehicles, bus maintenance and storage facilities, and equipment needed to operate the system. The City had been the direct recipient of TDA funds when this contract was approved; MTS is now the direct recipient.

The budget for National City Transit is approved by the MTS Board of Directors each fiscal year. Fare and other revenue is used to offset the cost of operating the system, with TDA funds subsidizing the difference. The City, through National City Transit, added an additional overhead charge for the first time in Fiscal Year 2006. \$90,000 has been budgeted in the "Professional Services" line in the National City Transit budget for payment to the City. Next year, that cost is expected to rise to \$120,000, and \$150,000 in the third year. This cost covers such activities as legal counsel and administration, functions the City has indicated that it performs on behalf of National City Transit. The City proposed the increase in payments because it is not fully recovering the cost of administrative services to National City Transit. This overhead charge is in addition to other budgetary lines for administrative functions such as auditing.

The initial term of the contract was five years. Incorporated into the contract was the authorization granted to McDT, the contractor, to unilaterally exercise options to extend the contract for successive five-year terms. McDT submitted a letter of Election to Extend in 2002, effectively continuing the contract for five more years. The City may terminate the contract at any time if TDA funding is eliminated or reduced, and for convenience upon one year's notice.

In 1997, the City and McDT/BTM also entered into the "Maintenance and Operating Agreement", which set out the respective rights and responsibilities of the parties in the use of the City-owned facility at 522 West 8th Street. The facility was purchased and improved with TDA funds, and there is no requirement that the City must use the facility for transit purposes. This "Maintenance and Operating Agreement" is linked to the "Contract to Establish and Operate Transit Service" and will terminate immediately if that contract is terminated. McDT agreed to pay the City \$84,000 in its first year for the use of the facility, with escalators based on the greater of 5% or the Consumer Price Index. In Fiscal Year 2006, the National City Transit Budget included an annual General and Administrative rent cost of \$130,311. As with all other aspects of the National City Transit Budget, this lease payment is paid for by MTS from TDA funds.

Proposal: Consolidation of National City Transit With MTS Contract Services

In evaluating transit operations in the National City Transit service area, MTS has determined that significant efficiencies and cost-savings could be achieved by operating this service under MTS, as part of our Contract Services. Table 1 provides a comparison of the current cost to operate the existing bus routes, and the estimated costs that would be achieved by consolidating operations through MTS Contract Services. The Fiscal Year 2006 budget for National City Transit is \$3,021,000. The net operating subsidy is

projected to be \$1,720,000. If operations were consolidated with MTS' current contract services, it is estimated that operating expenses could be cut to \$2,532,000, with a subsidy reduction to \$1,231,000. An analysis of the two scenarios for operation of the system as it exists today demonstrates that an annual savings of \$446,000- \$489,000 could be achieved through consolidation. Much of this savings would be realized by eliminating redundancies in overhead and administrative costs. Support services such as legal counsel, auditing and risk management are already being handled at MTS for its other service areas, and the additional responsibilities for the three National City bus routes could easily be absorbed at a cost savings.

Table 1
San Diego Metropolitan Transit System versus National City Transit
Operating Comparison Summary

	National City Current Budget	Consolidating Operations/ Contracted Operations	Consolidating Operations/ Contracted Operations	Favorable/ (Unfavorable) Variances	Favorable/ (Unfavorable) Variances
		High	Low	High	Low
Operating Revenue	1,301,000	1,301,000	1,301,000	--	--
Operating Expenses					
Personnel/Outside Services/Materials & Supplies	2,131,000	80,000	89,000	2,051,000	2,042,000
Purchased Transportation	0	2,097,000	2,129,000	(2,097,000)	(2,129,000)
Energy	339,000	339,000	339,000	0	0
Risk Management/ G&A	551,000	16,000	18,000	535,000	533,000
Total Operating Expenses	3,021,000	2,532,000	2,575,000	489,000	446,000
Net Operating Subsidy	(1,720,000)	(1,231,000)	(1,274,000)	489,000	446,000

As part of this consolidation, MTS would guarantee all operating personnel in good standing currently employed by BTM employment with MTS or its contractor. While it would be preferable to implement the consolidation immediately, McDT/BTM could be provided a year's notice for termination of the existing agreement. The intention of this consolidation is to create system efficiencies that will result in cost savings, and to do so without jeopardizing the current good will amongst employees, the contractor, and the City.

This proposed consolidation would relieve MTS from the administrative fees that it is currently paying to the City of National City for various administrative services being provided to McDT/BTM. In Fiscal year 2006, that fee was \$90,000, a figure that will jump to \$120,000 next year, and \$150,000 in the third year. The City requested that MTS pay this fee because it provides legal counsel and other administrative services to McDT/BTM. With the proposed consolidation, MTS could easily absorb the additional administrative and legal functions, and relieve the City of its responsibilities. Thus, redundancies would be eliminated, and the cost savings could be used for providing better service to the City's customers.

Route Changes and Service Enhancements: A Positive Byproduct of Consolidation

A primary benefit to the City of National City with consolidation of transit services under MTS would be the ability to use the cost-savings to implement various service enhancements. MTS is currently working on a system-wide analysis of transit operations, called the Comprehensive Operational Analysis (COA). The COA is intended to achieve a number of desirable impacts. First, it will help the entire system to achieve financial sustainability, through the optimization of bus and trolley operations, the reduction or elimination of unproductive and duplicative services, and an increase in ridership associated with making the system more attractive and effective. Second, the COA will reconnect our markets with the services provided. The COA will provide a detailed analysis of what is working, and what is not, will identify markets that can and should be served, will make the system responsive to the current mobility needs of our markets, and will provide the types and levels of service that our markets want and need.

The COA was precipitated by a systemic and significant decline in ridership beginning in Fiscal Year 2001, despite increases in service hours. What MTS found was that its services were misaligned with changes in travel demand and market characteristics. Existing service is focused on serving established employment and residential areas, yet transit customers are increasingly varying their areas of employment. Employment in the MTS service area is changing in terms of geography and industry. In addition, the residential population is increasingly suburban. It has become difficult for transit to compete as other modes of transportation become more attractive and transit is misaligned with market needs and wants. The COA proposes to realign the system with rider needs and wants, while focusing resources on the most productive routes and markets.

The City of National City is one of the strongest markets in the MTS service area, and the COA as currently envisioned has identified various service enhancements that could increase the success of transit in the City. With a minimal loss of bus stop coverage, the COA could increase the span of service in National City, provide weekend service, increase the frequency on most routes from 30 minutes to every 15 minutes, and increase the connection to trolley and bus routes in adjacent cities. Attachment 1 shows the increase in the number of hours and miles of service that National City could achieve

under the COA's proposed route changes. Existing service to National City, both within and outside of the City, provides 2,820,267 miles of service annually. Under the COA, that would increase to 3,965,260 miles, almost a 41% increase in service miles.

In the City of National City, the COA would establish a frequent grid network with 15 minute or better base frequencies. It would expand service at night and on weekends within the City. It would provide high frequency and direct connections from National City to major regional transfer hubs, with direct service to Mission Valley, San Diego State University, and Downtown San Diego. It would provide high frequency service on major north/south corridors connecting Blue, Orange and Green Line trolleys along Euclid Avenue, Fairmont Avenue, and 54th Street. All of these corridors, which are served by Routes 013, 929, 932 and 955 under the draft proposal, would experience 15 minute frequencies. Bus routing would be streamlined and duplicative service would be rerouted, in order to provide more direct, and therefore quicker, service to destinations and transportation hubs. Regional east/west service would be provided to Spring Valley Shopping Center. Few riders would be impacted by the minor service coverage that would be lost, in comparison to the many riders who would benefit from faster, more frequent service. In addition, riders would be able to access areas outside of National City more easily, especially significant employment centers. (See Attachment 2 for full Summary of COA proposed changes.)

Service enhancements such as those envisioned for National City as part of the COA come at a price. The cost-savings that the MTS system could achieve through consolidating National City Transit under MTS would go a long way toward offsetting that cost. If the COA is implemented as proposed, the new streamlined routes with greater connectivity outside of National City would make it even more difficult to justify the existence of a separate National City Transit agency.

Conclusion: Next Steps

A separate operator for transit service in National City is inefficient and runs counter to the MTS Board of Directors' desire to achieve a more efficient and sustainable transit system. Consolidating routes in National City under MTS would result in nearly a half million dollar annual savings. The money saved could be reinvested into the system, to be used for enhancements such as those envisioned by the Comprehensive Operational Analysis. In addition to better service for National City customers, this action would provide other benefits to the City itself, such as relief from handling administrative responsibilities.

Under one scenario, the MTS Board of Directors could act unilaterally to cease funding National City Transit. MTS funds the National City Transit budget from TDA funds, and the MTS Board has the final authority to decide whether or not to fund that budget. Under the City's agreement with McDT/BTM, the contract may be cancelled at any time if TDA funds are reduced or eliminated. If the MTS Board determined that it would reduce or eliminate funding to maintain National City Transit service, then the decision to

PROPOSAL: NATIONAL CITY TRANSIT

terminate the agreement with McDT/BTM would rest with the City. The City could terminate its contract immediately. The City could then request that MTS contract services provide service within its limits, a decision that would rest with the MTS Board.

Under a second scenario, the City could choose to provide a year's notice of cancellation to McDT/BTM, as a first step toward consolidating National City services under MTS contract services. Under this scenario, MTS, with Board approval, could work with McDT/BTM to transition National City bus services.

MTS should contact policymakers in the City of National City to present the proposed consolidation of transit services, and to gather feedback.

Chronology of Events Concerning National City Transit

2005

- Spring Comprehensive Operational Analysis (COA) project team identifies consolidation of National City Transit (NCT) as a potential cost savings measure. NCT includes \$120,000 in City administrative overhead charges as part of its FY 2006 budget submission. MTS Budget Committee asks CEO to investigate NCT costs and operations. Staff begins evaluation of folding National City operations into South Bay contract operations and estimates \$500,000 annual savings.
- Late Spring CEO meets with National City Board member and discusses potential savings and opportunity to reinvest in service.
- September McDonald Transit General Manager submits a CIP item to relocate NCT operations from current site to a proposed new joint public works site so that National City can develop the current NCT site for private development.
- October 13 MTS staff meets with National City Board member to discuss service improvements to National City as part of the COA plan and potential transfer of operations to MTS.
- November 6 Staff begins drafting "white paper" with detailed analysis of NCT costs, budget, and management contract terms. Detailed cost savings confirmed.

2006

- January 12 A new National City Board appointee is identified.
- January 13 Outgoing Board member indicates that MTS should continue to work with him on this issue and that he would brief the new Board member.
- February 7 New MTS Board member appointed by National City.
- March 3 MTS prepares letter, attaches "white paper," and hand delivers to outgoing National City Board member.
- March MTS Board holds public hearings and adopts COA plan. Analysis shows that National City could receive estimated 40% increase in service.
- March MTS CEO and General Counsel receive telephone calls regarding the proposal from a National City management representative who expresses concern, claims MTS's actions are an "act of war," and indicates legal action will be forthcoming.
- April 5 MTS Budget Committee briefed on National City Transit expenses as part of FY 2007 budget process.
- April 19 MTS Chairman of the Board, CEO, and staff meet with previous and present National City MTS Board members and National City staff to discuss the transfer. National City representatives are open to the idea of the transfer so long as they see positives for the City, such as the improved service. City staff expresses concern that the revenue from MTS is already budgeted, and its loss could pose a problem if the City's sales tax does not pass. MTS staff explains that the administrative assistance would cease thereby

2006 Continued

removing the need for the revenue. National City representatives ask MTS to wait until after June to move ahead.

- July 1 MTS Chairman of the Board, CEO, and staff meet with previous and present National City MTS Board members and National City staff to discuss the transfer of service. The National City group identifies itself as the designated committee to negotiate on this issue. After dismissing enhanced service as enough to convince the Council to accept transfer of service operations to MTS, City representatives ask MTS to make an offer to obtain ownership of the property for use as an expanded and enhanced transit center for city residents. City staff offers to assist in finding a fair market appraisal of the property. MTS agrees to study and discuss an offer with the Executive Committee in August.
- July, August Staff researches the site with the assistance of National City staff, and finds that it was purchased and improved from 1995-1997. TDA claims and audits filed at the San Diego Association of Governments (SANDAG) indicate that state Transportation Development Act was the source of funding. Former owner of site confirms approximate purchase price.
- August 3 Closed session with Executive Committee.
- August 10 Closed session with Board of Directors.
- August 22 MTS CEO and Chairman meet with National City representatives. Chairman explains that transfer to MTS Contract Services and implementation of the COA recommendations for expanded service in National City will occur in January 2006. He also explains that, while MTS is not willing to pay National City for the land that was purchased with TDA funds, MTS will consider investing in the requested transit facility at the site. National City representatives expressed anger at the prospect of MTS eliminating funding to National City. MTS staff proposes the creation of a Transition Group to ensure that the transfer does not result in service disruptions. The Transition Group could also handle other related issues, such as transition costs.
- September 7 MTS Chairman signs letter to National City detailing offer to National City.
- September FY 2006 Triennial Review by the Federal Transit Administration (FTA). Recommended that MTS develop and implement procedures to ensure that the City of National City complies with applicable requirements. Additional oversight of National City Transit operations will be required to comply.
- October 26 MTS receives letter from National City alleging Brown Act violations.
- October 27 National City's MTS Board Member reads letter into the record at SANDAG Board of Directors meeting asking that SANDAG hold a hearing to begin considering SANDAG takeover of operations from the transit agencies.



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

September 7, 2006

ADM 110.1, OPS 930

Honorable Nick Inzunza
Mayor
City of National City
1243 National City Blvd.
National City, CA 91950

Re: National City Transit and the Facility at 522 West 8th Street

Dear Mayor Inzunza:

The City of National City has been a valued partner in providing transit service to the community for decades. As MTS has grown and changed, your City has supported efforts to create a sustainable transit system despite constrained funding. National City is one of the best transit markets in the region, and as such, deserves to benefit from any improvements that MTS can supply. With these things in mind, I have been authorized to bring the City Council the following outline of MTS plans for transit in National City.

522 West 8th Street

At the request of Councilmembers Zarate and Morrison, the MTS Board of Directors has considered the potential transfer of the National City Transit Bus Maintenance Facility at 522 West 8th Street to MTS for use as a transit center. While MTS's current transit center location is adequate for current demand and for proposed increases in service under the Comprehensive Operational Analysis (COA), the 2.4-acre site on 8th Street is at the heart of the City's redevelopment area, and therefore could become a site for potential growth in transit services in the future. While a new transit facility is not included in the approved Capital Improvement Program or MTS's 10-year funding projections, this does not preclude the potential for use of the site in the more distant future. Therefore, MTS is prepared to discuss the future of the site with the City. As the property was purchased with Transportation Development Act (TDA) funds designated for transit projects, the Board supports the continued use of the property for transit purposes. We are ready to discuss transferring the property from National City Transit to MTS and to invest the capital required to develop a high quality rail station and transit center facility. We will work with the City to come to a mutually satisfactory agreement.

National City Transit and Service in the City

As I have discussed with Councilmembers Zarate and Morrison, MTS has reviewed transit service to National City, and has concluded that considerable efficiencies and better service for National City customers would result from consolidation of National City Transit routes under MTS Contract Services. This recommendation is consistent with changes in other cities made as a result of the COA. Therefore, the Board of Directors has authorized me to notify the City Council that in order to realize these efficiencies and service improvements, the agency plans to discontinue funding for National City Transit-provided services effective January 28, 2007. New service under the COA implementation will be operated by MTS Contract Services within the City.

This change will benefit National City in several ways. With consolidation, the City will be relieved of administrative responsibilities that it has fulfilled since it first contracted with McDonald Transit to operate the 12-bus system. Last year, the City included in its budget request a substantial overhead fee to cover its administrative costs, and indicated that that fee would need to be raised each year to eventually pay for what the City was actually spending. With consolidation, this drain on the City's General Fund will be eliminated.

In addition, by moving operations under MTS Contracted Services and realizing at least a \$450,000 annual operating savings, MTS will be able to implement the **41% increase** in service to National City that was envisioned in the COA. With implementation of the COA, all service in National City will connect to routes outside the City to achieve a more integrated service network to get National City residents where they want to go faster. Annual route miles connecting to National City will increase from the current 2.8 million miles to nearly 4 million miles. The COA plan will establish a frequent grid network with 15 minute or better base frequencies, and will expand service at night and on weekends within the City. It will provide high frequency and direct connections from National City to major regional transfer hubs, with direct service to Mission Valley, San Diego State University, and Downtown San Diego. It will also provide high frequency service on major north/south corridors connecting Blue, Orange and Green Line trolleys along Euclid Avenue, Fairmont Avenue, and 54th Street. All of these corridors, which are served by Routes 013, 929, 932 and 955 under the draft proposal, will experience 15 minute frequencies. Bus routing will be streamlined and duplicative service will be rerouted, in order to provide more direct, and therefore quicker, service to destinations and transportation hubs. Regional east/west service will be provided to Spring Valley Shopping Center. Under the new service routing, the City's contract with National City Transit will no longer be needed, since the routes will join to those currently serviced by other MTS contracts.

MTS is seeking the City's support and assistance in completing the transition without disruption to customer service in National City. This collaboration will likely have associated costs, and MTS will work with the City to help meet these financial responsibilities. MTS is also committed to finding employment for all National City Transit personnel, with the exception of those employed by McDonald Transit. We realize that some costs will be incurred for a short time following the transfer of service operations from National City Transit to MTS. MTS will cover, as we do currently, all costs associated with the shutdown of the facility.

I would like to suggest that the City and MTS convene a transition team with staffs from the respective agencies as soon as possible. The transition team will coordinate the transfer of the MTS-owned vehicles from National City Transit, the amendment to the MTS budget to reflect the transfer, and necessary personnel-related actions.

The creation of a more sustainable transit operation will have greater long-term benefits for National City residents and businesses, and will surely enhance your Council's plans for National City's bright future. We look forward to working with you to enhance public transportation in your city.

Sincerely,



Harry Mathis
Chairman

c: National City City Council
MTS Board of Directors

Transferring Operational Responsibility for National City Transit Service

Board of Directors
Special Meeting
November 16, 2006



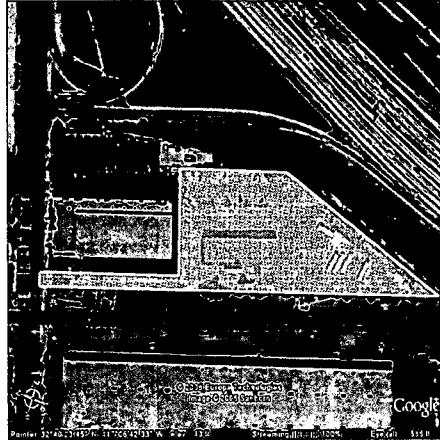
National City Transit

- Operates 9 buses with 5 spares
- 3 Routes: 601, 602, 603
- National City has had a management contract with McDonald Transit since 1979
- Operating subsidy is provided by MTS
- Excellent farebox recovery, good customer service



Bus Maintenance Facility

- Operates out of 522 West 8th Street property
- Purchased by the City in 1995, TDA funded
- No CNG Infrastructure



National City Transit's Relationship with MTS

- Budget approved by MTS Board as part of annual budget process
- National City Transit submits requests to MTS for CIP projects
- All funding provided by MTS
- MTS responsible to FTA for oversight of operations and federal regulations; i.e., ADA compliance, federal drug and alcohol testing, etc.
- MTS-owned fleet
- No contract between MTS and McDonald Transit



Rationale for Reviewing National City Transit's Operating Budget

- Looking for efficiencies; attempting to deliver more service at less cost for the taxpaying public
- Part of a complete analysis of the system
- Not just route changes ...
 - Operating rules changes
 - Drivers' bidding analysis
 - Running time/rostering analysis
 - Re-packaged, consolidated private sector service delivery
 - Management restructuring



Chronology

Spring 2005

- Comprehensive Operational Analysis (COA) underway: suggests cost savings with transfer of National City service to MTS
- MTS Budget Committee briefed on National City Transit operating budget
- Initial discussion with National City Board member



Through February 2006

- Completed detailed analysis on National City Transit contract/provisions/costs
- Conclusions
 - Could realize significant savings of at least \$450,000 per year
 - Could eliminate redundancies in administration
 - Could free maintenance facility property for other use by National City
 - Could absorb operation and maintenance into existing MTS facilities



Comparison of Cost to Provide Current Level of Service

(based on 2006 operating plan)

McDonald Transit	\$3,021,000
MTS/Contract Services	\$2,455,800
Net Savings	<hr/> \$565,200



4 Factors that Increase the Cost to Provide Service Under National City Transit

1. McDonald Transit Management fee:
\$157,916 in FY 2007
2. Property rental fee charged by City:
\$136,830 in FY 2007
3. Overhead fee charged by City:
\$130,000 in FY 2007
4. Additional cost savings: \$140,454



March 2006: Board Approval of COA

41 % increase in service identified for National City

- More direct service to regional destinations and transfer points
 - Direct access to 5 trolley stations compared to 2
 - Direct local service access to 8th Street Trolley Station
 - Extended east/west service to Spring Valley Shopping Center
- Bidirectional service versus current looping service means quicker trips
- Increased span of service in National City at nights and on weekends
 - More service after 9 p.m. and prior to 6 a.m.
- High-frequency service along major corridors with direct connections to major regional transfer hubs
 - Direct service to Mission Valley, SDSU, Downtown San Diego, and San Ysidro



Existing 15-/30-Min CORE Frequency Grid



Improved 15-Min CORE Frequency Grid



Chronology (cont'd)

April-July 2006

Discussions with City of National City

August 2006

Board Meeting to discuss real property request of National City

September 2006

Letter to National City

November 2006

Return to Board at request of National City



Benefits of the Transfer

- Better service at lower cost
- Savings of \$560,000 per year under new contract
- Less MTS oversight requirements
- 41% increase in service to National City residents; better integration with the broader system
- Construction of CNG infrastructure unnecessary
- Can run clean-air vehicles in National City within next couple of years
- Streamlined delivery of service
- Frees a property asset to National City for other use
- Creates potential for MTS investment in a major transit center
- National City Transit employees' jobs will be protected



Next Steps

- Transition team
- Implementation of COA in January
- Bringing employees on with equal or better pay
- Transition of fleet





AGENDA ITEM NO.

30

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

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

1. INSTRUCTIONS

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Date 11/16Name (PLEASE PRINT) Ron Morrison

Address _____

Telephone _____

Organization Represented (if any) _____

Subject of your remarks: _____

Agenda Item Number on which you request to speak _____

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

☐**2. TESTIMONY AT NOTICED PUBLIC HEARINGS**

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

3. DISCUSSION OF AGENDA ITEMS

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

4. GENERAL PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA

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AGENDA ITEM NO.

30

REQUEST TO SPEAK FORM

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82

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Date 11/16/06Name (PLEASE PRINT) JOHN Webster SRAddress 387 Windjammer Circle Chula VistaTelephone 619-656-8502Organization Represented (if any) NATIONAL CITY TRANSITSubject of your remarks: Proposed ActionsAgenda Item Number on which you request to speak 30

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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AGENDA ITEM NO.

30

REQUEST TO SPEAK FORM

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Date Nov 16
Name (PLEASE PRINT) Kevin Kane
Address 8835 5th Box
Victorville, CA 92395
Telephone 760-955-9714
Organization Represented (if any) National City Transit

Subject of your remarks: Procedures used to make decision
to transfer operational responsibility to MTS

Agenda Item Number on which you request to speak 30

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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AGENDA ITEM NO.

30

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Date 11/16/06Name (PLEASE PRINT) ROBERT BATHBITTAddress 4500 MERCANTILE PLAZAFORT WORTH TXTelephone 817-721-9554Organization Represented (if any) McDonald / National City TransitSubject of your remarks: Agenda #30Agenda Item Number on which you request to speak Agenda #30Your comments are presenting a position of: SUPPORT ☐ OPPOSITION ☒**2. TESTIMONY AT NOTICED PUBLIC HEARINGS**

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AGENDA ITEM NO.

30

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

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Date 11/16/02Name (PLEASE PRINT) Steve AlcornAddress 10883 S-D Mission Rd #208Telephone 612-563-1309Organization Represented (if any) SAN DIEGO BUS DRIVERS UNION
LOCAL 1309Subject of your remarks: #30Agenda Item Number on which you request to speak #30

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

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No Show

AGENDA ITEM NO.

30

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

7

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Date 2006-11-16
Name (PLEASE PRINT) Clive Richard
Address 5153 La Dorna St
San Diego CA 92115-1530
Telephone 619.582.4036
Organization Represented (if any) _____

Subject of your remarks: Strong support for staff
recommendations.

Agenda Item Number on which you request to speak _____

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

☐

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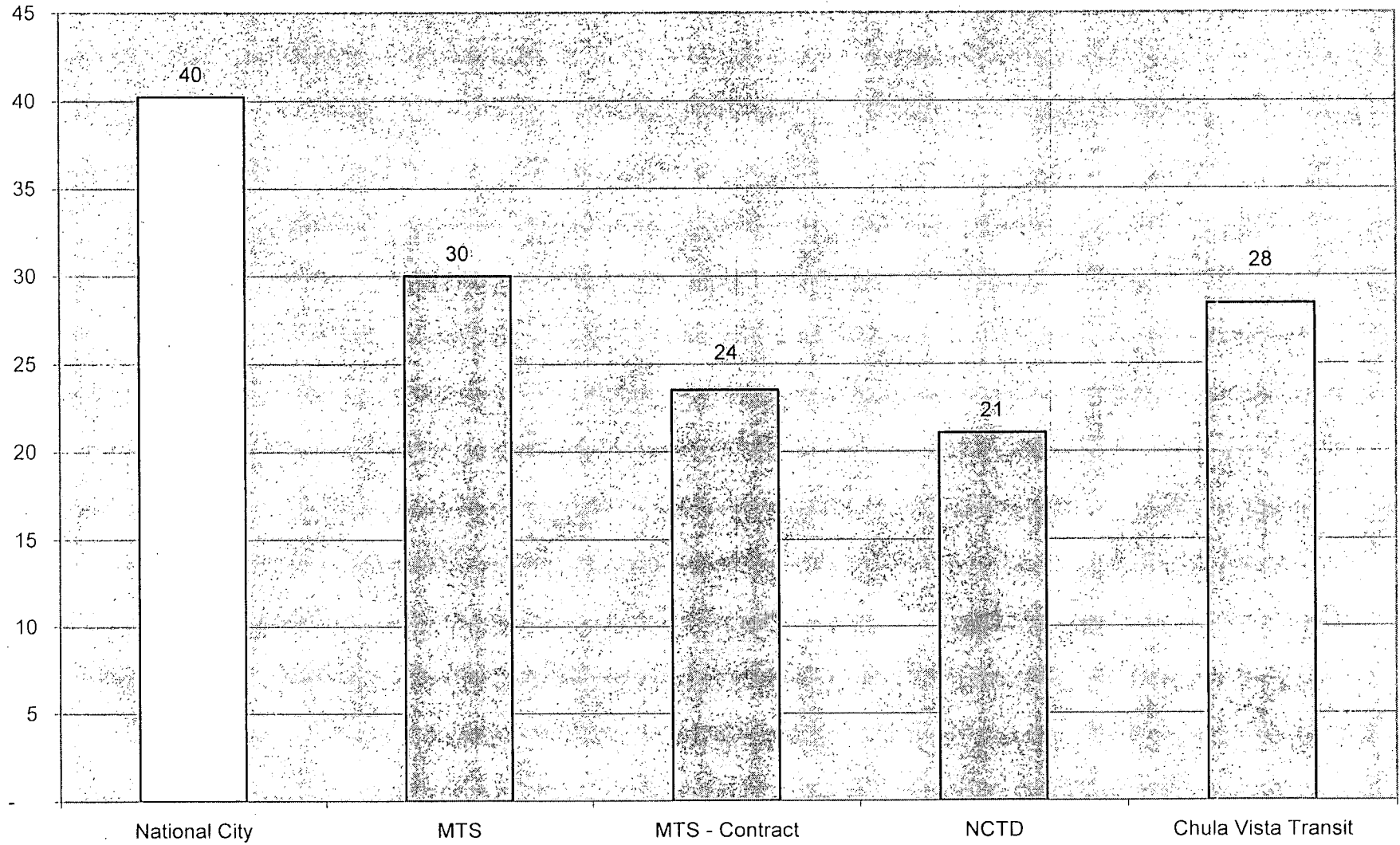
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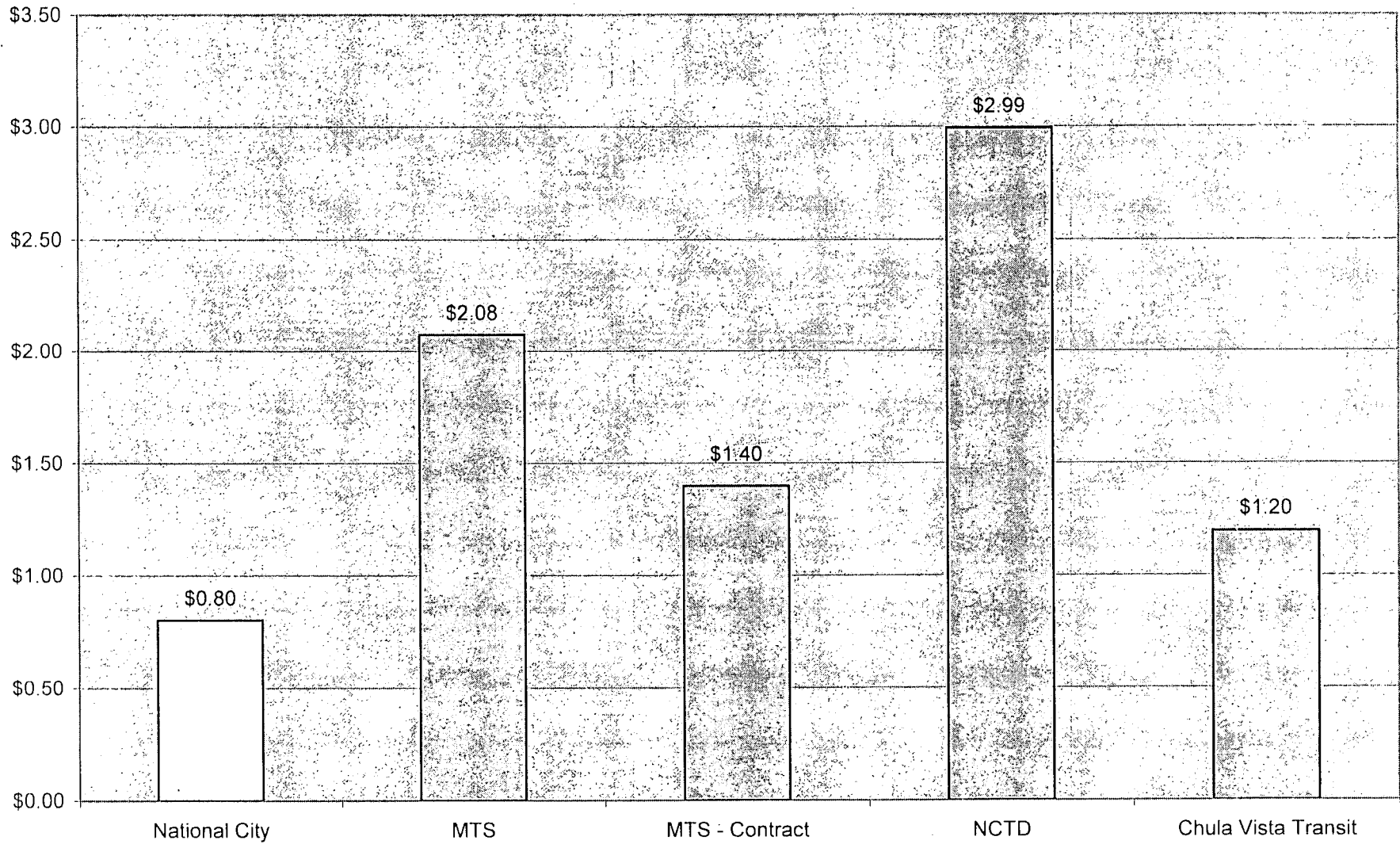
****REMEMBER: Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.****



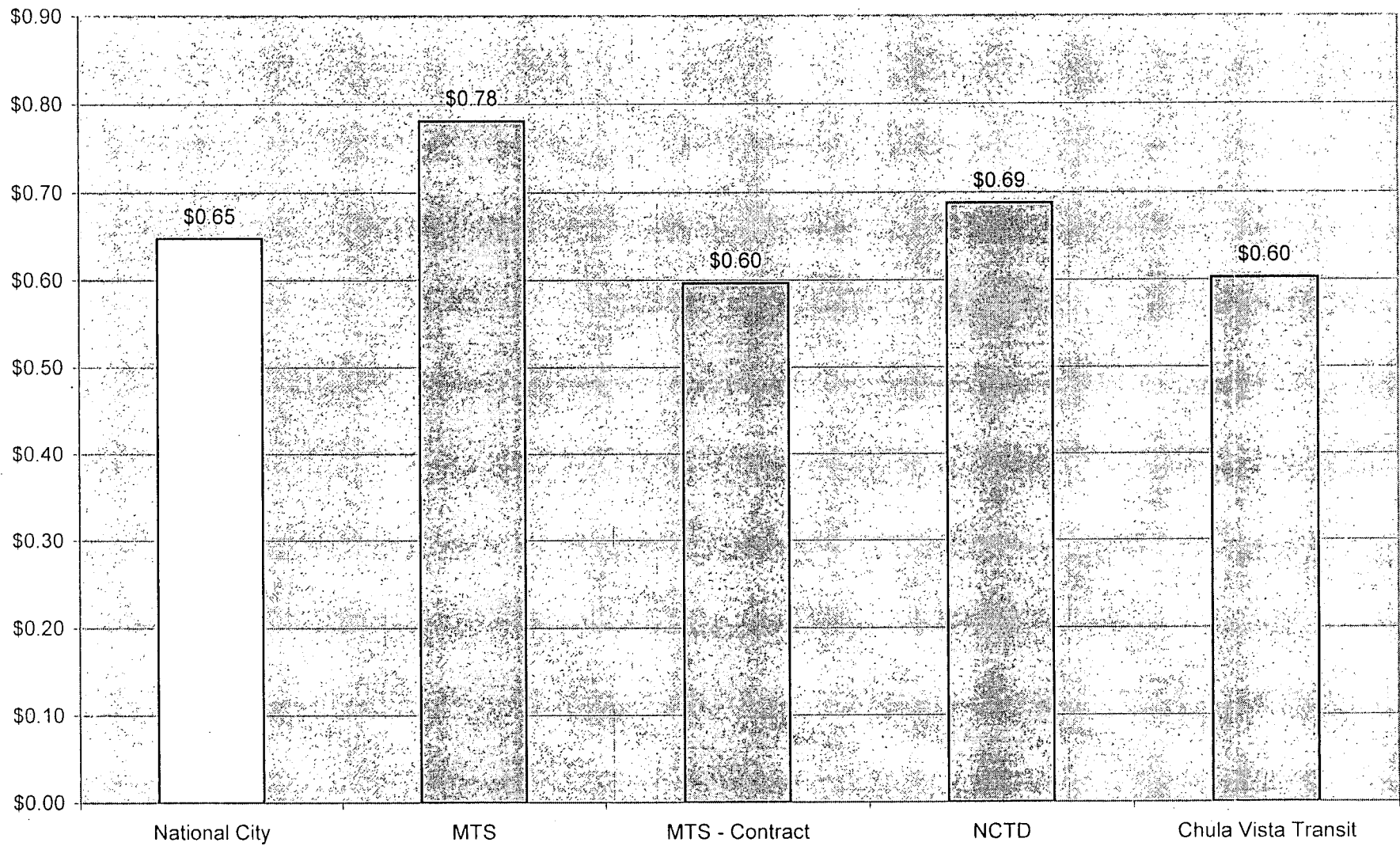
Riders per Revenue Hour



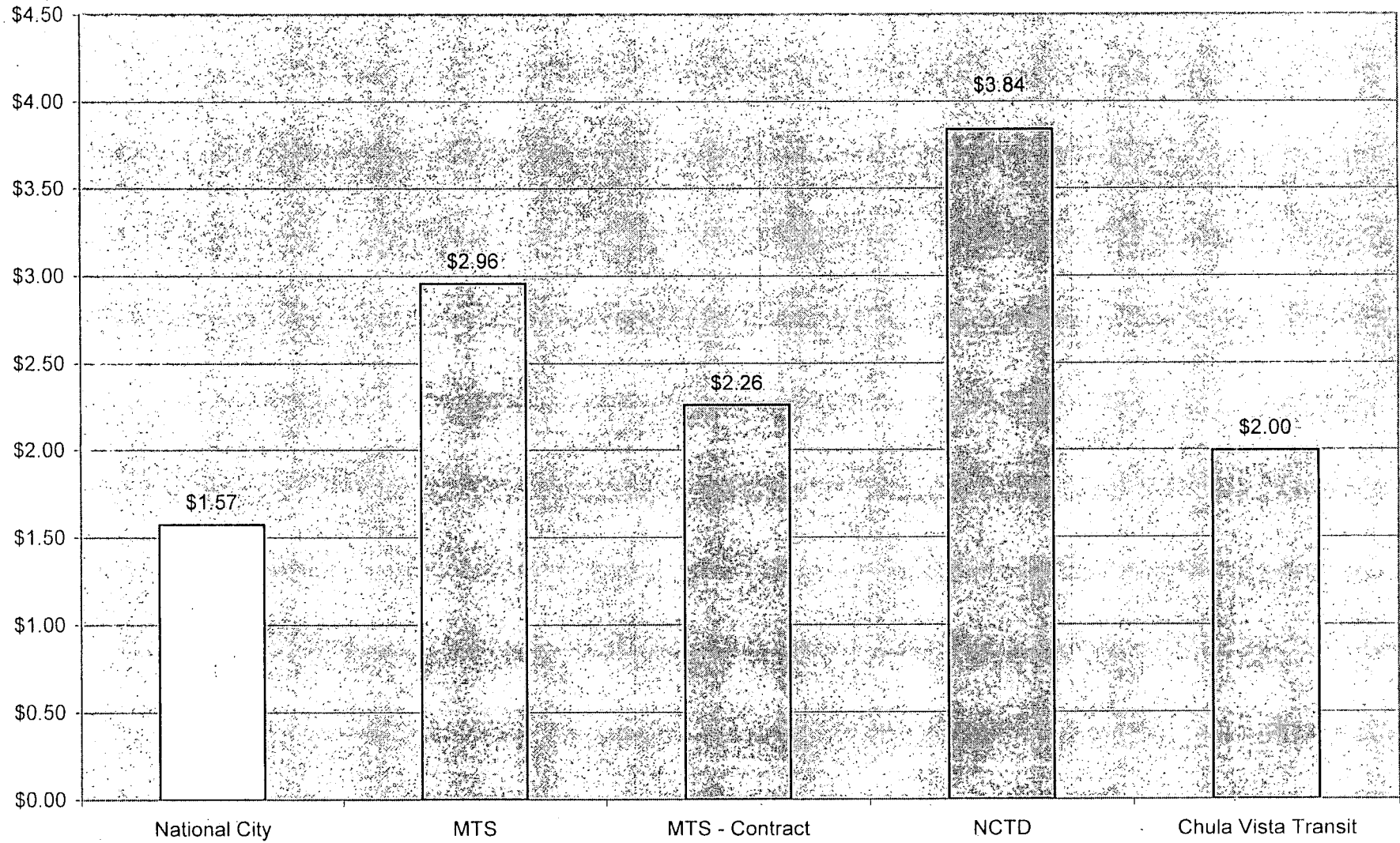
Subsidy per Trip



Cost per Passenger Mile



Cost per Trip



Cost per Revenue Hour

